



**ENTREPRENEURIAL ORIENTATION AND IT'S EFFECTS ON  
MICRO, SMALL AND MEDIUM ENTERPRISES (MSME's) BUSINESS  
PERFORMANCE IN LUSAKA DISTRICT**

**By**

**Malama Chola Chota**

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Fulfillment of the Requirements for the Award of Master of Business  
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Signature.....

Malama Chota

(Candidate)

Dated this ..... day of .....2020

Signature.....

Charles Muwe Mungule

(Supervisor)

University of Zambia

Dated this ..... day of .....2020

## CERTIFICATE OF APPROVAL

This dissertation by **Malama Chota** is approved as fulfilling part of the requirements for the award of the degree of Master of Business Administration (Finance) by the Graduate School of Business University of Zambia

Names of Examiner:	Signature	Date
.....	.....	.....

Names of Examiner:	Signature	Date
.....	.....	
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Names of Examiner:	Signature	Date
.....	.....	
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.....	.....	
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Supervisor	Signature	Date
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## **ABSTRACT**

Empirical studies have shown that Entrepreneurial Orientation is an important catalyst in the process of improving firm performance and growth . This study analyses Entrepreneurial Orientation (EO) dimensions (autonomy, competitive aggressiveness, innovativeness, pro-activeness, and risk taking) on the business performance of Micro, Small and Medium Business Enterprises. The study employed a structured questionnaire and involved four hundred (400) Micro, Small and Medium Business Enterprises situated in Lusaka's central business district. With the help of SPSS Software, data collected was analyzed by using multiple regression analysis. The findings obtained showed that only competitive aggressiveness and autonomy in relation to business performance, had a significant influence on MSME business performance and pro-activeness, innovativeness and risk taking had an insignificant relationship to business performance. This study contributes to the limited amount of literature in Zambia in the field of Entrepreneurial Orientation and enhances the knowledge of Entrepreneurial Orientation dimensions on the performance and growth of business ventures.

**Key Words:** Business Performance, Entrepreneurial Orientation, Micro Small and Medium business Enterprises.

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# **CHAPTER ONE**

## **INTRODUCTION**

This research was conducted to further investigate the role played by entrepreneurial orientation in the business performance of micro, small and medium business enterprises. The study involved the assessment of Micro, Small and Medium Business Enterprises (MSMEs) that are located in Lusaka District. While there are many key variables that are involved in performance measurement, this study only focused on performance indicators which included growth and development.

### **1.1 Background**

Zambia like many developing nations has not been exempt from the problem of high unemployment levels, unemployment is a macroeconomic problem that affects countries worldwide. Estimates of the International Labor Organization (ILO) suggest that the number of unemployed persons globally in 2018 forecast was at 201 million worldwide with an additional rise of 2.7 million expected in 2019, as the pace of labor force growth outstrips job creation (UN, 2018).

In 2015 Zambia adopted the National youth policy and action plan for youth empowerment and employment, designed to empower young people with startup capital and to create employment opportunities (UN, 2015). This was a good initiative by the government of the day and respective donors, however it should be noted that even though the startup capital had begun to be made available to a number of selected youth, the problem of basic business literacy among the recipients was grossly overlooked. One of the core reasons most businesses fail or their performance is below standard is because of lack of basic business skills and knowledge to ensure the survival of a startup.

Throughout the world, shifts in population demographics, technological changes, fluctuating economies and other dynamic forces have transformed societies as never before, bringing new challenges and opportunities to the forefront. Among the responses to these shifting forces is an increased emphasis on entrepreneurship by governments, organizations and the public (Mwangi, Ngugi., 2014).

Micro, Small and Medium Business Enterprises are a source of new jobs and an important factor in a free-market economy; a significant impact on economic development and

immense influence on markets, and their contribution to economic development, income generation and poverty alleviation is widely recognized (Lukes and Laguna, 2010).

Entrepreneurial Orientation has been acknowledged and recognized by past research as a determinant for a firm's growth and profitability, previous studies have also related high growth with a firm's entrepreneurial orientation (Brown et al, 2001). High growth would be a result of innovativeness, pro-activeness and risk-taking orientation by the firm, which form the components of entrepreneurial orientation (EO).

However, even as previous research have shown that Micro, Small and Medium Business Enterprises (MSMEs) greatly contribute to the development of a country's economy, very few of these businesses survive the first six months of inception due to challenges that seem to stifle their growth (Tobin .S, 2017). A number of studies have outlined the following as challenges faced by these businesses, which include; inadequate finance, inadequate marketing skills, excessive government regulations, competition from foreign companies and lack of entrepreneurial skills. These challenges greatly affect Micro, Small and Medium Business Enterprises in Zambia.

Other factors include, rapid technological changes and market saturation which has led to intense competition (Ireland, 2009) intensifying the need for businesses to be more entrepreneurially oriented in order to grow and survive (Dess, G.G., Lumpkin, G.T., and McGee, J.E., 2009). These challenges will thus not become as problematic if Micro, Small and Medium Business Enterprises (MSMEs) were to become entrepreneurially oriented. Businesses with entrepreneurial skills are more likely to perform better and are able to identify and seize opportunities, thus differentiating themselves from non-entrepreneurial orientated businesses (Knight, 2000).

During the start-up phase of a business an entrepreneur must be in possession of a set of attributes, which include innovativeness and creativity. Innovativeness means that the entrepreneur must have the ability to produce solutions and solve problems concerning unfamiliar situations, in order to satisfy basic market needs or existing problematic gap (Littunen, 2000).

The entrepreneur can accomplish this through applying his abilities attained through training and experience. The characteristics of a successful entrepreneur include the ability

to take risks, innovativeness and knowledge of how the market functions, marketing skills and business management skills (Littunen, 2000). This statement relates to Entrepreneurial Orientation (EO) seeing that the elements mentioned such as innovativeness, will determine the success or performance of an entrepreneur.

Considering the high rate of failure of most small and medium business enterprises, there is a clear need to implement clear business strategies that will ensure success and improve business performance. According to Lotz, H. and Van der Merwe, S., (2010) entrepreneurial orientation is an integral path to competitive advantage and improved performance for all types of businesses. Past research has shown a positive relationship between business performance and the implementation of entrepreneurially orientated strategies (Wiklund, 1998; Zahra and Covin, 1995).

This study outlined the key relationship between Entrepreneurial Orientation and its relation to business performance.

## **1.2 Statement of the Research Problem**

Entrepreneurial Orientation (EO) contributes to performance on business growth as well as business development and improvement. Past research has shown that the failure rate of small, medium and micro enterprises is between 70% and 80% (Brink and Cant, 2013). Finances are often lost on new ventures because of mistakes and problems that could have been avoided. The survival rate of Micro, Small and Medium Enterprises (MSME's) is relatively low indicating that less than half of newly established businesses survive beyond five years (Brink and Cant, 2013).

Several studies have been conducted in relation to Entrepreneurial Orientation and Micro, Small and Medium Enterprises (MSME) performance with mixed and inconsistent results Baker, et al (2015), Brownhilder and Johan, (2017), Neneh, B.N., & Van-Zyl, J., (2017), Civelek, M., Rahman, A., & Kozubikova, L., (2016) among many researchers showed positive effect, while Fairoz, F. M., Hirobumi, T., Tanaka, Y., (2015), Freese (2009) showed negative result, hence the need for the study on entrepreneurial orientation on its effects on business performance.

The small and medium scale enterprise sectors all over the world are often prone to failure due to the poor business skills by the business owners and managers, the reasons

for this is because they do not possess the same degree of preference for innovation, proactiveness, competitive aggressiveness and risk-taking (Ayeni-Abbaje and Osho, 2015).

Problems such as lack of entrepreneurs proactive actions, lack of long-term planning of products, operations, employees, competition, inability to engage in new ideas and creative process, unwillingness of management to take risk, lack of intention to leave comfortable position to pursue novel ideas, failure to have competitive advantage over the competitors, lack of customer satisfaction, low growth and profits rate and lack of information technology and training still constricts entrepreneurs from contributing maximally to the performance of micro, small and medium scale enterprises (Ayeni-Abbaje and Osho, 2015).

Previous studies also indicate that Micro, Small and Medium Enterprises (MSMEs) are faced with constant threats of failure and most do not mature into large enterprises (World Bank, 2014). Past studies have additionally indicated that the Micro, Small and Medium Enterprises sector is often characterized by high mortality rate, three out of five fail within the first few months of operation over 60% fail each year and most do not survive to their third year (Mwangi, Ngugi., 2014).

A number of organizations have been set up by government and non-governmental organizations to assist Micro, Small and Medium Business Enterprises (MSMEs) and prospective MSME's receive the necessary funding their businesses, these include, The Citizens Economic Empowerment Fund; The Youth Empowerment Fund; Business Development Support programs under various Ministries such as Community Development, Commerce, Agriculture, Gender, Youth and Sport, Mines, Education, Science and Technology among others, to mention just a few. These programs, have been set up to support Micro, Small and Medium Business Enterprises (MSMEs) overcome the first most challenge of capital requirement needed to start a business.

The high mortality rate of most businesses, has created the need for basic business skills training in both the formal and informal work sectors, this need extends beyond the theoretical aspects to include cultural work aspects that espouse entrepreneurial orientation. Basic business skills and courses are normally taught at tertiary institutions, these include colleges and universities, unless a prospective entrepreneur and an established entrepreneur has received training or been taught such course work, most entrepreneurs

are entering the world of business or entrepreneurship without having the basic or simplest form of business management skills, which leads to poor management skills and eventual collapse or failure of most of these enterprises.

Therefore it is important for Micro, Small and Medium Business Enterprises (MSMEs) to be aware of the importance of Entrepreneurial Orientation and the importance of integrating entrepreneurial practices as part of business strategies in order to improve the overall performance and greatly increase the survival rate of their business.

### **1.3 Aim of the Study**

The aim of the study is to assess the influence of entrepreneurial orientation on Micro, Small and Medium Business Enterprises (MSMEs) business performance in Lusaka district.

### **1.4 Research Objectives**

The research objectives include;

1. To empirically identify which of the entrepreneurial orientation factors could be the most influential on business performance among Micro, Small and Medium Business Enterprises (MSMEs) in Lusaka district.
2. To understand the effect of Entrepreneurial Orientation on Micro, Small and Medium Business Enterprises (MSMEs) business performance in Lusaka district.
3. To make recommendations on how best Micro, Small and Medium Business Enterprises (MSMEs) can appropriately entrench entrepreneurial orientation to improve their business performance.

### **1.5 Research Questions**

1. Which of the entrepreneurial orientation factors could be the most influential on business performance among Micro, Small and Medium Business Enterprises (MSMEs) in Lusaka district?
2. What is the effect of Entrepreneurial Orientation on Micro, Small and Medium Business Enterprises (MSMEs) business performance in Lusaka district?

3. How can Micro, Small and Medium Business Enterprises (MSMEs) appropriately entrench Entrepreneurial Orientation to improve their business performance?

### **1.6 Scope of the Study**

The study centered on the influence of Entrepreneurial Orientation on the performance of Micro, Small and Medium Business Enterprises (MSMEs). The field of study is entrepreneurship with specific focus on Entrepreneurial Orientation. The main focus of this study was to investigate the influence of the dimensions of entrepreneurial orientation on the perceived success or business performance of small and medium-sized enterprises. The study focused on Micro, Small and Medium Business Enterprises (MSMEs) operating within Lusaka Central Business District. Micro, Small and Medium Business Enterprises (MSMEs) registered with Patents and Company Registration Agency (PACRA) as well as a member of the Lusaka Town Center Micro, Small and Medium Enterprises Association of Zambia were the main target audience for the study. The concentration ensured easy access to information given the time constraint.

### **1.7 Significance of the Study**

This study will contribute to the limited existing, available material and study conducted in Zambia, concerning the knowledge of the importance of the integration of entrepreneurial orientation in the strategic operation of Micro, Small and Medium Business Enterprises (MSMEs) that would ensure the growth of those businesses, enhance performance and further reduce the rate of failure among venture creations.

This study will further seek to understand the Entrepreneurial orientation variables and their relationship to business performance and which variable has the most effect in relation to business performance, that would in the long term ensure the probability of survival of the venture in Zambia.

This study will also seek to bring to the attention of respective governmental and non-governmental organizations that provide funding to Micro, Small and Medium Business Enterprises (MSMEs) about the effect and importance of entrepreneurial orientation on the growth and performance of venture creations so as to encourage the integration of entrepreneurial orientation among MSMEs.

The study will also seek to further emphasize the importance of having an entrepreneurial cultural mind set for a country's citizens, as entrepreneurship has been considered, as the foundation on which most developed economies in the world have been built.

While most earlier studies have been focused on Small and Medium Enterprises (SMEs) this study included Micro Business Enterprises in order to understand the extent of the effect of Entrepreneurial Orientation in different sized enterprises.

### **1.8 Limitations to the Study**

The study was also further limited to only Lusaka Central Business District to make the study possible and more accessible for the researcher. The relative small sample size might not accurately represent the current business situation in the whole of Zambia. Some of the respondents were not welcoming and forth coming with information due to their own personal reasons and some questionnaires were returned not fully answered.

### **1.9 Summary Structure of Dissertation**

The paper is divided into five chapters, which include; Chapter One which introduces the research topic of the study, the statement of the problem, the specific and general objectives, research questions, and significance of the study.

Chapter Two includes the relevant Literature review related to the study.

Chapter Three provides the research methodology which indicates the research strategy and design, sources of data and sampling.

Chapter Four presents the analysis and discussion of the research findings of the study.

Chapter Five includes the conclusion and recommendations, the findings of the study based on the research objectives to showing the limitations and strengths of the study and offers the necessary recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This Chapter will review available written literature and will seek to provide further understanding concerning the concept of entrepreneurial orientation, present an overview of relevant insights and explore the connection to Micro, Small and Medium Business Enterprises (MSME) business performance.

#### **2.1 Defining Entrepreneurship**

Many perspectives of what entrepreneurship entails have been defined, but the most common themes include; wealth creation, enterprise creation, creation of innovation, creation of change, employment creation, creation of value, and creation of growth (Morris et al, 2008).

Entrepreneurship was defined by Udu and Udu (2015) “as the process of creating something new with value by devoting the necessary time and efforts, assuming the accompanying financial, psychic and social risks and receiving the resulting rewards of monetary and personal satisfaction and independence”.

Entrepreneurship motivates people, mobilizing important resources for the survival of their enterprises which drives firms to pursue a range of growth strategies, encouraging important economic growth and corporate success that enables firms to achieve economic growth and competitiveness, (Kraus et al. 2013).

Coulter, (2012) explains entrepreneurship “as the process where individuals use effort to pursue promising opportunities to create value through uniqueness and the five dimensions of entrepreneurial orientation”. This explanation links entrepreneurial orientation to performance. It can be added that entrepreneurship also “consist of the effective application of the dimensions of entrepreneurial orientation during the creation of a venture and during continuous developmental growth phases of a venture already in existence” (Coulter, 2012).

Entrepreneurship is the process by which organisations renew themselves and their markets by pioneering, innovation and risk taking, and it is this conception that Lumpkin and Dess (2001) develop into the larger construct through the inclusion of autonomy and competitive aggressiveness.

World-acclaimed institutions such as the Global Entrepreneurship Monitor (GEM) and the Organization for Economic Cooperation and Development (OECD) have also tried to define entrepreneurship and who an entrepreneur is. The former viewed entrepreneurship as “any attempt to create a new business enterprise or to expand an existing business by an individual, a team of individuals or an established business” (Mwangi, Ngugi., 2014).

## **2.2 Background of Entrepreneurial Orientation**

“Henry Mintzberg (1973) was one of the first scholars to recognize the utility of an entrepreneurial organizational strategy-making mode. However, it was not until the publication of Miller (1983) that the notion of entrepreneurial firms gained scholarly attention. In his seminal article, Danny Miller argued that ‘an entrepreneurial firm is one that engages in product–market innovation, undertakes somewhat risky ventures and is first to come up with “proactive” innovations, beating competitors to the punch” (Wales, 2016).

These three characteristics – innovation, proactiveness and risk-taking – were positioned by Miller (1983) as the heart of EO and are often combined to create a higher-order indicator of firm-level entrepreneurship (Covin and Wales, 2012; Rauch et al., 2009).

Despite Miller’s theoretical contributions, it was not until the publication of Covin and Slevin (1989) that empirical research on firm-level entrepreneurship began in earnest. Covin and Slevin developed a nine-item self-response scale which has subsequently become popular in entrepreneurship research, with a large number of studies utilizing this instrument (Rauch et al., 2009).

Building upon prior research, Lumpkin and Dess (1996) suggested that Entrepreneurial Orientation can be conceived as a multidimensional phenomenon in which the dimensions represent independent predictors. By arguing that the various dimensions of EO need not co-vary for a firm to be considered entrepreneurial, Lumpkin and Dess made a ‘real break from the previous use and definition of the concept’ (Basso et al, 2009).

This ‘radical’ redefinition of Entrepreneurial Orientation marked the beginning of a significant theoretical division. Lumpkin and Dess (1996) also suggested two additional dimensions – competitive aggressiveness and autonomy – which go beyond the original three, and further describe the domain of Entrepreneurial Orientation (Wales et al, 2013). They defined competitive aggressiveness as an organization’s efforts to overcome its market adversaries by maintaining a confrontational posture, and autonomy as organizational members’ ability to independently pursue and champion promising entrepreneurial ideas and agendas (Wales, et al, 2013).

Entrepreneurial Orientation has its” foundation in strategy literature and has been employed to refer to the strategic management approach of firms having —entrepreneurial tendencies” (Eggers et al., 2013). “Comprising of an organizational experience that mirrors a decision-making competence by which firms embark on practical and aggressive initiatives to reshape the competitive business environment to their advantage” (Avlonitis and Salavou, 2007).

According to Rauch and Frese (2009), EO describes firm level strategic processes that businesses use to gain competitive advantage. Thus, EO is not related to individual level variables as in the previous entrepreneurship theories, it is related to firm level processes (Rauch and Frese, 2009).

Entrepreneurial orientation refers to a “firm’s strategic orientation and capturing of specific aspects of decision-making styles, methods and practices all of which indicate the entrepreneurial posture of the firm” (Pratono and Mahmood, 2015).

Empirical studies have shown that businesses which are entrepreneurial oriented are more likely to perform better and are able to identify and seize opportunities than businesses which are not entrepreneurially oriented (Lumpkin,et al., 2009, Neneh & Van, 2017, Gupta & Batra, 2016).

Entrepreneurial Orientation provides small businesses with the ability to discover new business opportunities and the discovery of new opportunities enhances their differentiation from other firms giving them a competitive advantage (Omisakin, et al, 2016).

Entrepreneurial Orientation is “a strategic-making process based on entrepreneurial actions and decisions” (Lumpkin and Dess, 1996). “Involving the integration of entrepreneurship and strategic thinking, which a firm considers as a critical strategic posture that contributing to its performance, Entrepreneurial orientation is a process construct and refers to the processes, practices, and decision-making activities that lead up to new business venture” (Odhiambo, 2015).

Entrepreneurial orientation “has been noted as a key ingredient for organizational success, that that has been found to lead to higher performance” (Soininem, et al, 2013). It is further argued that “firms that possess higher levels of entrepreneurial orientation will perform much better than those with lower levels of entrepreneurial orientation” (Watson, 2013).

“Higher levels of entrepreneurial orientation allows firms to have the ability to identify and seize opportunities in a way that differentiates them from non-entrepreneurial firms” (Soininem, 2013).

Entrepreneurial orientation represents “strategy making processes that provide organizations with a basis for entrepreneurial decisions and actions” (Rauch & Wiklund, 2009). It encompasses specific organizational-level behavior to perform risk-taking, self-directed activities, engage in innovation and react proactively and aggressively to out-perform the competitors in the marketplace and hence enhance firm performance (Lumpkin & Dess, 1996; Hakala, 2011). According to Gathenya (2012), “the practice of entrepreneurship focuses on the exploitation of opportunity through creativity and innovation to maximize on potential profits and growth”.

Lumpkin and Dess (1996) described entrepreneurial orientation as “the process, practices and decision-making styles of firms that act entrepreneurially. More specifically, an entrepreneurial firm is defined as one that exhibits five entrepreneurial traits or patterns, namely autonomy, competitive aggressiveness, innovativeness, pro-activeness and risk-taking” (Lumpkin, G.T, Dess, G., 1996).

Earlier and recent studies have been conducted in the field of Entrepreneurial orientation, in developed and very in developing countries, however conflicting views exist in regard to the relationship between Entrepreneurial orientation and its relation to business performance .

A number of studies have emerged supporting evidence that entrepreneurial orientation has a positive influence on the business performance, Stambaugh et al, 2017 have reported positive relationship between Entrepreneurial orientation and performance. However according to a number of other researchers, a lack of systematic empirical evidence exists to prove that entrepreneurial orientation leads to improved firm performance, contending that a limited knowledge exists of why entrepreneurial activities vary from business to business (Oswald ,2008).

Studies have shown that the correct application of these dimensions keeps businesses ahead of their competitors, contributing to performance, with an outlook on a company's growth as well as financial performance, aiding in the forecasting of performance of the business (Casillas., & Moreno, A, 2010).

### **2.3 Related Works / Knowledge Gaps, Global Cultural Contexts and Entrepreneurial Orientation**

The increasing globalization of business and the growing popularity of entrepreneurship worldwide has motivated researchers to examine the applicability of models originally theorized in the USA within other national cultural contexts (Lumpkin et al., 2007).

Tang, et al.2010, noted that most studies have tested Entrepreneurial Orientation in the United States or other developed economies. More than half of all Entrepreneurial Orientation studies have been conducted in countries in the Anglo, Nordic Europe and Latin Europe regions (Wales,et al, 2013). Entrepreneurial Orientation remains relatively unexamined in developing and emerging nations (Wales, et al, 2016). Consistent with the growing importance of China in global business and economics, China has received the most attention in the Entrepreneurial Orientation literature after the USA (Wales, et al, 2013).

Nadkarni and Herrmann contend that more research is needed in countries that are emerging as important global players and at the same time have sociocultural contexts very different from those of the US and other developed countries (Nadkarni and Herrman, 2010). There is also comparatively limited research of Entrepreneur Orientation in the Latin America, Sub-Saharan Africa, Eastern Europe, Middle East and Southern Asia country clusters. This is consistent with the broader management literature, where few

studies have been conducted in the context of countries in these clusters (Wales, et al, 2016).

The lack of empirical EO research in these cultural clusters provides opportunity for further exploration into the applicability of, and ability to generalize, EO research internationally. For the future, EO research should be encouraged in locations previously overlooked (Wales, et al, 2016).

The low survival rate and business performance of Zambian business could perhaps be attributed to the fact that they lack the needed Entrepreneurial Orientation.

Table 1. 1 Empirical literature on entrepreneurial orientation and performance

NAME OF AUTHOR	TITLE OF PAPER	COUNTRY	YEAR
Lumpkin G. T. and Dess G. G	Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance	United States	1996
Wiklund J.	The Sustainability of Entrepreneurial Orientation-Performance Relationship	United States	1999
Lumpkin G. T. and Dess G. G	Linking Two Dimensions of Entrepreneurial Orientation to Firm Performance: The Moderating Role of Environment and Industry Life Cycle	United States	2001
Wiklund J. and Shepherd D.	Knowledge-based Resources, Entrepreneurial Orientation and Performance of Small and Medium-sized Businesses	Sweden	2003
Wiklund J. and Shepherd D.	Entrepreneurial Orientation and Small Business: A Configurational Approach	Sweden	2005
Rauch, A., Wiklund, J., Lumpkin, G.T., and Frese, M.,	Entrepreneurial Orientation and Business Performance: An Assessment of Past Research and Suggestions for the Future	United States	2009
Obloj, T., Krzysztof, O., Pratt, M.	Dominant Logic and Entrepreneurial Firms Performance in a Transition Economy	Poland	2010
Covin, J. G., & Lumpkin, G. T	Entrepreneurial orientation theory and research: Reflections on a needed construct. Entrepreneurship Theory and Practice	United States	2011

Khalili, Nejadhussein and Fazel	The Influence of Entrepreneurial Orientation on Innovative Performance	Iran	2013
Tajudin A, Abdul Aziz R, Mahmood R and Abdullah M. H	The Relationship Between Entrepreneurial Orientation and Business Performance of SMEs in Malaysia	Malaysia	2014
Wales, J.,W	Entrepreneurial Orientation: A review and synthesis of promising research directions	United States	2015
Farja, Y., Gimmon, E., & Greenberg, Z	The effect of entrepreneurial orientation on SMEs growth and export in Israeli peripheral regions.	Israel	2016
Gupta, V. K., & Batra, S.	Entrepreneurial orientation and firm performance in Indian SMEs: universal and contingency perspectives	India	2016
Buli, B.	Entrepreneurial orientation, and performance of SMEs in the manufacturing industry: Evidence from Ethiopian enterprises.	Ethiopia	2017

Source: Authors own conceptualization.

A close look at the table above indicates that even though a number of studies have been done on Entrepreneurial Orientation and business performance focused on Small and Medium Enterprises, little has been done specifically on Entrepreneurial Orientation and business performance on Micro, Small and Medium Enterprises. Very little study has also been carried out in Zambia concerning Entrepreneurial Orientation, this study will contribute to the limited available knowledge available involving Entrepreneurial Orientation and its effect on Micro, Small and Medium Enterprises.

## **2.4 Defining and Understanding the role played by Micro, Small and Medium Business Enterprises (MSME) in Zambia**

There is no specific agreed worldwide definition of a Micro, Small and Medium Business Enterprise (MSME), simply because each economy is different at various levels of economic development.

“The issue of MSME definitions comes down to eligibility for special financial support. National governments, multilateral and bilateral development institutions, and NGOs support SME development with a varied menu of interventions, including billions of

dollars in special credit lines and loan guarantees, firm level business development services and technical assistance, and fiscal incentives, such as tax holidays for early-stage companies” (Gibson, T., Van der Vaart, H.J., 2008).

“The presumed intention of MSME policy is to provide this assistance to enterprises that need them most and are able to use assistance in order to help grow further under adverse conditions, for the good of that particular economy/society” (Gibson, T., Van der Vaart, H.J., 2008).

“The topology of Zambian Micro, Small and Medium Business Enterprises (MSMEs) has changed over time thereby creating the need for redefinition of the different categories of enterprises in the sector” (MCTI, 2008). Proper classification of enterprises is a prerequisite for successful targeting of support programs and incentives provision. In this regard, Micro, Small and Medium Business Enterprises (MSMEs) in Zambia are defined based on the following business variables (MCTI, 2008):-

- Total fixed Investments
- Sales Turnover
- Number of employees.
- Legal status

A Micro enterprise shall be any business enterprise registered with the Registrar of Companies; whose total investment excluding land and buildings shall be up to Eighty thousand Kwacha (K80,000); employing one to ten (10) persons (MCTI 2008).

A small enterprise shall be any business enterprise registered with the Registrar of Companies (MCTI, 2008);

Whose total investment, excluding land and building in the case of manufacturing and processing enterprises, shall be between Eighty thousand and Two Hundred thousand Kwacha (K80, 000 – K200, 000) in plant and machinery; Employing between eleven and forty nine (11- 50) persons.

A Medium enterprise shall be any business enterprise larger than a small enterprise registered with the Registrar of companies (MCTI, 2008); whose total investment, excluding land and building in the case of manufacturing and processing enterprises, shall be between Two Hundred thousand and Five Hundred thousand (K201, 000 –K500, 000), employing between Fifty One and One Hundred (51 -100) persons.

Micro, Small and Medium-sized enterprises (MSMEs) in Zambia play an important role in production, employment and income. They represent 97% of all businesses in the country, 70% of gross domestic product (GDP) and 88% of employment (Invest, 2018).

MSMEs generate both direct and indirect employment opportunities, they are instruments of maximizing talents, energy and entrepreneurial minds of individuals who cannot reach their full potential in large organizations. Due to this, they represent a breeding ground for entrepreneurial talent and testing grounds for new industries.

MSMEs in Zambia have been observed by past research to begin small and eventually die small, without ever having seen any expansion in terms of employment numbers and output. For these reasons, small businesses deserve much more attention in order to increase their life cycle and potential for growth and expansion.

Small-scale enterprises have been one of the major areas of concern for policy makers in the attempt to accelerate the growth rate in developing countries. Kayanula and Quartey (2000) observed that developing countries can achieve their growth objectives by recognizing MSMEs as the engine of economic growth. In so doing, these SMEs become potential sources of employment and income generation units in developing countries.

Empirical studies have shown that the MSME sector is the answer to the alleviation of poverty and creation of jobs, the sector is increasingly viewed as an important engine for employment creation and economic growth. Most developed nations have MSME-driven economies because the sector is the cornerstone of strong economic growth (Anyieni, 2014). Thus employment opportunities, reduction in poverty levels and subsequent improved standards of living are all major contributions of the sector to economic growth. It was against this background and the failure or low survival rate of most MSMEs that this study was conducted, in order to further understand Entrepreneurial Orientation in relation to business performance in Lusaka District.

## **2.5 Entrepreneurial Orientation**

A number of scholars have provided a number of definitions for Entrepreneurial Orientation, Miller (1983) was among the first to define Entrepreneurial Orientation, defining it as a strategic orientation, capturing specific entrepreneurial aspects of decision-making styles, methods and practices.

Covin & Slevin, (2009) refined it by stating that entrepreneurial orientation (EO) measures the extent to which “top managers are inclined to take business-related risks, to favor change and innovation in order to obtain a competitive advantage for their firm, and to compete aggressively with other firms.” Therefore, a firm is entrepreneurially oriented if it is willing to take risks, be innovative and proactive in their operations.

Entrepreneurial orientation involves policies and practices which enable a firm to adopt an entrepreneurial position when facing new business opportunities, it refers to a firm’s strategic orientation and capturing of specific aspects of decision-making styles, methods and practices all of which indicate the entrepreneurial posture of the firm (Pratono, et al ,2015)

Entrepreneurial orientation is a firm-level behavior that makes a firm have the propensity to innovate, take risks, and become proactive, it also implies to the strategy making processes that provide organizations with a basis for entrepreneurial decisions and actions, it reflects the methods, practices and decision-making styles managers use to act entrepreneurially (Callaghan & Vente, 2011). The advantage of Entrepreneurial Orientation is to possess the ability to discover and exploit new market opportunities and respond to challenges effectively and prosper in a competitive and dynamic environment (Wiklund & Shepard, 2013)

Entrepreneurial Orientation “demonstrates a firm’s organizational processes, methods, and styles that it uses to act entrepreneurially (Lumpkin and Dess, 1996). Thus, the process of entrepreneurship is emphasized over the actors behind it, which puts entrepreneurship in a management framework” (Wiklund, J., & Shepard, D., 2003).

Moss et al (2015) stated that “Entrepreneurial Orientation reflects the mindset and methods organizations use to search and pursue opportunities for growth”. The Entrepreneurial Orientation “construct consist of; innovativeness, risk taking propensity, pro-activeness, competitive aggressiveness and autonomy” (Lumpkin and Dess, 1996).

Entrepreneurial Orientation is a process “construct and refers to processes, practices, and decision-making activities that lead up to a new business venture” (Odhiambo, 2015). Entrepreneurial orientation is a firm-level behavior that makes a firm have the propensity to innovate, take risks, and become proactive (Callaghan, C., and Vente, R., 2011). “It

implies that the strategy making processes provides organizations with a basis for entrepreneurial decisions and actions, it reflects the methods, practices and decision-making styles managers use to act entrepreneurially” (Brownhilder, N., Neneh, B.N., and Van-zyl, J, 2017) .

Entrepreneurial Orientation has been studied in different kinds of organizations ranging from micro firms to large multinationals and with different kinds of ownership structures (Covin and Wales, 2011). Many researchers argue that entrepreneurial behavior is crucial for the success of firms regardless of their size (Miller, 1983; Covin and Slevin, 2001; Lumpkin and Dess, 1996; Arisi-Nwugballa et al, 2016).

In literature concerning strategy and firm management a line has been drawn between the concepts of entrepreneurship and of Entrepreneurial Orientation (EO). As the former describes new entry and the content of entrepreneurial decisions, the latter describes how these new entries are undertaken (Lumpkin and Dess, 1996).

The concept of Entrepreneurship Orientation emerged from previous well-established literature concerning strategic management as scholars recognized a need for purifying the elements surrounding the concept (Rauch et al, 2009). Three firm-specific characteristics, first introduced by Miller (1983), have been regarded as the norm when clarifying the Entrepreneurial Orientation construct, being innovation, risk-taking and pro-activeness (Wiklund and Shepard, 2013).

Lumpkin and Dess (1996), extended the construct by including competitive aggressiveness and autonomy to the definition of Entrepreneurial Orientation, they further defined the concept as “the processes, practices and decision-making activities that lead to new-entry”. Thus identifying the five key dimensions that characterized Entrepreneurial Orientation as the propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive toward competitors and pro activeness relative to marketplace opportunities which enhance the performance of a firm.

Entrepreneurial Orientation is considered a valid concept in the field of entrepreneurship, because it can be used to assess the effectiveness and efficiency for acquiring evidence of entrepreneurial actions and decision-making across multiple organizational and geographic contexts (Kemelgor, 2012).

Generally, Entrepreneurial Orientation “demonstrates a firm’s organizational processes, methods, and styles that it uses in its operations to act entrepreneurially” (Lumpkin, 1996). Thus, the process of entrepreneurship is emphasized over the actors behind it, which therefore puts entrepreneurship in a management framework beneficial to the firm.

It should be noted that “there is still an ongoing debt on the definition of Entrepreneurial Orientation, the forces driving it, its appearance and about the connection between it and performance. There is no one widely accepted conceptualization of this latent construct by the scholarly community, but rather different degrees of acceptance for certain conceptualizations” (Covin and Lumpkin, 2011).

## **2.6 The Dimensions of Entrepreneurial Orientation**

Entrepreneurial Orientation has been conceptualized through two dominant approaches: the three dimension approach (Miller, 1983) and the five-dimension approach (Lumpkin & Dess, 1996). In his three-dimension approach, Miller (1983) identified: (1) innovation, (2) risk-taking, and (3) pro-activeness as the main components. These dimensions were suggested to manifest concurrently (Miller, 1983), providing the rationale for a composite measure of Entrepreneurial Orientation.

Miller’s (1983) conceptualization of the three dimensions of Entrepreneurial Orientation have been identified and used consistently in literature: Innovativeness, risk taking, and pro-activeness. Innovativeness is the predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership (Civelek, M., Rahman, A., & Kozubikova, L., 2016).

Risk taking “involves taking bold actions by venturing into the unknown, committing significant resources to ventures in uncertain or unpredictable environments. Pro-activeness is an opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services, ahead of the competition in order to cater for future demand” (Lucas, 2015).

Lumpkin and Dess (1996) introduced two additional dimensions to add on to Miller’s definition, they identified competitive aggressiveness and autonomy as additional components of the Entrepreneurial Orientation construct (Arisi-Nwugballa, et al, 2016). Competitive aggressiveness is “the intensity of a firm’s effort to outperform rivals and is

characterized by a strong offensive posture to competitive threats. Autonomy refers to independent action undertaken by entrepreneurial leaders directed at bringing about a new venture and seeing it to completion” (Arisi-Nwugballa, et al, 2016).

Lumpkin, et al (2010) found “positive relationships between long-term business performance and the five dimensions of entrepreneurial orientation, despite the fact that the dimensions might contribute to one another or have an influence on each other”. The application of the dimensions of entrepreneurial orientation “is the required foundation to be built for the desired outcome since it is already clear by research that the success of a business depends on the application and awareness of entrepreneurial orientation by the entrepreneur” (Yamada and Eshima, 2009).

The following further expands on the five dimensions of Entrepreneurial Orientation as explained by earlier research, the dimensions include Autonomy, Innovativeness, Risk taking, competitive aggressiveness, pro activeness.

### **2.6.1 Autonomy**

Depending on the business structure and the management style, the principle of autonomy is mostly in forced by the leadership of the business. (Lumpkin, 1996) defined autonomy “as the willingness and the ability to work independently when acting on an opportunity or when accepting an organizational challenge”. Managers and entrepreneurs have ownership or rights to decision making, they therefore only trust themselves to ensure the survival of an organization (Lumpkin, et al, 2010).

Autonomy refers to independent action in terms of “bringing forth an idea or a vision and carrying it through to completion”, including the concept of free and independent action and decisions taken (Lumpkin, et. al 2010). Scholars have disagreed about the importance of autonomy as a component of Entrepreneurial Orientation, some argue that no firm can develop a true entrepreneurial orientation without establishing an independent and autonomous spirit that supports the creation of new entry (Lumpkin, et al 2009; Lumpkin & Dess, 1996).

Autonomy refers to “the independent action of an individual or a team in the process of bringing forth an idea or a vision and carrying it through to completion. In general, it means the ability and willingness to be self-directed in the pursuit of available

opportunities. In an organizational context, it refers to action taken free of stifling organizational constraints” (Lumpkin, 1996).

Factors such as resource availability, actions by competitive rivals, or internal organizational considerations may change the course of new-venture initiatives, these are not sufficient to extinguish the autonomous entrepreneurial processes that lead to new entry: Throughout the process, the organizational player remains free to act independently, to make key decisions (McGee et al, 2009).

Autonomy is about an individual or a team’s independence and autonomy to bring forth and pursuing new ideas and bringing these to life (Lumpkin and Dess, 1996). Some critiques argue, however, that autonomy should be regarded purely as a consequence of entrepreneurship, and not as a component in itself (Lumpkin et al., 2009).

Autonomy therefore plays an important role in the context of Entrepreneurial Orientation as it’s needed to exercise a firms strengths and reaching for opportunities, as well as being an important component when developing new venture .

Some managers delegate autonomy to a lower level in the business. This creates autonomous leaders and very often results in improved decision making. In other countries delegating authority to blue collar workers is very common (Lumpkin & Dess, 1996).

## **2.6.2 Innovativeness**

Sila et al (2017) defined Innovation “as the willingness to depart from existing technologies and practices to the creation or adoption of an idea or behavior new to the organization, and venturing beyond that current state which resulted in new products and services”.

“Innovation is a key driver for performance of Micro, Small and Medium Enterprises (MSMEs), by applying a culture of innovation in a strategic and structured way, it creates is a form of organizational mindset and a specific set of capabilities that drive innovation activity” (Olaniran, Muturi, & Namusonge, 2016). Also Innovativeness “is the intentional generation, promotion and realization of new ideas within a work role, workgroup or organization by an employee in order to benefit role performance, the group or the organization” (Gilbert, 2018; Hussain, et al 2015).

Innovative work behavior is “defined as individual's behavior aiming to achieve the intentional introduction of new and useful ideas, processes, products or procedures and also a propensity to adopt new ideas that lead to the development and the launch of new products” (Rubera and Kirca, 2012).

Lumpkin and Dess (1996) argue “that the process of creative destruction is initiated by an entrepreneur, which makes innovation an important success factor within Entrepreneurial Orientation. Furthermore, this link between entrepreneurship and innovativeness is supported by the results of other researchers such who established that innovation is among the key motives to start an enterprise or business”.

According to Lumpkin and Dess (1996) “innovativeness reflects a tendency for a business to engage in and support creative processes, new ideas, novelty and experimentation that may result in new products, services or technological processes”.

Entrepreneurial Orientation reflects a firm’s ability to pursue new opportunities, which is very important (Lumpkin & Dess, 1996). As Lumpkin and Dess (1996) describes it, “one might look at innovativeness as occurring along a continuum ranging from a simple willingness to try new products etc., to an active passion for developing new skills and master the latest technology and products”.

Al-Dhaafri, et al, (2016) stated that innovation can be regarded as any change in a way a product or service is created or delivered, which is in most cases is intangible, this innovative process will be invisible to the user, except for physical changes”.

Innovativeness represents an integral part of Entrepreneurial Orientation, since it reflects the firm’s ability to pursue new opportunities, which is very important, it takes form in several ways and are not consistent between firms, meaning that firms and its agents take on different levels of innovativeness (Arisi-Nwugballa,et al, 2016). Lumpkin and Dess (1996) described it as, “one looking at innovativeness as occurring along a continuum ranging from a simple willingness to try new products etc., to an active passion for developing new skills and master the latest technology and products”.

Innovativeness is “also of high importance because as the fast paced modern market place changes in a rapid pace, maintaining competitive advantage is crucial, because it can be a source of significant progress and growth for a firm (Bokhari, 2012).

### **2.6.3 Risk – taking**

The ways “ business is conducted, methods and styles of management associated with risk-taking are an indication of an entrepreneurial orientation, however, in terms of different contexts, the effects of the dimensions of entrepreneurial orientation, including risk-taking propensity, were expected to differ in terms of their effect on performance according to the specific context” (Lumpkin and Dess 1996).

According to Lumpkin and Dess (1996), “risk-taking propensity is a behavioral dimension of an entrepreneurial orientation along which opportunity is pursued”.

Risk-taking entails the willingness to pursue opportunities that have a high probability or likelihood of failure, producing losses or significant performance discrepancies (Morris, et al, 2008). Risk-taking is normally associated with entrepreneurship because the concept of entrepreneurship in its original form includes the assumption of personal risk-taking (Lumpkin and Dess, 1996). At firm level, risk-taking refers to the tendency to advance or start projects with uncertain expected returns.

A number of past researchers have found mixed evidence concerning Risk and performance Hughes, and Morgan (2007) evaluated risk-taking based on perceptions towards the term risk-taking and calculated risk, as well as based on a statement about exploration in business activities. Surprisingly, Hughes and Morgan (2007) found that risk-taking had a negative impact on product performance and no impact on customer performance.

According to Hughes and Morgan (2007) “the reason for this may be because risk-taking is normally costly due to competitor responses, it may lead to drift and wastage of resources as firms in their early stages do not have the coordination mechanism in place to direct the risk-taking behavior in the best possible way”. They suggested that risk-taking may be beneficial for mature companies, but do not see it as beneficial for businesses at the formative stages or at stages of inception.

Lumpkin et al (2010), “organizations and their executives face three types of risk, which are business risk, financial risk, and personal risk”. Business risk refers to the risk of entering untested markets, or committing to unproven technologies, while Financial risk is

related to heavy borrowing or committing a significant amount of resources for growth” (Dess and Lumpkin, 2005).

“Firms with an Entrepreneurial Orientation often engage in risky activities, such as high leveraging and large resource commitments in the desire of gaining high returns by pursuing opportunities in the market” (Lumpkin et al, 2010). Personal risk is related to a person, who decides to favor certain strategic course of action. The risk stems from the influence the owner or business manager has on the direction of the company, which can in case of failure also lead to personal consequences (Dess and Lumpkin, 2005).

All businesses “operates under a minimum amount of risk, there is no typical business that operates at zero risk. Risk-taking in terms of Entrepreneurial Orientation seeks to highlight those firms that exhibit the willingness to take additional risk in order to pursue opportunities” (Gupta and Gupta,2015). By taking on extra risk, a firm typically endures heavy debt or makes large resource commitments in pursuit of seizing higher market-shares and higher returns (Lumpkin, 1996).

Sharma and Dave (2011) “expanded on the concept that mentions risk-taking as the dimension of entrepreneurial orientation that has the highest impact on the success of a business compared to innovativeness and pro-activeness. Risk-taking refers to instantaneous explicit actions taken in moments of uncertainty”.

Caruana et al. (2012) explained “without willingness to take risk there can be no innovation and opportunities where benefits may be reaped or achieved. Risk is inherent in the operations of a business and decisions taken by managers and owners always involve risk. A risk is often an opportunity not yet recognized”.

There are many types of risks and risk-taking is broadly defined. The most suitable definition in terms of entrepreneurial orientation would be to acknowledge that risk-taking is the degree to which managers and entrepreneurs are willing to make large and risky resource commitments (Lumpkin and Dess, 1996).

Risk taking in an Entrepreneurial Orientation perspective aims to circle out those firms that show a willingness to take additional risk to pursue opportunities. Measuring risk in entrepreneurial orientation perspective is however not as straight forward, according to Lumpkin and Dess (1996), the approach presented by Miller (1983) of how to scale risk in

an Entrepreneurial Orientation perspective, are widely used and well accepted. Managers are asked about the firm's attitude to engage in risky projects and their preferences when it comes to risk taking in order to achieve firm objectives.

Risk taking is viewed as an unfavorable action for most entrepreneurs, however with risk comes opportunities and profitable benefits, risk can be minimized by the means of proper market research, statistical and mathematical methods and other entrepreneurial strategies.

#### **2.6.4 Pro-activeness**

Pro-activeness is defined in Webster's Ninth New Collegiate Dictionary as "acting in anticipation of future problems, needs, or changes." As such, reactivity may "be crucial to an entrepreneurial orientation because it suggests a forward-looking perspective that is accompanied by innovative or new venturing activity" (Lumpkin and Dess, 2009).

According to Alvarez and Bame (2012), "entrepreneurial pro-activeness is the ability of the firm to predict where products/services do not exist or have become unsuspected valuable to customers and where new procedures of manufacturing are unknown to others become feasible".

According to Hughes and Morgan (2007), "a firm's awareness and responsiveness to market signals and trends is demonstrated by their pro-activeness, in order to capitalize on market opportunities, it is imperative to be knowledgeable on upcoming trends and new opportunities".

Coulthard (2007) argued that "pro activeness is not always being the first mover in the market, it has been found to be more active in the introductory stages of a firm, and reduces as the firm grows, hence the role of pro activeness being less important once a firm is established".

Dess and Lumpkin (2009), stated that "Pro activeness has been linked to structural capital, they emphasized that structural capital is important to pro activeness because it enhances the operations and receptiveness of market signals that make organizations stay ahead of competitors". "Therefore, structural capital, such as structures and processes, enables firms to create resources more quickly and at cheaper rates than competitors" (Bleeker, 2011).

Pro activeness has been labeled as a vital trait in entrepreneurship due to its forward-looking action approach (Lumpkin and Dess, 1996), revealing itself through such actions as the formulation of 'stated beliefs' and the implementation of these 'beliefs' or systems.

Pro activeness gives "a firm the ability to anticipate changes or needs in the market, make them happen and be among the first to act on them rather than wait for changes to happen then react to them" (Lumpkin and Dess, 2009).

Lumpkin and Dess (2009) carried out a study on the impact of pro activeness on firm performance in non-diversified and non-affiliated firms in the USA. Measuring pro activeness based on questions about the firm's tendency to lead rather than follow in the development of new procedures and technologies, the introduction of new products or services, and about the tendency to act in anticipation of future changes and needs. Performance was operationalized through sales growth, return on sales, firm performance over the last three years compared to competitors, and an average of net and gross profit.

Lumpkin and Dess (2009) stated from the study "that pro activeness had a positive impact on each of the performance measures. Furthermore, the study highlighted that the positive impact was stronger in early stage industries, which suggested that pro activeness has an important role especially in the introduction and growth stage of an industry's life cycle".

Taking the role of environment into account, the Lumpkin and Dess (2001) study showed that the pro activeness performance relationship was strongest in a dynamic business environment, but that there was also a positive relationship in a hostile environment.

Madsen, (2007) stated that "pro-activeness refers to a posture of anticipating and acting on the future requirements of the market. First movers can control the market by dominating the distribution channels".

Sharma & Dave (2011) that a "pro-active business should be considered a leader rather than a follower. Madsen (2007) supports this statement and further mentions that the pro-active businesses are usually the more sustainable businesses with innovative people and with entrepreneurs that are willing to take risks".

Rauch (2009) stated that "the dimensions, innovativeness, risk taking and pro-activeness are of equal importance in determining business performance. By being proactive a business can identify and predict future expectations. This gives entrepreneurs the

opportunity to prepare themselves accordingly in order to reap the maximum benefit from coming events”.

Casillas & Moreno (2010) found that the more proactive a firm is, the more they are able to capture new business opportunities, and the greater the growth rates of SMEs. Wang and Yen (2012) also found a positive relationship between proactiveness and sales of Taiwanese SMEs in China. Lumpkin and Dess (2001) also find association between proactiveness and sales growth only for firms operating in a growing industry but not for firms that operate in a mature industry.

### **2.6.5 Competitive aggressiveness**

Competitive aggressiveness “is very similar to pro-activeness and it is therefore necessary to clarify the difference between these two dimensions. Competitive aggressiveness refers to how a business relates to competitors and how it responds to the existing demand in the market. It can be explained as organizations in the market competing for demand” (Chang, et al, 2007).

Competitive aggressiveness “refers to a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the marketplace” (Lumpkin, 1996).

Lumpkin (1996) stated competitive aggressiveness also “reflects a willingness to be unconventional rather than rely on traditional methods of competing. Examples of this and other forms of competitive aggressiveness available to new entrants include adopting unconventional tactics to challenge industry leaders, analyzing and targeting a competitor's weaknesses and focusing on high value-added products while carefully monitoring discretionary expenses”.

Competitively aggressive firms often respond to such challenges with head-to-head confrontation (Shan, 2016). Justine et al. (2005) found a positive relationship between competitive aggressiveness and firm performance. Lumpkin et al (2010) stated that competitive aggressiveness includes a "combative posture that involves a forceful response to competitors' actions”. This responsiveness has been viewed by these authors as either seizing the rival's strategy through an aggressive move or responding to the rival's competitive activities.

Lumpkin and Dess (1996) also stated that “competitive aggressiveness can also be viewed as the ability to be unconventional as opposed to depending on conventional means for competing”. “This construct conveys the intensity with which businesses choose to compete and their efforts to beat competitors reflecting a bias toward out-maneuvering and out- performing rivals” (Hughes and Morgan, 2007)

According to a number of written literature evidence of competitive aggressiveness may take several forms. Covin and Wales (2012), for example, asked managers if they adopted a "very competitive 'undo-the-competitors' posture" or preferred to "live-and-let-live." Activities aimed at overcoming rivals may include, the setting of ambitious market-share goals and taking bold steps to achieve them, such as cutting prices and sacrificing profits or spending aggressively compared to competitors on marketing, product service and quality, or manufacturing capacity (Lumpkin, G.T, Dess, G., 1996).

The breadth and speed of new entry also may indicate an aggressive posture. An approach often is used by firms to aggressively bring new products to market. This approach is accomplished by speeding up the product-development cycle time (Lumpkin, G.T, Dess, G., 1996).

The reason for competitive aggressiveness is thus to out –do or outperform market rivals and to be prepared for possible competition while Pro-activeness, focuses on meeting the markets demand (Antonic & Hisrich, 2013).

Competitive aggressiveness also reflects the willingness to be unconventional rather than to rely on traditional methods of operating in the market or competing markets (Lumpkin and Dess, 1996). This dimension is of importance to guide the entrepreneurial business to get a hold of and to retain the competitive advantage in the market. The dimensions should be utilized to create and constantly improve company strategies to achieve organizational goals.

## **2.7 Entrepreneurial Orientation and Business Performance**

According to Al-Dhaafri et al (2016) Business performance is an extensively used concept in many areas, it is defined as a measure of how well a mechanism or a process accomplishes its objective and the accomplishment of a task according to the standard of accuracy, cost, speed and completeness.

According to research conducted by Lumpkin, Brigham, and Moss (2010) “a positive relationship was found between long-term business performance and the five dimensions of entrepreneurial orientation, despite the fact that the dimensions might contribute to one another or have an influence on each other”.

“The application of the dimensions of entrepreneurial orientation is the required foundation to be built for the desired outcome since it is already clear by research that the success of a business depends on the application and awareness of entrepreneurial orientation by the entrepreneur” (Yamada & Eshima,2009).

Past research defined performance as a multidimensional concept and explains that multiple performance measures should be used as a measuring tool rather than a single dimension (Lumpkin & Dess, 1996; Madsen, 2007). Financial measures provide more stable outlook or firm foundation as an analytical tool to measure the success and efficiency of an organization. This however, does not state that only financial measures should be used.

There is a very clear relationship between entrepreneurial orientation and the performance of an MSME, when considering the basic principles of business, in order for businesses to perform and achieve success, they need to develop strategies and ways of operating that are sustainable in order to survive. The measures of business performance in this research were growth and development.

According to Rauch et al (2009), entrepreneurial orientation results in high levels of business performance when the dimensions of Entrepreneurial Orientation are applied in the business practices. The relationship between Entrepreneurial Orientation and Business Performance may depend on the key performance indicators used to measure performance in businesses (Lumpkin and Dess, 1996, Frank, 2010). Frese et al. (2002), “indicated that the dimensions of entrepreneurial orientation have been positively related to success, business owner who develops new ideas and ways of carrying out business and disbursement of services or products, including one who takes more risks than his competitor is more successful than people with a lower level of entrepreneurial orientation”.

As stated by Wiklund and Shepherd (2003) “businesses with scarce and high value resources have the potential of achieving great performance and output. These resources can be knowledge-based resources or property-based resources”. Entrepreneurial orientation is a dependent variable of resources, as business success is a dependent variable of the dimensions of entrepreneurial orientation. Therefore it can be said that there exist a positive relationship between entrepreneurial orientation and business performance (Frese et al, 2002).

Entrepreneurial Orientation plays an important part in the improved performance of a business, this argument is based off the first-mover advantages, and the tendency to take advantage of emerging opportunities implied by Entrepreneurial Orientation (Antonic & Hisrich, 2013).

Sok, et al, (2017) highlighted that businesses with a high levels of Entrepreneurial Orientation can target niche markets setting the trend in the market ahead of their competitors. These businesses monitor market changes by responding quickly to take advantage of emerging opportunities. Innovation keeps them ahead of their competitors, and through gaining a competitive advantage, financial results improve. Pro-activeness would also enable the firm to be able to present new products/services to the market ahead of competitors, which also gives them a competitive advantage.

Empirical evidence exists which supports a positive relationship between entrepreneurial orientation activities in firms, in relation to business performance and this relationship appears to continuously strengthen over time” (Covin, J.G, Wales, W.J, 2012). “To keep up with the ever changing business environment, organizations are increasingly turning to entrepreneurship orientation as a means of innovation, growth and strategic positioning, in order to have the ability to compete effectively in international markets, entrepreneurial orientation skills are expected to increasingly influence performance in the twenty-first century's global economy “ (Morris, 2008).

“There is reason to believe that the relationship between Entrepreneurial Orientation and business performance may be particularly strong among small businesses. It is suggested that smallness fosters flexibility and innovation, though it limits competitiveness in other strategic dimensions (Stam, 2008).

Prior research has shown that consensus does not exist on appropriate measures for small businesses performance, the research mainly focused on variables for which information is easy to gather, several researchers advocate growth and development as the most important performance measure for small businesses (Cooper, 2005).

For the purpose of this study, business performance will be measured in terms of both growth (market share, profitability) and development (effectiveness, efficiency).

### **2.7.1 Business Growth**

Understanding firm growth has increased among scholars, this expanding interest can be attributed to the job creating propensity and profitability of firms that grow (Covin et al, 2012). According to Covin (2012), entrepreneurial firms are firms with strategies oriented toward innovation and growth through their capacity to assume relevant risks. (Brown, et al, 2010)

Inferring from these scholars, growth can be considered to be closely linked to the dimensions of entrepreneurial orientation or is rather another dimension of entrepreneurial behavior (Brown et al., 2010). Thus, high growth tends to be associated with a firm's entrepreneurial orientation, which is, being innovative, proactive, and autonomous, taking risks and being competitively aggressive (Brown et al., 2010; Lumpkin and Dess, 1996).

Firm growth can be measured by several attributes such as an increase in sales, assets, market share, profits and employment (Shepherd, D., & Wiklund, J., 2009) . Among these attributes, increase in sales and employment are the most favored among scholars as indicators of both small and large firm growth. Zhou and Wit (2009) stated “that growth in sales and employment do well in reflecting both short-term and long-term changes in a firm”.

Gürbüz & Aykol (2009) also noted “that increase in sales are regularly used in the measurement of growth due to it being easily remembered by SME owners and managers”.

According to Covin et al. (2012), Entrepreneurial Orientation “effectiveness is appropriately measured using criteria that reflect a firm's success at translating entrepreneurial opportunities into growth trajectories”. In their study, sales growth was used to measure growth rate where a positive relationship between Entrepreneurial Orientation and sales growth was established.

Similarly, Soininen et al. (2012) found a positive relationship between Entrepreneurial Orientation and sales growth, thus concluding that the findings of the positive relationship between Entrepreneurial Orientation and firm performance, found in prior literature, are primarily caused by the growth factor.

Although Micro, Small and Medium Business Enterprises (MSMEs) should be utilized to create wealth for the owner or entrepreneur it is most seen as favorable when the business shows rapid growth as well. Lumpkin and Dess (1996) explain “that research have suggested that entrepreneurial orientation holds the key to organizational performance. Business growth includes growth in sales and profit, growth in market share, a better competitive position in the market and job satisfaction of employees”.

### **2.7.2 Business Development and Improvement**

Lotz and Van Der Merwe (2013) stated “that business development refers to highly committed employees that are regarded as valuable assets and the improvement of job satisfaction and with continued investment in research and development, efficiency and effective way of doing business”.

Business improvement relates to the continuous improvement in efficiency and effectiveness, between two types of quality of output; product features that enhance customer satisfaction and freedom of deficiencies that will increase the levels of satisfaction among customers .

Frank et al (2010) explain through previous studies that entrepreneurial orientation has a positive impact on business development and improvement and thus this concept deserves more attention from entrepreneurs around the world. It is further necessary to explore the impact on a business if entrepreneurial orientation is not effectively exercised in a business or not exercised at all in a business.

## **2.8 Conceptual Framework**

The conceptual framework shown in figure 1.1 below seeks to draw together the key concepts of the research and their impact on the performance of a business enterprise; the dimensions of Entrepreneurial orientation and their relationship to performance.

The framework indicates that culture is expected to contribute to the demonstration of Entrepreneurial Orientation and its dimensions. The demonstration of these concepts is then further expected to have implications of firm performance.

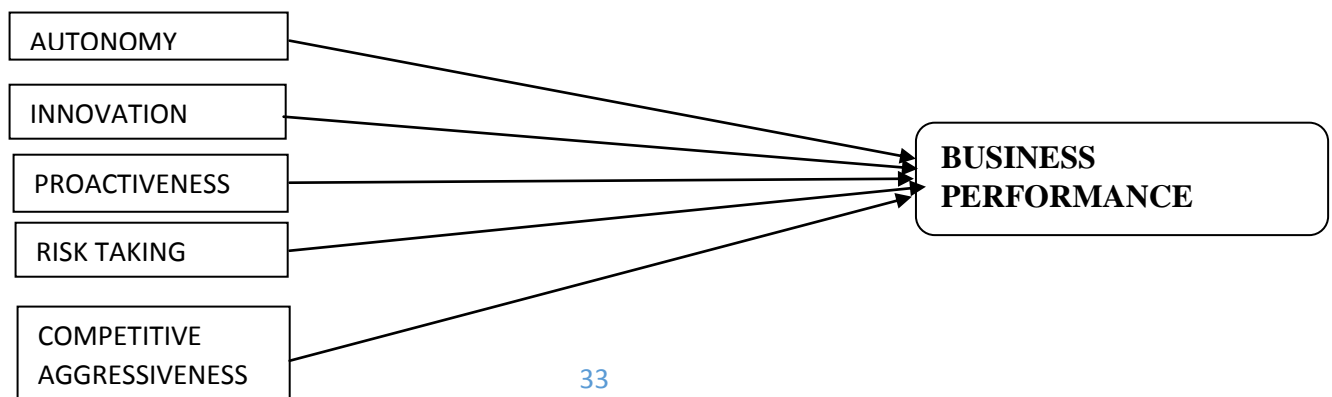
In addition to the three much used Entrepreneurial Orientation dimensions first proclaimed by Miller (1983), Lumpkin and Dess (1996) argued that dimensions such as competitive aggressiveness and autonomy should also be considered as essential components of Entrepreneurial Orientation. These two additional dimensions are defined by Lumpkin and Dess (2009) as follows: competitive aggressiveness is said to reflect the intensity of a firm’s effort to outperform industry rivals, characterized by a strong offensive posture and a forceful response to competitor’s actions. Autonomy is independent action by an individual or team aimed at realizing a business concept or vision and carrying it through to completion.

However, the number of studies in the EO literature (George et al 2011), (Wales, 2016) that have used all these five dimensions is very limited when compared to the number of studies using the three dimensions. According to Osinine (2013), the dimension of autonomy is related to larger corporations and therefore, in the context of small firms, it can be reasonably omitted from the scale; the same exclusion procedure may also be relevant for competitive aggressiveness, as small firms may lack the competitive power needed to be able to behave as the dimension expects.

This study adopted Lumpkin and Dess 5-dimensional construct of Entrepreneurial Orientation – autonomy, competitive aggressiveness, innovativeness, risk-taking and proactiveness – as constituting the independent variables, while business performance constituted the dependent variable.

**ENTREPRENUERIAL ORIENTATION  
(INDEPENDENT VARIABLES)  
VARIBALE**

**DEPENDENT**



**Figure 1:** Conceptual framework of the study adapted from (Lumpkin, G.T, Dess, G., 1996)

For the purpose of this study the five dimensions of Entrepreneurial Orientation, namely Autonomy, Innovation, Pro-activeness, risk taking and competitive aggressiveness served as the independent variables, while Business Performance served as the dependent variable.

In this study, business performance will be assessed in terms of growth and development. The following directional hypotheses have been formulated to test the relationships proposed in the theoretical framework:

*H1:* There is a positive relationship between the level of Autonomy and business performance.

*H2:* There is a positive relationship between the level of Innovation and business performance.

*H3:* There is a positive relationship between the level of Risk taking and business performance.

*H4:* There is a positive relationship between the level of Pro-activeness and business performance.

*H5:* There is a positive relationship between the level of Competiveness and business performance.

The above figure of the conceptual framework has two major components that are Entrepreneurial Orientation and Business development. The framework proposes that there exists a relationship between Entrepreneurial Orientation and Business performance.

The Entrepreneurial Orientation variables (independent) as adapted and identified from Lumpkin and Dess (1996) study comprise of the following in a brief summary;

- **Autonomy** refers to the independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion.
- **Pro activeness** is a situation where managers take initiatives by acting in anticipation of future problems, needs, or changes.

- **Innovativeness** refers to a firm's propensity to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services or processes.
- **Risk-taking** is the degree to which managers are willing to make large and risky resource commitments.
- **Competitive aggressiveness** refers to a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve their position.

Consequently, the researcher deemed it fit to test the multidimensionality of the Entrepreneurial Orientation construct as proposed by Lumpkin and Dess (1996) and its effect on business performance from a developing-country perspective.

According to numerous early studies, MSME business performance can be measured using a number of performance indicators, for instance, sales, assets, market shares, profits, employment and developmental changes in structure and management (Shepherd and Wiklund, 2009).

Among these attributes, growth in terms of market share and profitability, development in terms of efficiency and effectiveness were adopted for this study. These two were favored for this research because they are broadly used among scholars as indicators for both small and large firm growth (Brownhilder et al, 2017).

Even between the two, growth is the main indicator since it has been established by some scholars that an increase in profitability and market share will most likely result in the hiring of new employees and vice versa (Delmar et al, 2003).

Gurbuz et al (2009) noted that increase in sales is regularly used in the measurement of business performance due to it being easily remembered by MSME owners/managers. They also pointed out that MSME owners/managers, likewise, measure their sales growth through sales.

From the figure above, the independent variable is identified as the five dimensions of Entrepreneurial Orientation while the dependent variable is Business performance. The independent variable is reputed to have a positive influence on MSME growth (Gurbuz & Aykol, 2009). This study postulates that there is a significant positive relationship between the independent variables and the dependent variable.

## **2.9 Chapter Summary**

Research indicates that entrepreneurs are more successful when they are aware of the dimensions of entrepreneurial orientation and when these dimensions are successfully applied in the running their businesses.

This chapter introduced Entrepreneurial Orientation, its variables and their effect according to past study, with regard to entrepreneurial orientation its importance in the business environment explained.

The lack of basic business skills in Zambia constitutes a major problem as many Entrepreneurs are survivalists and need to start making a profit in their businesses so that they can better provide for their families and contribute to the economy. In order to achieve sustainable growth and to address the economic development challenges of business failure and unemployment, more entrepreneurs are needed to enhance the micro, small and medium-sized business sector.

Growth and sustainability as well as the financial performance of a business are determined by the level of application of Entrepreneurial Orientation of the owner or the manager of the business and their employees. It is therefore important for entrepreneurs and managers to be educated in understanding the concept of entrepreneurial orientation and to develop an entrepreneurial mind.

Empirical studies on strategic management and entrepreneurship show that, there are three basic perspectives on how independent variables relate to each other and to business performance; the main-effects approach, the contingency approach and the configuration approach. The simplest approach is the main-effects approach which basically describes the relationship between the independent variables and business performance as a function in which the independent variables do not interact with one another, it is this approach that this study had followed.

It had been noted that most studies carried out concerning Entrepreneurial Orientation are based in the Western World, with very little study based in Zambia concerning Entrepreneurial Orientation, if Zambia is to embrace industrialization and develop the business performance of Micro, Small and Medium Enterprises, it would be beneficial to further explore Entrepreneurial Orientation and its effect on business performance.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter details the systematic methods that were employed in generating data and the analysis of the data to reach conclusions and recommendations for the study. The study objectives of the research were conducted in two phases. A literature study was conducted in order to gain insight into the subject field of Entrepreneurial Orientation and its effect on business performance and an empirical study was conducted to gather data for ascertaining the relationship between entrepreneurial orientation and business performance.

The private sector with specifically regard to small and medium-sized enterprises in Lusaka District was under investigation. The Chapter looked at the methodological framework of the study and the various strategies that were employed in this study. This research is based on the research questions as highlighted in Chapter one section 1.5.

#### **3.1 Research Paradigm**

Nieuwenhuis (2007) defines a paradigm as a set of assumptions or beliefs about fundamental aspects of reality which give rise to a particular world-view addresses fundamental assumptions that are taken on faith, such as beliefs about the nature of reality (ontology); the relationship between the known and the unknown; and assumptions about methodology. In this case different research approaches are based on different conventions of reality and ways of knowing that reality, such as the scientific and interpretive paradigms.

Paradigms can be considered as conceptions of the nature of scientific endeavor within which a given inquiry is undertaken, they are sets of beliefs, values and techniques, which form the essential philosophical assumptions which explain what an event or phenomena (Mangan, J., Lalwani, C., and Gardner, B., 2004). They are a set of values and techniques which form the essential philosophical assumptions which explain what valid research is and the appropriate approaches that can be adopted in that research (Myers, M.D and Avison, D, 2002).

Boateng (2014), expressed that there exist various and diverse paradigms with various taxonomies to distinguish between these paradigms. Thus, inferring from extant literature, he outlined positivism, interpretivism, realism, relativism and critical realism as commonly dominant paradigms that reflect the major theoretical direction in social science research (Boateng, 2014).

However, these paradigms have their own set of epistemological, ontological and methodological assumptions that act as structures to explain and differentiate them from each other (Creswell, 2007).

This research is based on the interpretive paradigm in which the methods that have been used were geared to understanding how various MSMEs in their specific contexts perceive entrepreneurship orientation on one hand and to explore its feasibility, applicability and desirability business wise.

In this sense reality is perceived to socially constructed and therefore methodology is geared to understanding the perceptual processes in social-cultural context and the influences of these perceptions on the execution of this phenomena (Nieuwenhuis, 2007).

Furthermore, it is to be noted that these paradigms have their own set of epistemological, ontological and methodological assumptions that act as structures to explain and differentiate them from each other.

In view of the above, the researcher deemed it appropriate to follow the positivist world view or approach, taking into account the research objectives and hypotheses formulated in Chapter 2 of this study. Easterbly-Smith et al (2001) stated that researchers who follow this approach believe that the world is external and objective and that definite structures affect people in similar ways and vice versa. The researcher followed the positivist approach.

The researcher believes that the social world exists as an external environment where definite structures affect people in similar ways, in that, an objective reality exists through the formulation of constructs on entrepreneurial orientation and its effect on Micro, Small and Medium Business Enterprises, business performance. Consequently, the study, formulated hypotheses based on constructs and tests them on Micro, Small and Medium Business Enterprises (MSMEs) in through the administering of structured questionnaires.

### 3.2 Research Design Matrix

The table below is a summary table showing the research design matrix that was used to address the methods were used to address which research question.

Table 1.2 Research Design Matrix

RESEARCH QUESTIONS	RESEARCH OBJECTIVES	SAMPLING AND POPULATION	DATA COLLECTION	DATA ANALYSIS
1. What is the effect of Entrepreneurial Orientation on Micro, Small and Medium Business Enterprises (MSMEs) business performance in Lusaka district?	1. To understand the effect of Entrepreneurial Orientation on Micro, Small and Medium Business Enterprises (MSMEs) business performance in Lusaka district.	Purposive sampling, selected Businessess registered with PACRA	Questionnaires and interviews	Excel and SPSS software, use of regression analysis.
2. What are entrepreneurial orientation factors could be the most influential on business performance among Micro, Small and Medium Business Enterprises (MSMEs) in Lusaka district?	2. To empirically identify which of the entrepreneurial orientation factors could be the most influential on business performance among Micro, Small and Medium Business Enterprises (MSMEs) in Lusaka district.	Purposive sampling, selected Businessess registered with PACRA	Questionnaire and interviews	Excel and SPSS software, use of regression analysis.
3. How can Micro, Small and Medium Business Enterprises (MSMEs) appropriately entrench Entrepreneurial Orientation to improve their business performance?	3. To make recommendations on how best Micro, Small and Medium Business Enterprises (MSMEs) can appropriately entrench entrepreneurial orientation to improve their business performance.	Purposive sampling, selected Businessess registered with PACRA	Questionnaire and interviews	Excel and SPSS software, use of regression analysis.

### 3.3 Target Population

The target population of a study is the collection of elements or objects that possess the information sought by the researcher and about which assumptions or inferences are made

(Malhotra, 2007) .This is includes or involves an entire subset of a population or an entire group of people about whom the researcher needs to obtain data from, in this research, the target population were Micro, Small and Medium Business Enterprises (MSMEs) located in Lusaka central business district. The total population of registered Micro, Small and Medium Business Enterprises (MSMEs) with the Patents and Companies Registration Agency PACRA as at January 2018 were 172,508, however a definite number could not be established as some MSMEs were in the process of deregistration following failure to comply with filing of annual returns (PACRA, 2018).

The researcher therefore decided to use Cochran’s sample formula to calculate an acceptable sample size in order to enable the study to draw valid conclusions (Cochran, 1997).

$$N = Z^2 (p) (p)/C^2$$

Where; Z = standard normal deviation set at 95% confidence level (1.96)

P= selected percentage, proportion belonging to the specified category (50% or 0.5)

C^2 = margin of error

$$((1.96)^2 (0.5) (0.5) / (0.049)^2$$

$$= 400$$

### **3.4 Research Sampling Technique**

Sampling techniques are grouped into two; Probability and Non-probability sampling. Probability sampling is a kind of sampling in which every element in the population has a non-zero chance of being selected. Thus, every individual in the population has an equal opportunity of being used for the said study. In contrast to probability sampling, non-probability sampling does not rely on chance-based selection but on researchers’ own judgment (Malhotra & Birks., 2007). Therefore not every element of the population has opportunity to be selected.

According to Saunders et al., (2011), non-probability sampling include techniques such as purposive sampling, convenience sampling, quota sampling and snowball sampling. Purposive, also referred to as judgmental sampling, is selecting a sample “on the basis of

your own knowledge of the population, its elements, and the nature of your research aims”, therefore, selecting elements based on the researcher’s own judgement (Saunders et al., 2011).

Respondents for the study were selected using non-probability sampling technique, this sampling technique is not chance-based compliance, but relies on the researcher’s own judgment (Malhotra & Birks, 2007). Under non-probability sampling, the study employed the purposive sampling technique. This technique was deemed appropriate for this study since purposive sampling is less time consuming and also less expensive. Purposive sampling was also used in selecting respondents due to the sampling frame, in which each respondent had to be registered with PACRA and as well as a member of the Lusaka Town Center Small and Medium Enterprises Association of Zambia.

The sample size included 400 respondents from Lusaka central business district and the sampling frame was any SME actively conducting business in Lusaka central business district, registered with the Patents and Companies Registration Agency (PACRA) and as well as a member of the Lusaka Town Center Micro, Small and Medium Enterprises Association of Zambia.

### **3.5 Sources of Data**

This study used primary data. Primary data was collected through the use of personal interviews, observation and questionnaires administered to selected Micro, Small and Medium Business Enterprises. Sources that contain data that is generated by a researcher for a chosen specific purpose of addressing a current study is referred to as Primary data. Secondary sources can be defined as sources that contain data which have been gathered and assembled for the purpose other than the current research work, but have some significance and usefulness to the current work (Malhotra, 2007).

### **3.6 Data Collection Instrument**

Questionnaires are instruments that are completed in writing by respondents, while interviews are completed by the interviewer based on verbal responses provided by respondents (Bhattacharjee, 2012).

The study deemed it appropriate to adopt a self-administered questionnaire since, questionnaires are usually much cheaper, especially if data is to be collected over a wide geographical location.

A structured questionnaire comprising closed-ended questions was designed to gather primary data from the field and was also used to test the conceptual framework and answer the research objectives and questions of the study.

The first section of the questionnaire captured the survey respondents' demographics, i. e. gender, age, marital, educational qualification, legal structure of the business, number of employees and years in operation.

The second section captured the main variables of the Entrepreneurial Orientation framework. The Questions were generated and adapted from pervious empirical studies and available literature on entrepreneurial orientation and growth of MSMEs, while the third section sought to measure the overall business performance.

The structured questionnaires were distributed to selected businesses within the Lusaka district. The researcher personally went to the business premises and met with the appropriate respondents (owner, manager, general manager).

The purpose of the study was explained to these persons and assurances were given that information provided would not be used for any other purpose other than academic purposes. They were also assured of confidentiality. Only respondents who were willing to participate in the survey on the field were approached and questionnaires administered to them.

This data collection process lasted eight weeks. The researcher had optimistically intended to spend two weeks in collecting data but due to the unreachability owing to busy schedules and unwillingness of prospective respondents at the stipulated time and geographical dispersion of the companies, the researcher had to extend the time, thus leading to considerable amount of time being spent.

A 5-point Likert scale was adopted for answering questions for all scale items, ranging from Strongly Disagree (1) to Strongly Agree (5). Fifteen (15) items were used to capture the five dimensions of Entrepreneurial Orientation conceptualized by Lumpkin and Dess (1996). Accordingly, 11 items were used to measure the construct of business performance. Where increase in profitability (sales, liquidity) and growth (market share, efficiency) was the indicator of business performance.

### 3.6.1 The Reliability of the Measuring Instrument

Cronbach Alpha coefficients are calculated in order to assess the internal consistency and the reliability between the statements in a research instrument. According to Struwig and Staed (2004), the Cronbach Alfa coefficient is an index that indicates the degree to which all the items as measured and tested, measures the same attribute. The coefficient is based on the correlation of variables.

The reliability and validity of a construct is very important in every research work, because they show the level of confidence people will associate with the study. A greater value for the coefficient indicates a higher consistency and improved reliability.

The value for Alpha varies from zero to one since it is the ratio of two variances. According to Field (2009), a value of 0.7 is the internationally acceptable standard, but when dealing with human behavior and psychological constructs, values below 0.7 can very well be expected because of the diversity of the constructs (Field, 2009).

If the statements are not formulated properly and do not correlate strongly, or if the respondents in the sample do not understand the statements correctly, the Alpha coefficient may very well be close to zero to indicate poor reliability.

The internal consistency method as estimated by the Cronbach's alpha was used to measure reliability of the measuring instrument for this study. This measure is very important as it reveals the similarity of items in the instrument that is used to tap the constructs. The data collection process resulted into distribution of 400 questionnaires to the respondents. The data was loaded into an Excel software package after which it was transferred into the IBM SPSS software package for subsequent analysis.

**Table 1.3.** Shows the Cronbach's alpha for the items used in this study

<b>Reliability Statistics</b>	
Cronbach's Alpha	N of Items
.783	6

**Table 1.4****Item-Total Statistics**

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
SME autonomy improves performance	14.41	17.080	.601	.556	.732
SME aggressiveness improves performance	14.64	17.761	.634	.451	.723
SMEs innovativeness improves performance	14.81	20.075	.528	.312	.753
SME proactiveness improves performance	14.89	21.655	.364	.476	.785
Risk taking improves performance	14.55	19.773	.481	.515	.762
SMEs business performance	14.25	17.513	.587	.519	.736

### 3.7 Measuring Entrepreneurial Orientation

The second section of the questionnaire gathered information from the participating businesses with regard to the dimensions of entrepreneurial orientation, as applied in business operating environments.

The dimensions of Entrepreneurial Orientation were being measured according to the research objectives set and the set research questions that lead to the research to establish the relationship between entrepreneurial orientation and business performance.

The questionnaire measured each question on the following numbering scale; Likert scale of points 1 - 5, where the respondent agreed or strongly agreed to a question.

Appendix A contains the questionnaire employed for this study.

**Table 1.5** Independent and dependent variables

Independent variables	Dependent variable
Autonomy	Business Performance
Pro activeness	
Risk-taking	
Competitive aggressiveness	
Innovation	

It is assumed in table 1.6 that the five independent variables influence the dependent variable. This means that in order to improve business performance, MSMEs must be able to incorporate Autonomy, pro-activeness, risk taking, competitive aggressiveness and innovation in the day to day management of their business. A multiple regression analysis helped to determine how the five (5) independent variables in the standard, predict significantly the dependent variable and the strength of relation.

Data was analyzed using multiple regression to determine the relationship between the independent and dependent variable. In regression analysis, the assumption of multivariate regression analysis are;

- 1) The normal distribution
- 2) Freedom from extreme values
- 3) And having no multiple ties between independent and dependent variable.

As regards the questionnaire, the items were measured using the “five-point Likert scale from 1 to 5” rating, with choices from “strongly disagree” to “strongly agreed. The researcher used Microsoft excel to develop a data sheet then transferred it into the IBM SPSS statistical package. In addition, data was reviewed several times for the purpose of cleaning against possible errors and omissions. Finally, data was analyzed using regression analysis.

The availability of missing data was checked in the research using the frequency analysis. Thereafter, a Univariate normality test was done, then linearity test, freedom from extreme values, and multi-linear relations. To satisfy the requirement to carry out regression

analysis, a univariate normality assumption was done for each variable through the use of skewness and kurtosis test.

In addition, scatter diagram matrix and p-p plot was used to determined multivariate linearity and homoscedasticity of the assignment. In order to check the unidirectional linearity extreme values, it was checked whether or not the Z scores of the variable were in the  $\pm 3$  range.

A total of 350 out of 400 businesses fully completed and returned the questionnaires. There were Fifty (50) questionnaires not suitable for processing. Some questionnaires were not fully answered while other questionnaires from some respondents were rejected because of respondents' failure to complete the consent form. The useable questionnaires were three hundred and fifty giving us a response rate of 87.5% of the total sample of the identified SMEs.

### **3.8 Ethical Consideration**

Scholars have cautioned researchers not to take lightly, issues pertaining to ethical considerations such as openness with respondents and appropriate treatment of confidential information when conducting a study. Based on this, steps were taken not to offend or endanger any participant or respondent. Beneath are the step taken.

- Approval was sort from the ethics committee at the University of Zambia, before the research was conducted.
- The main aims and objectives of the study was made known to the respondents.
- Soliciting of approval was then requested from respondents.
- Respondents were also assured that any information provided for this study will be treated confidentially and used for academic purposes only.

It is also to be noted that none of the respondents were forced or threatened in any way to partake in the study and that those who did, did so voluntary, all participants participated freely after receiving information on the study and their right to answer questions or not, right to avoid being made uncomfortable and the right to withdraw at any time during the interview process was communicated.

### **3.9 Chapter Summary**

In order to achieve and address the objectives and hypotheses of this study, there was need for methodology to be clearly outlined by carry out a research methodology. The Chapter outlined by sections, each of the various steps employed by the researcher to gather the important information needed for the study.

In explicit details, the chapter will look at the research paradigm underpinning the study, research design, population and sampling, issues concerning data collection, data analysis techniques as well as ethical considerations. After satisfactorily carrying out the methodology, data could obtained was then processed.

## **CHAPTER FOUR**

### **DATA ANALYSIS**

#### **4.0 Introduction**

This chapter presents the results of the study, the results are divided into key areas such as the demographic background of the respondents, and regression analysis testing the relationship between Entrepreneurial Orientation and Micro, Small and Medium Business Enterprises with Business Performance as a moderating factor.

The study was conducted by means of a questionnaire and in-depth interviews in order to establish the outcome of the research hypotheses set in chapter two of the literature review. The collected data from the field with a sample size of 400 was analyzed using the statistical software SPSS.

A total of 350 out of 400 businesses fully completed and returned the questionnaires. There were Fifty (50) questionnaires not suitable for processing. Some questionnaires were not fully answered while other questionnaires from some respondents were rejected because of respondents' failure to complete the consent form. The useable questionnaires were three hundred and fifty giving us a response rate of 87.5% of the total sample of the identified MSMEs.

#### **4.1 Results of Biographical Data and Structure of Business**

The biographical and structure information of the questionnaire as stated was structured to determine the level of education, age and experience as an indication as to the operating dynamics and sustainability of the business and operational structure to analyze Entrepreneurial Orientation and its relation to business performance.

##### **4.1.1 Gender Classification of Respondents**

Table 1.6 gives an indication as to the genders of the entrepreneurs/managers in the participating businesses. The purpose of this section in the questionnaire was to determine and differentiate between the number of female and male respondents. The respondents had to select between the options of male and female in the questionnaire.

Table 1.6

	Frequency	Percent	Valid Percent
Male	185	52.86	52.86
Female	134	38.29	38.29
Not applicable	31	8.85	8.85
Total	350	100	100

A total of 52.86% indicated that they were Male, while a total of 38% indicated that they were Female. Only about 8.85% marked the not applicable box, to indicate multiple ownership that comprised a mixture of both Male and Females.

#### 4.1.2 Age Classification of Respondents

The table below gives an indication as to the ages of the entrepreneurs/managers in the participating businesses.

Table 1.7

	Frequency	Percent	Valid Percent
Ages 20-39	124	35.42	35.42
40-49	138	39.43	39.43
50-59	71	20.29	20.29
60	17	4.86	4.86
Total	350	100.0	100.0

Only 17 of the businesses (4.86%) are managed by entrepreneurs older than 60 years old. The majority of businesses are managed by entrepreneurs in the age group of 40-49 years old 39% in total. A total of 35% of the respondents represent businesses of owners or managers in the age group of 20-39, while 20.29% comprises of business owners in the age group of 50-59 years old.

#### 4.1.3 Education Classification of Respondent

The purpose of these questions was to determine the highest academic qualification of the respondents in order to establish the relationship between education and entrepreneurial orientation.

The table below indicates the levels of education of the various participating entrepreneurs and managers.

Table 1.8

	Frequency	Percent	Valid Percent
Primary	24	6.86	6.86
Secondary	54	15.43	15.43
Certificate	118	33.71	33.71
Diploma	104	29.72	29.72
Degree	39	11.14	11.14
Postgrad	11	3.14	3.14
	350	100.0	100.0

The results are distributed between the six levels of education with the majority of candidates being holders of basic certificates at 33.71%. Respondents with post graduate degrees account for only 11%. Only 6.86% participants stated that they have a basic primary school education, while 15.43% had secondary level education and 29.72% had diplomas.

#### 4.1.4 Structure of the Business

This part of the questionnaire sort to understand and explain the legal structure of the business, whether it was sole trader, partnership, private, trust or franchise.

Table 1.9		Frequency	Percent	Valid Percent
Valid	Sole	105	30	30
	Partnership	155	44.29	44.29
	Private Ltd	58	16.57	16.57

Trust	25	7.14	7.14
Franchise	7	2	2
Total	350	100.0	100.0

The results were distributed among different types of business classifications, with the highest percentage being that of partnership with 44.29% , Sole traders accounted for 30%, while private limited had 16.57%, with Trust and Franchise having 7.14% and 2% respectively.

#### 4.1.5 Number of Permanent Employees

Table 1.10

		Frequency	Percent	Valid Percent
Valid	<10	135	37.14	37.14
	10-20	129	36.29	36.29
	20-50	74	21.14	21.14
	50-100	12	5.43	5.43
	Total	350	100	100.0

The results of the sample indicate a fair distribution with the majority of businesses employing approximately 5 – 10 (37.14%)

A total of 129 businesses only employed between 10 and 20 employees and they account for 36%. A total of 74 businesses employed more than 20 to 50 employees and they account for 21.14% of the sample. A total of 12 businesses employed 51 to 100 employees (5.43%).

#### 4.2 Data Suitability Tests for Regression Analysis

Firstly, it was important to check for suitability of regression analysis by carrying out some descriptive statistics. Among the test include a test on missing values, skewness and kurtosis test. The test result in table 2.0 show that there are no mission data. Missing data may cause serious problems in statistical procedures. It may cause elimination of cases with missing data leading to not having enough data to perform the analysis.

**Table 2.0** Frequency Table for Missing Data

		SME autonomy improves performance	SME aggressiveness improves performance	SMEs innovativeness improves performance	SME proactiveness improves performance	Risk taking improves performance	SMEs business performance
N	Valid	83	83	83	83	83	83
	Missing	0	0	0	0	0	0

#### 4.2.1 Skewness and kurtosis

Prior to the multivariate normality test, univariate normality test was done for all quantitative variables. The skewness and kurtosis coefficient of the research variables were analyzed. On one hand, the skewness analysis measures the relative size of the two tails, on the other hand, Kurtosis measures the amount of probability in the tails. It is a measure of the combined sizes of the two tails and the value is often compared to the kurtosis of the normal distribution, which is equal to 3. The analysis results are shown in table 2.1. The skewness coefficient of all variables are within the acceptable range of +/- 1 range. This means that the variables are not in skewed position. The kurtosis coefficient does not differ from the normal, and henceforth distribute normally.

**Table 2.1** Skewness and Kurtosis

	SME autonomy improves performance	SME aggressiveness improves performance	SMEs innovativeness improves performance	SME proactiveness improves performance	Risk taking improves performance	SMEs business performance
Skewness	.055	.047	.139	.360	-.002	-.134
Std. Error of Skewness	.130	.130	.130	.130	.130	.130
Kurtosis	-1.412	-1.080	-.498	-.667	-.887	-1.314
Std. Error of Kurtosis	.260	.260	.260	.260	.260	.260

#### 4.2.2 Multivariate normality and linearity

The scatter diagram is being used to check the multivariate normality and linearity. The scatter diagram is examined for each group as shown in figure 2.0. As regards normality, it is important to ensure that before making valid inferences from a regression, the residuals which are the error terms of the regression should follow a normal distribution. An examination shown on a normal Predicted Probability (P-P) plot display that the residuals are normally distributed. Figure 1.2 and 1.3 show the scatter diagram and P-P plot with residuals conforming to the diagonal normality line and homoscedasticity respectively

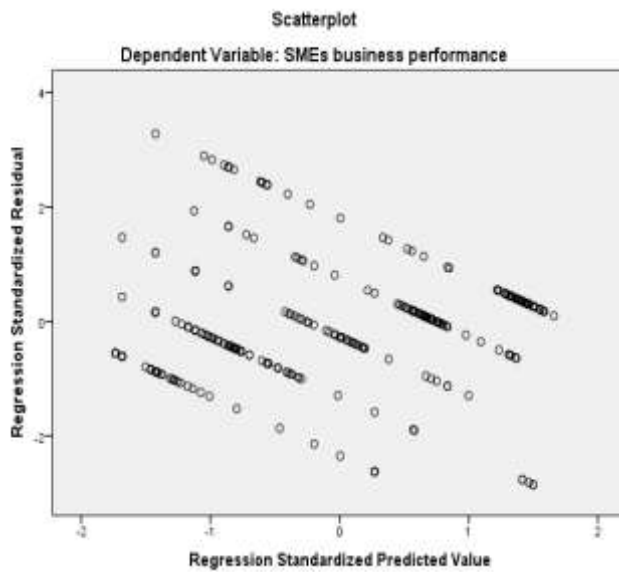


Figure 1.2. Scatter Diagram

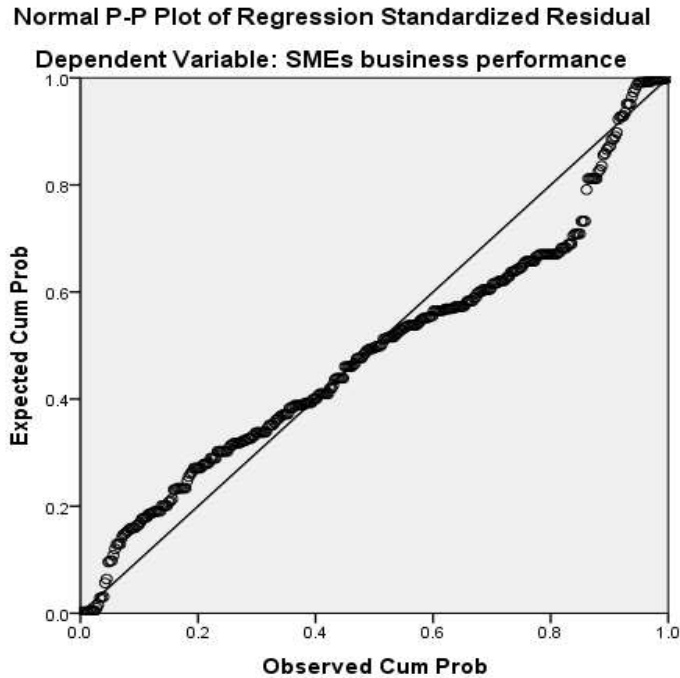


Figure 1.3 P-P

plot of regression

#### 4.2.3 Multiple relations Coefficients

In the study, it was important to check whether or not there were any multiple relations between variables. To that effect, some tests such as simple correlations, variable increase factors (VIFs), tolerance and conditional index (CI) were examined. Table 2.3 shows the multiple relations coefficient.

**Table 2.3.** Multiple relations coefficients

	B	Std. Error	Beta	t	Sig.	Zero-order Partial	Part	Tolerance	VIF	
(Constant)	.770	.188		4.493	.000					
Autonomy	.561	.045	.588	12.711	.000	.701	.558	.466	.645	1.551
Competitive Aggressiveness	.180	.054	.168	3.402	.001	.527	.178	.126	.567	1.765
Innovation	.033	.059	.036	.788	.431	.352	.030	.021	.689	1.451
Proactiveness	.053	.069	.012	.284	.777	.121	.041	.029	.525	1.904
Risk taking	0.95	.063	0.81	1.506	.133	.248	.081	.056	.488	2.050

The table 2.3 analysis show correlation results on zero-order, partial and part. The results show that there are no correlation coefficient higher than 0.8 showing that there is no multiple relation among the variables. Further, the variance increase factor (VIF) analysis show that they are less than 10 indicating good results. If they are equal or more than 10, then we would have concluded a multiple relation between variables. The tolerance values are higher than 0.10 and therefore no multiple relations between variables is decided.

**Table 2.4** Multiple relations Condition Index Values

Collinearity Diagnostics

Model Dimension	Eigenvalue	Condition Index	Variance Proportions						
			(Constant)	Autonomy	Aggressiveness	Innovation	Proactiveness	Risk taking	
1	5.557	1.000	.00	.00	.00	.00	.00	.00	.00
2	.186	5.471	.00	.19	.08	.01	.11	.07	
3	.085	8.078	.01	.40	.01	.65	.03	.03	
4	.072	8.760	.34	.14	.66	.03	.03	.02	
5	.061	9.576	.53	.17	.20	.24	.01	.20	
6	.039	11.957	.12	.09	.05	.08	.81	.69	

a. Dependent Variable: SMEs business performance

When the CI is bigger than 30, it is considered that there are correlations between variables. In table 2.4, all the CI values are smaller than 30. Henceforth, a conclusion that there were no multiple relations between the variables. After having a satisfactory examination of the univariate normality test, linearity test, freedom from extreme values, and multi-linear relations, a regression analysis was henceforth done.

### 4.3 Multiple Regression

The table shows the degree of the emerging models predicting the dependent variable in the consequence of the standard regression as well as the degree of the model's explaining the variance in the dependent variable. The model's degree of predicting the dependent variable was found to be  $R=.720$ . As regards the model's degree of variance in the

dependent variable, it was found to be  $R^2=51.9$ . After examining these coefficients, it can be reported that the model predicts the dependent variable very well.

Table 2.5

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.720 <sup>a</sup>	.519	.512	.963

a. Predictors: (Constant), Risk taking improves performance, SME autonomy improves performance, SMEs innovativeness improves performance, SME aggressiveness improves performance, SME proactiveness improves performance

Table 2.6 ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	343.852	5	68.770	74.159	.000 <sup>b</sup>
	Residual	319.005	344	.927		
	Total	662.857	349			

a. Dependent Variable: SMEs business performance

b. Predictors: (Constant), Risk taking improves performance, SME autonomy improves performance, SMEs innovativeness improves performance, SME aggressiveness improves performance, SME proactiveness improves performance

Table 2.6 shows whether or not the five (5) independent variables in the standard model predicted significantly the dependent variable in the regression model. The results show that the five (5) independent variables are significantly predictive of the dependent variable according to ANOVA statistics [F (5, 344) =74.159,  $p<0.05$ ]

Table 2.7 Coefficients

Coefficients <sup>a</sup>							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (Constant)	.770	.188		4.106	.000	.401	1.139
SME autonomy improves performance	.561	.045	.580	12.459	.000	.473	.650
SME aggressiveness improves performance	.180	.054	.167	3.357	.001	.075	.286
SMEs innovativeness improves performance	.033	.059	.025	.563	.574	-.083	.149
SME proactiveness improves performance	-.053	.069	-.039	-.764	.446	-.189	.083
Risk taking improves performance	.095	.063	.081	1.506	.133	-.029	.218

a. Dependent Variable: SMEs business performance

The absolute value of  $\beta$  (Beta) in table above indicates the order of importance of the independent variables with the highest beta value being relatively important variable.

#### 4.4 Discussion of Findings

In order to establish the relationship between the dependent variable and independent variables, a multiple regression analysis was used to determine what effect the independent variables (autonomy, innovation, risk taking, proactiveness and competitive aggressiveness) have on the dependent variable Business performance.

The regression results in the summary table 2.8 explain on the results of the overall tests.

**SUMMARY Table 2.8**

DESCRIPTION	STATUS	MEASUREMENT	COMMENTS
R	Multiple correlation coefficient	0.720	0.720 measurement shows the correlation between entrepreneurial orientation and business performance
R SQUARED	The amount of variance in the dependent variable that is accounted or explained by the independent variable	0.519	Entrepreneurial orientation explains 0.519 or 51.9% of the variance in Business performance.
ADJUSTED R SQUARED		0.512	Entrepreneurial Orientation explains about 0.512 or 51.2% of the variance in Business performance, it explains the variability of the response data around the mean.
STANADRD ERROR OF THE ESTIMATE		0.963	Standard error measures the accuracy of predictions, it shows an accuracy of 0.963
ANOVA			
Analyzed if Entrepreneurial Orientation is a significant predictor of Business Performance, if it is statistically significant or does it help predict Business performance beyond change alone			
Regression	Sum of square	( DF=5); F=74.159; SIG=0.000	The p-value is less than 0.05. This means that Entrepreneurial orientation sits statistically Significant to determining Business performance.

The Multiple *correlation coefficient* was 0.720, the measurement shows the correlation between entrepreneurial orientation and business performance.

**R SQUARED** - The amount of variance in the dependent variable that is accounted or explained by the independent variable was 0.519. Entrepreneurial orientation explains 0.519 or 51.9% of the variance in Business performance.

**ANOVA** - Analyzed if Entrepreneurial Orientation is a significant predictor of Business Performance, the p-value is was less than 0.05. This means that Entrepreneurial Orientation sits statistically Significant to determining Business performance.

Discussion and results of Hypothesis and research objectives as follows;

#### **4.4.1 Discussion of Hypothesis**

***H1:*** There is a positive relationship between the level of Autonomy and business performance.

The hypothesis predicted a significant positive relationship between Autonomy and Business performance, 2.7 shows that Autonomy has a significant relationship with Business performance ( $p = 0.000$ ). This means that SMEs in Lusaka district are autonomous. It also suggests that Autonomy is an important factor that affects Business performance. MSMEs in Lusaka allow freedom for both individual and team work, the owner/manager maintains most authority when it comes to decision making but allows staff to act independently in the daily usual operations of the business. This in agreement to studies Callaghan et al (2011) that stated that Autonomy has a positive relationship with business performance.

***H2:*** There is a positive relationship between the level of Innovation and business performance.

The result of the test do not support *H2*. This means that MSMEs in Lusaka central business district are not innovative. It also suggests that innovativeness is not an important factor that influences MSMEs performance. The result confirms Quaye & Acheampong (2013) empirical findings that stated that SMEs in Ghana are not innovators. This is also consistent with Atalay et al (2013), who stated that there was no positive relationship between non technological innovation and firm performance, however this result is in conflict with the results obtained from Lumpkin and Dess study on which this research is based, which shows that innovation is key to business performance. The results mean MSMEs in Lusaka are not doing enough in terms of innovation, this could be, possibly due to a culture that lacks an enabling environment that supports creative thinking and advances efforts to extract economic and social value from knowledge. Such a culture can only be developed by embracing a multifaceted approach starting from the bottom, in institution of learning for example, encouraging students to learn so as to start up new ventures as opposed to looking for employment.

**H3:** There is a positive relationship between the level of Risk taking and business performance.

Hypothesis 3 predicted a significant relationship between risk-taking and Business performance. Table 2.7 showed that risk-taking has an insignificant relationship with MSME business performance ( $p = 0.133$ ). This means that SMEs are cautious and are more likely to take low risk ventures. This finding is in agreement with Rauch et al. (2009) whose study showed that risk-taking has a significantly smaller correlation with performance. However this result is in conflict with Lumpkin and Dess study on which the research is based, also research done by Wambugu et al, (2015) which showed that risk taking has a positive relationship with business performance. The insignificant result obtained in the study could be due possible environmental factors that were prevailing in the economy the time the study was being carried out, factors like the unstable exchange rate that affected local and international trade among other reasons.

**H4:** There is a positive relationship between the level of Pro-activeness and business performance.

The hypothesis predicted a significant positive relationship between pro-activeness and business performance. Table 2.7 shows that pro activeness has an insignificant relationship with MSME growth ( $P = 0.446$ ). This finding is in support of Okangi (2019) which showed a negative relationship with profitability growth of the local Tanzania's firms; it is an indication that MSMEs in Lusaka district are not doing enough to enable future demand to be forecasted. This can possibly be attributed to a lack of or weak operational frameworks in those enterprises that prevent them from realizing advantages of being proactive. The researcher had interviewed a number of business managers who were managing family owned firms who attested to the fact that because some of those businesses were family owned it limited the ability to act independently.

**H5:** There is a positive relationship between the level of Competitive aggression and business performance.

The hypothesis presented a positive relationship between competitive aggressiveness and Business performance. The results show a significantly strong positive relationship between competitive aggressiveness and Business performance ( $p=0.000$ ). The relationship

is highly significant at 1% confidence level ( $p < 0.01$ ). This implies that SMEs adopt bold and aggressive postures to maximize the probability of exploiting potential opportunities, which in turn leads to growth, preying on competitor's weaknesses to increase and accomplish market share objectives leading to an increment in sales and improving revenue. This is consistent with Huges and Morgan, (2007) and Lumpkin et al (2009) who believe there is a positive relationship between competitive aggressiveness and business performance.

In conclusion, the results according to regression analysis reveal that competitive aggressiveness and autonomy were positively and statistically significant in affecting SMEs business performance. Inferential statistics indicated that the correlation between business performance of micro, small and medium business enterprises and Autonomy was positive and is statistically significant at a p value of 0.000.

Results indicate majority of the respondents agreed that Competitive aggressiveness had a significant effect on Business performance of MSMEs with a p value of 0.001.

The findings agree with those in Dess and Lumpkin (2005) that competitive aggressiveness was of high importance because as the markets nowadays change in a rapid pace, maintaining competitive advantage is crucial and as it can be a source of significant progress and growth for a firm.

As a collective the Entrepreneurial Orientation variables had a positive and significant effect on business performance, the amount of variance in the dependent variable that was accounted or explained by the independent variable was 0.519 meaning Entrepreneurial orientation explains 0.519 or 51.9% of the variance in Business performance. As a collective the variables of Entrepreneurial Orientation are predictors of business performance.

#### **4.4.2 Discussion of Objectives**

1. To understand the effect of Entrepreneurial Orientation on Micro, Small and Medium Business Enterprises (MSMEs) on business performance in Lusaka district.

Statistically the regression analysis tests showed that the independent variables Autonomy, Innovation, Competitive aggression, Pro activeness, Risk Management are predictors of Business performance, the regression model showed a positive p value (0.000) which is

less than 0.005. Overall the tests showed that all the independent variables together collectively are predictors of performance, but not individually.

The multiple regression model was conducted to determine how the five dimensions of EO influence or have an effect on the performance of MSMEs in Lusaka district. The result indicated a positive significant relationship between all the dimensions of Entrepreneurial Orientation with the exception of proactiveness, risk taking and innovation. This means that MSMEs in Lusaka district are lacking in these three variables or do not encourage little or no novelty, they do not invest in research and development, they do not search purposely for sources of innovation, they fail to quickly anticipate changes in markets that could enable them be proactive and take necessary risks that would in the long run be profitable.

The revelation is in contrast with Lumpkin and Dess study who discovered that in predicting business performance, all variables of Entrepreneurial Orientation were needed. The results in this study, however, are in agreement with studies conducted by Quaye & Acheampong (2013), Okangi (2019), Rauch et al (2009).

2. To identify which of the entrepreneurial orientation factors could be the most influential on business performance among Micro, Small and Medium Business Enterprises (MSMEs) in Lusaka district.

The results indicated a significant positive relationship between the dependent variable Business performance and the independent variables competitive aggressiveness and (p = 0.001) and Autonomy (p = 0.000) respectively. This means that hypotheses H1 and H5 are acceptable and that Autonomy and competitive aggressiveness are the most influential among MSME business performance in Lusaka District. It could also mean that MSMEs in Lusaka are not doing enough in terms of Innovation, Risk taking and Pro-activeness.

Earlier studies concerning Entrepreneurial Orientation literature show that there exists a relationship between Entrepreneurial Orientation and business performance of MSMEs which this study supports. Out of the five dimensions of Entrepreneurial Orientation examined, two of them (Autonomy and Competitive aggressiveness) received positive results as influencing MSME business performance. Despite the negative or insignificant results from the other three variables ( risk taking, pro-activeness and innovation)

collectively the results from the regression analysis showed that as a collective all variables had a significant relationship on business performance. This means that MSMEs in order to perform better they must pay particular attention to and effectively and efficiently practice these strategies to enhance growth and also to ensure their survival.

3. To make recommendations on how best MSMEs can appropriately entrench entrepreneurial orientation to improve their business performance.

➤ This is discussed in detail in Chapter 5.

#### **4.5 Summary**

Empirical studies in the field of Entrepreneurship have shown that being Entrepreneurially Orientated enables firms to have a competitive edge over firms that are not Entrepreneurially Orientated, it enables them to be able to identify opportunities that will not only enable them to be profitable but also enable them to survive in different operating environment. Studies have shown that Entrepreneurial Orientation has been used and referred to numerous times in studies involving Entrepreneurship and Strategic management, because of the positive influence from the results conducted by studies showing that Entrepreneurial Orientation has a positive influence on the growth and profitability of businesses.

After literature was reviewed and the context of the study discussed, appropriate objectives and hypotheses were developed. The study employed structured questionnaire to collect data from 350 MSMEs in Lusaka district. Data was analyzed using regression analysis and results obtained were then interpreted to come to conclusions.

## **CHAPTER FIVE**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter concludes on the research findings and study, its aim is to give appropriate recommendations and to strengthen the practice of entrepreneurial orientation. Conclusions and recommendations will be given based on the research objectives.

Some recommendations will be made for further research on the subject of entrepreneurial orientation in MSMEs business performance. These recommendations will also include the subject of educating entrepreneurs towards entrepreneurial orientation in order to equip them to become better business leaders.

#### **5.2 Achievement of Study Objectives**

The first objective was to empirically identify which of the entrepreneurial orientation factors could be the most influential on business performance among Micro, Small and Medium Business Enterprises (MSMEs) in Lusaka district. The study showed from the results obtained from data collected from the targeted population that out of the five variables Autonomy and Competitive aggressiveness mostly influenced business performance. It was also concluded that MSMEs in Lusaka district could do more in terms of risk taking, innovation and pro-activeness. It was concluded that the insignificant results that were obtained from the tests carried out on these three variables could be attributed to a number of prevailing factors in the operating environments, some of these factors included cultural and regulatory.

The second objective was to obtain insight into Entrepreneurial Orientation among MSMEs and assess the effect of entrepreneurial orientation on MSME business performance in Lusaka district, which was achieved through the empirical research of past studies and the results were assessed in chapter 3 and 4 of this study. Entrepreneurial Orientation was defined in the literature review and insight was gained into the five dimensions and the results obtained in this study were able to show that Entrepreneurial Orientation sits statistically significant in determining business performance in Lusaka district.

The last objective, was to understand how best MSMEs can appropriately entrench Entrepreneurial Orientation to improve their business performance.

Business owners and managers of businesses are encouraged to create enabling environments that encourage or foster Entrepreneurial Orientation, the following could be encouraged or implemented:

- Encourage open door policy and cultivate an open environment of sharing and creative thinking. Most business owners do not allow their employees to think independently of laid down procedure, while this may be to safe guard the owners interests, most times it may be to the detriment of the development or performance of the firm. There is high control on employees who are trying to apply their own work because the owner/managers believe that employees are not capable of improving the existing system. A lack of interactive relationship between employer and employees leads to the poor innovativeness of firms, which depends only on the leader even if small firms are a spring of new innovation. In most cases, these firms are unable to employ different marketing and competitive strategies, which in the long term hinder the growth and performance of the business.
- Owners or managers are encouraged to delegate responsibility, most managers in small firms are not willing to distribute power and give freedom to their workers, this hinders their employees from taking calculated risk that may help them to bring new ideas on the products, processes or technological advances.
- Lastly, owners and managers are encouraged to wide read or to receive any formal or informal type of education in Entrepreneurship and Entrepreneurial Orientation, or any form or type of basic business skills in the running of their businesses, prior to starting a business and even after the business has been successfully launched.

## **5.4 Conclusion**

The small and medium scale enterprise sectors all over the world are often prone to failure due to the lack of basic business skills or lack of knowledge by the business owners and managers, some of the other reasons among many may be because they do not possess some degree of Entrepreneurial Orientation. The study tried to analyze Entrepreneurial Orientation and its effect on business performance following the statement of the problem.

The study established that Entrepreneurial Orientation among business enterprises in Lusaka district is moderate and the test using regression analysis established that Entrepreneurial Orientation sits statistically significant in determining business performance, with autonomy and competitive aggressiveness having more influence among the other variables (risk taking, innovation and pro-activeness).

Entrepreneurial Orientation literature postulates that there exists a relationship between EO and the growth and performance of businesses. This means that MSMEs aiming to grow must pay particular attention to and effectively and efficiently practice these strategies to enhance growth to ensure their survival.

### **5.3 Recommendations**

From the information obtained through the study of literature and the empirical study some important recommendations can now be made to various parties on the importance of entrepreneurial orientation and how best it can be used or integrated to improve business performance.

- Perspective and future entrepreneurs and business owners are encouraged to improve their current levels of education and to always seek to learn something new and expand their current business skills and knowledge base, this will ensure to a certain degree sound and efficient business performance.
- There is need for, the government and institutions of higher learning to champion and introduce entrepreneurial courses and basic business skills in academic curriculum across all disciplines. With the low availability of jobs in the job market, there is urgent need for strategic job creation and self-employment.
- Relevant regulatory bodies in the country should encourage healthy competitive business environment, that should be fostered among Entrepreneurs, who should constantly seek for opportunities and act on good opportunities to maximize their value and profit for the enterprise. Taking the necessary risks should then strongly be considered, even if the same risks do not seem to be worth the effort to other entrepreneurs.
- In improving the current levels of entrepreneurial orientation in a business, means for the entrepreneur to improve on the application of the dimensions of

entrepreneurial orientation and also allowing employees appointed in positions of authority to improve on the application of these dimensions.

- It is advisable for government to provide more effective training programs in entrepreneurship before entrusting funds, to ensure that upcoming entrepreneurs have the necessary skills and education to be successful. Funding should then only be provided prospective applicants who have successfully completed some form of training to improve the success rates of business performance and prevent the loss of funds invested.
- Businesses older than three years are advised to start competing with each other rather than to still be focused on existence and sustainability. By competing with other businesses it creates an opportunity to become a market leader and to outperform competitors, creating a healthy and robust business environment.
- Prospective entrepreneurs are further encouraged to do the necessary planning and organizing to obtain the necessary skills before starting up a business, so effectively as to ensure sustainability and creation of wealth of the business. This effect will ultimately create value for the entrepreneur and a value contribution will be made to the country's GDP.

### **5.3.1 Recommendations for Future Studies.**

The study was limited to Lusaka district. Therefore, generalization of the results might not necessarily cover the entire MSME population in Zambia. The study, therefore, recommends that future studies should consider extending the study to other districts and provinces in Zambia. The researcher, therefore, recommends that other studies can be carried out in other regions, as well as a comparative study of these regions and other contexts. Furthermore, a larger sample size would be encouraged since this study was limited in terms of sample size.

Future studies can also consider the environment as a mediating factor instead of a moderating factor and also look at how individual factors such as political, economic, social, legal and cultural factors influences the relationship between Entrepreneurial Orientation and business performance.

## **APPENDIX 1**

## QUESTIONNAIRE FOR SELECTED MSME

Mark with an X where appropriate

### BIOGRAPHICAL DATA

1. Gender of business owner

M	F
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2. Age of business owner

<29	30-39	40-49	50-59	60>
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3. Level of education of business owner

Primary	Secondary	Certificate	Diploma	Degree	Post grad.

### STRUCTURE OF THE BUSINESS

1. What is the legal structure of the business?

Sole	Partnership	Private ltd	Cooperative	Trust	Franchise

2. What industry does the business operate?

3. What is the Age of the business (how long has the business been in existence)?

4. How many permanent employees has the business employed?

<10	10-20	20-50	50-100	100-200	200>
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### ENTREPRENEURIAL SKILLS

MARK WITH AN X ON THE APPROPRIATE NUMBER

1 = Strongly disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly agree
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	QUESTION	1	2	3	4	5
1.	Employees have enough autonomy in their job to do their work without continual supervision?					
2.	Management demonstrates an ability to make quick and well informed decisions for the benefit of the business?					
3.	Employees in our business are encouraged to manage their own work and have flexibility to resolve problems.					
4.	Does leadership delegate authority or seek technical expertise in decision making?					
6.	Has the business demonstrated innovativeness in research and design of product development					
7.	The business regularly introduces new services/products/processes.					

8.	<b>The business places a strong emphasis on new and innovative products/services.</b>	1	2	3	4	5
9.	<b>The business is continually pursuing new opportunities.</b>	1	2	3	4	5
10.	<b>The business places a strong emphasis on continuous improvement in products/service delivery</b>	1	2	3	4	5
11.	<b>Has the business placed any strong emphasis on the development of new products and services in line with the project/business?</b>	1	2	3	4	5
12.	<b>When confronted with uncertain decisions, does the business adopt a bold posture in order find solutions and the probability of exploiting opportunities?</b>	1	2	3	4	5
13.	<b>Would you describe the actions of the business to be bold versus cautious in times of developmental change or operational change?</b>	1	2	3	4	5
14.	<b>In general would you say business has a strong inclination towards high-risk projects</b>	1	2	3	4	5
15.	<b>Would you describe the business/management as a risk taker?</b>	1	2	3	4	5
17.	<b>Would you say the business continuously monitors market trends and identifies future needs of customers?</b>	1	2	3	4	5
18.	<b>The business is typically the first to introduce new products and services</b>	1	2	3	4	5
19.	<b>The business typically initiates actions that competitors respond to.</b>	1	2	3	4	5
20.	<b>Would you say the business relates positively to changes in the market and available market opportunities?</b>	1	2	3	4	5
21.	<b>In dealing with competitors does the business typically adopts a very competitive posture?</b>	1	2	3	4	5
22.	<b>Our business effectively assumes an aggressive posture to combat trends that may threaten our survival or competitive position.</b>	1	2	3	4	5
23.	<b>The business has tendency to directly and intensely challenge competitors</b>	1	2	3	4	5
24.	<b>Would you say the business is very aggressive and intensely competitive?</b>	1	2	3	4	5

**BUSINESS PERFORMANCE**

**MARK WITH AN “X” WHERE APPROPRIATE**

**THE FOLLOWING INFORMATION WILL REFER TO THE BUSINESS PERFORMANCE OF THE SUBJECT OVER A PERIOD OF THE LAST 3 – 5 YEARS.**

<b>1 = Strongly disagree</b>	<b>2 = Disagree</b>	<b>3 = Neutral</b>	<b>4 = Agree</b>	<b>5 = Strongly agree</b>
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	<b>QUESTION</b>					
1.	The business has experienced growth in turnover over the past few years	1	2	3	4	5
2.	The business has experienced growth in profit levels over the past few years	1	2	3	4	5
3.	The business has experienced growth in market share over the past few years	1	2	3	4	5
4.	The competitive position of the business has improved over the past few years.	1	2	3	4	5
5.	The effectiveness (doing the right things) of the business has improved over the past few years.	1	2	3	4	5
6.	The efficiency (doing things right) of the business has improved over the past few years.	1	2	3	4	5
7.	The image (stature) of the business, relative to your competitors, has grown over the past few years.	1	2	3	4	5
8.	During difficult economic periods, investments in research and development/innovation of projects continue and no significant financial cuts are made.	1	2	3	4	5
9.	The business has experienced relative and steady growth over the last 3-5 years in the primary market.	1	2	3	4	5
10.	The business has been able to steadily fund/pay any liabilities from the returns of the business without difficulty.	1	2	3	4	5
11.	The business can be described as being relatively liquid with the ability to pay/fund any liabilities.	1	2	3	4	5
12.	Would you say that the business has the necessary business and financial skills required to ensure success of the business?	1	2	3	4	5
13.	Given your current knowledge of the business would you recommend training in financial and business skills for the business to ensure success, growth and repayment of borrowed funds?	1	2	3	4	5

**KEY VARIABLES**

<b>AUTONOMY</b>
Employees have enough autonomy in their job to do their work without continual supervision?
Management demonstrates an ability to make quick and well informed decisions for the benefit of the business?
Employees in our business are encouraged to manage their own work and have flexibility to resolve problems.
Does leadership delegate authority or seek technical expertise in decision making?

<b>INNOVATIVENESS</b>
<b>The business regularly introduces new services/products/processes.</b>
<b>The business places a strong emphasis on new and innovative products/services.</b>
<b>The business has increased the number of services/products offered during the past two years.</b>
<b>The business is continually pursuing new opportunities.</b>
<b>The business places a strong emphasis on continuous improvement in products/service delivery</b>

<b>RISK TAKING</b>
<b>When confronted with uncertain decisions, does the business adopt a bold posture in order find solutions and the probability of exploiting opportunities?</b>
<b>Would you describe the actions of the business to be bold versus cautious in times of developmental change or operational change?</b>
<b>In general would you say business has a strong inclination towards high-risk projects?</b>
<b>Would you describe the business/management as a risk taker?</b>

<b>PROACTIVENESS</b>
<b>The business is very often the first to introduce new products/services.</b>
<b>The business continuously monitors market trends and identifies future needs of customers.</b>
<b>The business relates positively to changes in the market and available market opportunities</b>
<b>The business typically initiates actions that competitors respond to.</b>

<b>COMPETITIVE AGRESSIVENESS</b>
<b>In dealing with competitors does the business typically adopts a very competitive posture?</b>
<b>Our business effectively assumes an aggressive posture to combat trends that may threaten our survival or competitive position.</b>
<b>The business has tendency to directly and intensely challenge competitors</b>
<b>Would you say the business is very aggressive and intensely competitive?</b>

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