

An analysis of entrepreneurial orientation in selected small and medium-sized enterprises

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ABSTRACT

The positive contribution of high growth small businesses to the economic growth of countries is derived from a body of knowledge in the entrepreneurship domain. Small business growth could be sustained by a better understanding of entrepreneurial orientation.

This study is based on the evaluation of entrepreneurial orientation of small businesses in the formal sector with specific reference to businesses in the Gauteng Province.

The objective of the study is to analyse entrepreneurial orientation and perceived business success in small and medium-sized enterprises in Gauteng, with the focus on providing recommendations to enhance entrepreneurial activity in small and medium-sized enterprises.

A literature review was conducted to explore entrepreneurial orientation and its perceived business success in small enterprises. The five dimensions of entrepreneurial orientation and the two variables measuring perceived business success were explored. A questionnaire constructed by Lotz (2009) was used to measure entrepreneurial orientation variables and perceived business success variables. A target group of 60 business owners was identified and questionnaires were distributed to them. A total of 42 questionnaires were returned but only 38 were deemed usable for the study. The validity of each variable was individually determined by the calculation of the Cronbach Alpha coefficient.

Conclusions and recommendations for possible action steps to enhance entrepreneurial orientation were made, based on the empirical data obtained.

Keywords: Entrepreneurship, entrepreneurial orientation, small business, perceived success.

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CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

The main focus of the study pertains to the concept of Entrepreneurial Orientation in small businesses. This chapter undertakes to define entrepreneurship and its importance in South Africa, the importance of small businesses and also define the concept of Entrepreneurial Orientation (EO) and its linkage to business performance.

According to Murphy, Liao and Welsch (2006:13), entrepreneurship is the discovery, evaluation, and utilisation of future goods and services. Spinelli and Adams (2012:87) present entrepreneurship as the process of creating value by bringing together a unique combination of resources to exploit an opportunity. This definition has four key elements, namely 1) entrepreneurship involves a process; 2) value creation; 3) entrepreneurs devise ingeniously creative strategies to gain control of resources; and 4) entrepreneurship is opportunity driven. Entrepreneurship is critical in enhancing the innovativeness and responsiveness of businesses, boosting productivity and improving cost structures and trade performance.

Lumpkin and Dess (1996:135) state that entrepreneurial activity represents one of the major engines of economic growth and accounts for the majority of new business development in the United States. According to Herrington and Turton (2012:41), in the Global Entrepreneurship Monitor (GEM), the total early-stage entrepreneurial activity rate (TEA) for South Africa was 7.3% in 2012, which was the lowest rate in three years. The TEA rate in 2011 and 2010 was 9.1% and 8.9% respectively which is far below average for efficiency-driven economies. This decline can be attributed to the fact that established and larger businesses tend to provide more jobs for the labour force, and are more able to satisfy the increasing demand of growing markets, from technological development and economies of scale perspectives.

Entrepreneurial orientation has become a key construct in entrepreneurship literature. Most researchers credit Danny Miller (1983) with introducing the concept of Entrepreneurial Orientation (EO) to the scholarly literature (Lumpkin & Covin, 2011:855). Entrepreneurial Orientation (EO) has been described as a firm-level construct (Covin & Slevin, 1991).

Lumpkin and Dess (1996) define entrepreneurial orientation as the processes, practices and decision-making activities that lead to new entries. This is supported by Rauch, Wiklund, Lumpkin, and Frese (2009:763), as they advocate that entrepreneurial orientation represents the policies and practices that provide a basis for entrepreneurship. Lumpkin and Dess (2001) note a differentiation between entrepreneurial orientation and entrepreneurship, by suggesting that EO represents key entrepreneurial processes that answer the question of how new ventures are undertaken, whereas entrepreneurship refers to the content of entrepreneurial decisions by addressing what is undertaken. The external environment is an important determinant of entrepreneurial orientation at both the individual and organisational levels (Aloulou & Fayolle, 2005:32). Entrepreneurial orientation has five dimensions, which include innovation, risk-taking, pro-activeness, competitive aggressiveness and autonomy (Lumpkin & Dess, 1996:136). In later research, Lumpkin and Dess (2001) suggest that the different dimensions of EO may relate differently to firm performance and hence promote the use of multidimensional EO as an explanatory construct.

1.2 PROBLEM STATEMENT

If small businesses in South Africa fail, the economic growth could suffer and jobs would be lost. According to Aloulou and Fayolle (2005:28), small businesses are the engines of change and growth for any economy while the entrepreneurial attitude fuels it. Entrepreneurial orientation is a concept that was developed for introducing entrepreneurship in large businesses and the concept can also be adapted in the small business context (Aloulou & Fayolle, 2005:29). Some studies have found that businesses with a higher entrepreneurial orientation (EO) perform better.

In South Africa, the failure rate of SMMEs is estimated to be between 70% and 80%, while a related cost to 117 246 SMME failures is estimated to be in excess of R68 million over a four year period (Van Eeden *et al.*, 2003:13 cited in Goolam, 2004:23). SMMEs in South Africa are still faced with numerous challenges that inhibit entrepreneurial growth (Mahembe, 2011:8). Herrington and Kew (2009:62), in the Global Entrepreneurship Monitor (GEM), attribute the low TEA rate to a relatively high failure rate of start-ups or the fact that these start-ups tend not to go beyond nascent level. Entrepreneurship is an essential condition for redirecting small businesses towards growth. The EO concept can be of great interest to small business activities and the implementation of strategic orientation. Small businesses may benefit from adopting an EO, as entrepreneurial businesses innovate frequently while taking risks in their product-market strategies. Efforts to anticipate demand and aggressively position new product/service offerings often result in strong performance (Rauch *et al.*, 2009:764).

1.3 OBJECTIVES OF THE STUDY

The research objectives of this study were divided into primary and secondary objectives.

1.3.1 Primary objective

The primary objective of this study is to investigate the impact of entrepreneurial orientation on the perceived success of participating small businesses.

1.3.2 Secondary objectives

In order to achieve the primary objective, the following secondary objectives were formulated:

- To define entrepreneurship.
- To gain insight into entrepreneurship through conducting a literature review.
- To study the concept of entrepreneurial orientation by means of a literature review.

- To obtain insight into small businesses and their contribution to the South African economy.
- To study what perceived success of a business entails by means of a literature review.
- To validate the reliability of the questionnaire measuring entrepreneurial orientation and perceived success by means of statistical analysis.
- To investigate the impact of entrepreneurial orientation variables on perceived success of small businesses.
- To draw conclusions from the empirical study and offer practical recommendations on how to enhance entrepreneurial orientation in small businesses.

1.4 SCOPE OF THE STUDY

1.4.1 Field of study

This study falls within the learning area of entrepreneurship with specific references to entrepreneurial orientation. The study will be conducted in the Gauteng Province.

1.4.2 Geographical demarcation

Gauteng is by far the smallest of South Africa's nine provinces, it covers approximately 17 010 km², which represents merely 1.4% of SA's surface area. Gauteng has a population of 11.2 million people making up 22.4% of South Africa's total, the most densely populated of all the provinces in South Africa. The province's capital city, Johannesburg, is the largest in the country and on the continent. The country's capital city, Pretoria, is also in the Gauteng Province.

Gauteng is made up of three metropolitan municipalities, which include Johannesburg, Tshwane and Ekurhuleni. Despite being the smallest of the nine provinces, Gauteng dominates the South African economy in every major sector, except for agriculture, mining and quarrying. However, Gauteng is dominated by tertiary industries such as finance, real estate, business services, retail, motor trade

and manufacturing. The tertiary sector contributes at least 60.8% to growth. The people of Gauteng have the highest per capita income level in South Africa. The province's gross domestic product (GDP) is valued at R811 billion which means that Gauteng generates 33.9% of South Africa's GDP. Gauteng is the most populous of the country's provinces, although it is by far the smallest geographically. Some 11.19 million people live in the province making up 22.4% of South Africa's total, and with its small size has by far the highest population density: 658 people per square kilometre. It is followed by KwaZulu-Natal, with 10.65 million people (21.3%), the Eastern Cape with 6.74 million (13.5%), Limpopo with 5.44 million (10.9%), the Western Cape with 5.22 million (10.4%), Mpumalanga with 3.20 million (7.2%), North West Province with 3.2 million (6.4%) and the Free State Province with 2.82 million (5.7%).

Figure 1.1 indicates the geographical footprint of the Gauteng Province.

Figure1.1: Map of the Gauteng Province



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Source: <http://www.lookatproperty.co.za/gauteng/gauteng-province.html> (Accessed on 12 July 2013)

1.5 RESEARCH METHODOLOGY

The research has been conducted in two phases, namely a literature study and an empirical study. Welman, Kruger and Mitchell (2005:12-13) recommend six basic steps to be followed during the scientific research process which include:

- Identifying a research topic.
- Defining the research problem.
- Determining how to conduct the study.
- Collecting the research data.
- Analysing and interpreting the research data.
- Writing the report.

1.5.1 Literature review

The literature study defines entrepreneurship as well as the characteristics of entrepreneurship in general in order to identify entrepreneurs. The literature study also focuses on defining entrepreneurial orientation with its five constructs, namely innovation, risk-taking, pro-activeness, competitive aggressiveness and autonomy.

The main aim of the literature study has been to gain a body of knowledge regarding Entrepreneurial Orientation and its linkage to business success. The following sources will be used to obtain a comprehensive overview of the topic:

- Approved journals.
- Approved articles.
- Internet.
- Textbooks.
- Previous dissertations.

1.5.2 Empirical study

This section includes a description of the specific techniques to be employed, the specific measurement instruments (questionnaire) to be used and the activities initiated in conducting the research (quantitative research).

1.5.2.1 Selection of a questionnaire

An entrepreneurial orientation questionnaire compiled by Lotz (2009:324), has been identified as a compatible tool for the purpose of this study.

The questionnaire is divided into four sections (see Appendix B), namely:

- Section A: Evaluation of entrepreneurial orientation in small businesses.
- Section B: Evaluation of perceived success in small businesses.
- Section C: Demographical and educational background.
- Section D: Business and financial information.

The questionnaire assesses the five entrepreneurial constructs and perceived business success in small businesses, by providing 38 statements in Section A and B to be completed on the basis of a five-point Likert scale. Participants had to indicate their particular point of disagreement or agreement where 1=strongly disagree and 5=strongly agree for each of the statements. Section A addressed the five constructs of entrepreneurial orientation, which include autonomy, innovativeness, risk-taking, competitive aggressiveness and pro-activeness. Section B addressed the two dimensions of perceived success, namely business growth and business development and improvement.

In Section C, the biographical information (age group, gender, race, highest qualification) of the business owners were measured.

Section D captured the structure and the financial information of the business.

1.5.2.2 Study population and the sampling method

According to Welman *et al.* (2005: 52), a population is the study of an object and consists of individuals, groups, organisations, human products and events, or the conditions to which they are exposed. The targeted study population was limited to small and medium-sized enterprises operating in Gauteng. The population is made up of businesses from various industries e.g. retail, construction, energy and hospitality. A total of 75 businesses were identified in the research area of the Gauteng Province.

The target was to receive 50 completed questionnaires which proved to be unsuccessful, as only 42 completed questionnaires were collected.

1.5.2.3 Data collection

The gathering of data was initiated by both electronic and telephonic discussions with the relevant business owners, whereby the purpose of the study was explained and confidentiality promised to participants. Participants were given a questionnaire to complete via email. The questionnaire was developed in English, as this is the dominant medium of business language in Gauteng.

1.5.2.4 Data analysis

The data was collected through hardcopy questionnaires as well as softcopies via email and fax. Data collected were processed and statistically analysed by the Statistical Consultation Services of the North-West University (Potchefstroom campus). Data from questionnaires were coded and converted into useful outputs such as frequency tables. These tables were used to draw conclusions and make recommendations regarding the development of the entrepreneurial orientation of small businesses in Gauteng.

1.6 LIMITATIONS OF THE STUDY

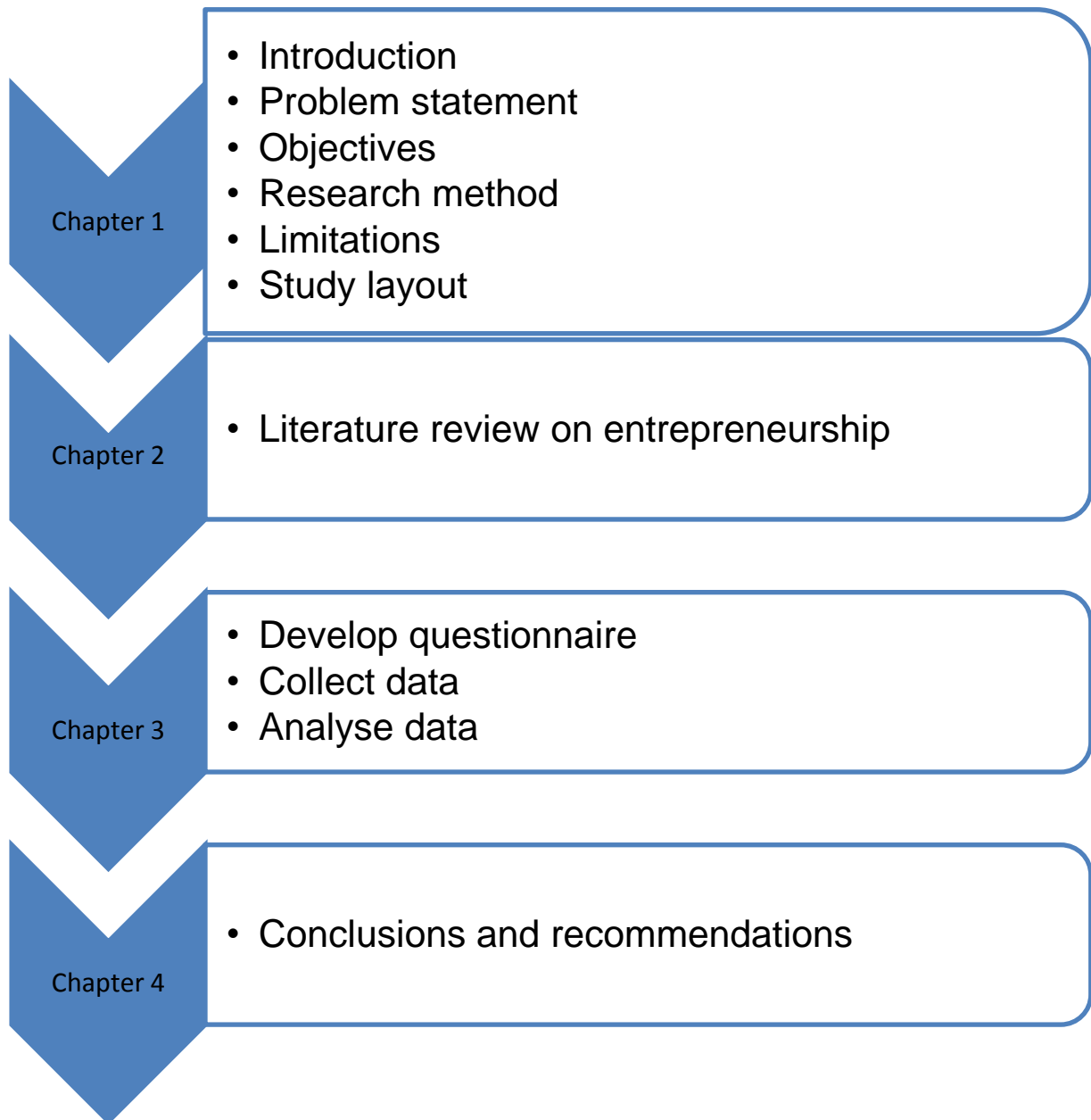
Potential limitations are often numerous, even in the most carefully planned research study therefore it is important that these are listed in the study. The limitations of the study might include the following:

- The study will be limited to the Gauteng Province only. The measurement of perceived success in one location might be totally different from the next, due to area specific challenges. Care should therefore be exercised in the interpretation and utilisation of the results, thus its findings cannot be generalised.
- It is possible that some respondents might have experienced some difficulties with the interpretation of the questionnaire.
- The entrepreneurial orientation of small businesses in Gauteng cannot be generalised to small businesses outside Gauteng, nor the perceived success of these businesses.

1.7 LAYOUT OF THE STUDY

A brief description of the main elements and focus of the study is set out in Figure 1.2, which represents the process flow of this particular research. The main part of the study will be divided into four chapters, which are summarised below:

Figure 1.2: Layout of the study



Chapter 1- Nature and scope of the study

The first chapter will focus on the background and scope of the study. It will highlight the problem statement, research objectives and limitations of the study. The research methodology and the outline of each chapter will also be explained briefly.

Chapter 2- Literature study on entrepreneurship

The second chapter will cover the literature review. The aim of this chapter is to provide a literature review on the definition of entrepreneurship and entrepreneurial orientation, including its five dimensions, namely autonomy, competitive aggressiveness, innovativeness, risk-taking and pro-activeness. The effect of entrepreneurial orientation has been measured against the perceived success of the businesses. A study done by Lotz and Van der Merwe (2013), analyses perceived success as one variable in order to define two different variables for perceived success, namely business growth and business development and improvement. These two variables, as defined by Lotz and Van der Merwe (2013), will be used in this study (Dafel, 2012:16). The literature review will also focus on defining small businesses and a brief overview of the importance of small businesses to the South African economy. Challenges facing small businesses will also be highlighted.

Chapter 3: Empirical study

Chapter three will focus on the research methodology used, focusing on the population of relevance, size and nature of the sample as well as the research method used to conduct the study amongst small business owners. The data gathering process, statistical methods used to analyse the data and the interpretation of the results will also be discussed.

Chapter 4: Conclusions and recommendations

Chapter 4 will present the responses received from the data collected, providing further insight into the research propositions introduced in Chapter 3. The chapter will conclude and give a practical summary of recommendations with regard to the research propositions presented.

Finally, a critical evaluation of the primary and secondary objectives set for the study, will be confirmed. The findings obtained in the study will be used to provide basis for future research suggestions.

CHAPTER 2

LITERATURE REVIEW ON ENTREPRENEURSHIP

2.1 INTRODUCTION

Aloulou and Fayolle (2005:22) state that the strengthening of entrepreneurship is an important objective for any enterprise that is building its awareness in a changing environment. According to Morris and Sexton (1996:5), entrepreneurship is the process of creating value by bringing together a unique combination of resources to exploit an opportunity. These definitions have four key elements: 1) entrepreneurship consists of a process; 2) entrepreneurs create value where there was none; 3) entrepreneurs put together resources and; 4) entrepreneurship is an opportunity driven behaviour (Spinelli & Adams, 2012:95).

Mahembe (2011:13) states that there is consensus among policy makers, economists and business experts that small and medium enterprises are drivers of economic growth. Small businesses have been identified as catalysts for the growth and expansion of both developed and developing economies. According to the Finance Minister, Pravin Gordhan, 70% of private employment is in businesses with fewer than 50 workers. A number of studies demonstrate that above all, small businesses are the key economic propeller.

According to Wiklund and Shepherd (2005:74), EO refers to a firm's strategic orientation, capturing specific entrepreneurial aspects of decision-making styles, methods, and practices. Aloulou and Fayolle (2005:31) posit that EO is a strategic orientation for the creation of a competitive advantage through combining new resources and seizing business opportunities.

Entrepreneurial orientation is a set of personal psychological traits, values and attitudes associated with a motivation to engage in entrepreneurial activities (Lumpkin & Dess, 1996:857). Entrepreneurial orientation is recognised as a critical success factor for small businesses' survival and profitability. This is because

entrepreneurially orientated enterprises have a high tendency to be innovative, to take risks to try out new and uncertain products, and to be more proactive than their competitors are (Wiklund & Shepherd, 2005:-75).

Tang and Hull (2012:132) posit that owners of small and medium-sized enterprises who possess a strong entrepreneurial orientation (EO), are motivated to take business related risks, favour change and innovation in order to obtain a competitive advantage for their firm and to compete aggressively. Small businesses are responsible for the majority of economic growth and new job creation via entry into untapped markets (Lumpkin & Dess, 1996:138). The strength of a firm's EO could have a strong positive effect on performance (Wiklund & Shepherd, 2004:71).

2.2 OVERVIEW OF ENTREPRENEURSHIP

2.2.1 Defining entrepreneurship

“Entrepreneur” is a French word with its origins dating back to 1700's. It has since evolved to mean someone who undertakes a venture (Herrington & Kew, 2009:11). There are many definitions which have evolved during the latter half of the 20th century and are well summarised by Hitt, Ireland, Camp and Sexton in 2002 (refer to Table 2.1).

Table 2.1: Definitions of entrepreneurship

Author	Definition
Schumpeter (1934)	<p>Entrepreneurship is seen as new combinations, including the doing of new things that are already being done in a new way. New combinations include:</p> <ul style="list-style-type: none"> • Introduction of new goods. • New method of production. • Opening of new markets. • New sources of supply. • New organisations.
Kirzner (1973)	<p>Entrepreneurship is the ability to perceive new opportunities. This recognition and seizing of the opportunity will tend to “correct” the market and bring it back to equilibrium.</p>
Drucker (1985)	<p>Entrepreneurship is the act of innovation that involves endowing existing resources with new wealth capacity.</p>
Stevenson, Roberts and Crousbeck (1985)	<p>Entrepreneurship is the pursuit of an opportunity without concern for current resources or capabilities.</p>
Rumelt (1987)	<p>Entrepreneurship is the creation of a new business: a new business meaning that they do not exactly duplicate an existing business, but have some element of novelty.</p>
Low & MacMillan (1988)	<p>Entrepreneurship is the creation of a new enterprise.</p>
Gartner (1988)	<p>Entrepreneurship is the creation of organisations: the process by which new organisations come into existence.</p>
Timmons (1997)	<p>Entrepreneurship is a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach, and leadership balanced.</p>
Venkataraman (1997)	<p>Entrepreneurship research seeks to understand how opportunities to bring into existence future goods and services are discovered, created, and exploited, by whom and with what consequences.</p>
Morris (1998)	<p>Entrepreneurship is the process through which individuals and teams create value by bringing together unique packages of resource inputs to exploit opportunities in the environment. It can occur in any organisational context and can result in a variety of possible outcomes, including new ventures, products, services, processes, markets, and technologies.</p>
Sharma and Chrisman (1999)	<p>Entrepreneurship encompasses acts of organisational creation, renewal, or innovation that occur within or outside an existing organisation</p>

Source: Hitt *et al.* (2002:1)

Cunningham and Lischeron (1991:47) offer a summarised table of the various approaches to describing entrepreneurship.

Table 2.2 Summary of approaches for describing entrepreneurship

Entrepreneurial model	Central focus or purpose	Assumption	Behaviours and skills	Situation
“Great Person School”	The entrepreneur has an intuitive ability - a sixth sense, traits and instincts he/she is born with.	Without this “inborn” intuition, the individual would be like the rest of us mortals who “lack what it takes”.	Intuition, vigour, energy, persistence and self-esteem.	Start-up
Psychological Characteristics	Entrepreneurs have unique values, attitudes and needs that drive them.	People behave in accordance with their values; behaviour results from attempts to satisfy needs.	Personal values, risk-taking, need for achievement, and others.	Start-up
Classical School	The central characteristic of entrepreneurial behaviour is innovation.	The critical aspect of entrepreneurship is in the process of doing rather than owning.	Innovation, creativity and discovery.	Start-up and early growth
Management School	Entrepreneurs are organisers of an economic venture; they are people who organise, own, manage, and assume risk.	Entrepreneurs can be developed and trained in the technical functions of management.	Production planning, people organising, capitalisation and budgeting	Early growth and maturity
Leadership School	Entrepreneurs are leaders of people; they have the ability to adapt their style to the needs of people.	An entrepreneur cannot accomplish his/her goals alone, but depends on others.	Motivating, directing and leading	Early growth and maturity
Intrapreneurship School	Entrepreneurial skills can be useful in complex organisations; intrapreneurship is the development of independent units to create, market and expand services.	Organisations need to adapt to survive; entrepreneurial activity leads to organisational building and entrepreneurs becoming managers	Alertness to opportunities, maximising decisions.	Maturity and change

Source: Cunningham and Lischeron, 1991:47

2.2.2 Entrepreneurial characteristics

Miller (1983:771) summarised the characteristics of an entrepreneurial firm as 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. According to Spinelli and Adams (2012:36), entrepreneurs are characterised by responsiveness, resiliency and adaptability in seizing new opportunities.

Spinelli and Adams (2012:87) state that effective entrepreneurs are intrinsically motivated high energy leaders who can tolerate ambiguity, mitigate risk, effectively commercialise and innovate. They pursue opportunities by marshalling the diverse resources required to develop new markets and engage the inevitable competition.

Several academics have continued to characterise the special qualities of entrepreneurs. Spinelli and Adams (2012:36) offer a summarised table of the various characteristics of entrepreneurship as described by several academics (Table 2.3).

Table 2.3 Characteristics of entrepreneurship

Date	Authors	Characteristics
1848	Mill	Risk bearing
1917	Weber	Source of formal authority
1934	Schumpeter	Innovation and initiative
1954	Sutton	Desire for responsibility
1959	Hartman	Source of formal authority
1961	McClelland	Risk-taking, need for achievement
1963	Davids	Ambition; desire for independence; responsibility and self-confidence
1964	Pickle	Drive/mental capabilities; human relations; communication ability; technical knowledge
1971	Palmer	Risk measurement
1971	Hornaday and Aboud	Need for achievement; autonomy; aggression; power; recognition; innovative/independent
1973	Winter	Need for power

1974	Borland	Internal locus of control
1982	Casson	Risk; innovation; power; authority
1985	Gartner	Change and ambiguity
1987	Begley and Boyd	Risk-taking; tolerance of ambiguity
1988	Caird	Drive
1998	Roper	Power and authority
2000	Thomas and Mueller	Risk; power; internal locus of control; innovation
2001	Lee and Tsang	Internal locus of control

Source: Spinelli and Adams (2012:36)

Many studies have examined characteristics of a successful entrepreneur (Lumpkin & Dess, 1996; Timmons & Spinelli, 2009) and they all agree that the motivational characteristics associated with entrepreneurship include the need for achievement, an internal locus of control, risk-taking propensity, the need for autonomy, the need for power, a tolerance for ambiguity, the need for affiliation and innovativeness.

2.2.2.1 Need for achievement

McClelland (1961) defined the need for achievement as a tendency to choose and persist at activities that hold a moderate chance of success or a maximum opportunity of personal achievement satisfaction without the undue risk of failure. They perceive that risks are fewer and are therefore more inclined to take chances. According to Spinelli and Adams (2012:35), there is a need for achievement, a need to excel and a need for measurable personal accomplishment. Demirer and Kara (2007:49) cited in Barnard (2012:20), state that the profile of an entrepreneur is described as having a higher need for achievement and lower need for power, while good managers may have high desire for power and a low need for achievement.

2.2.2.2 Internal locus of control

People with an internal locus of control believe that they can control what happens in their lives. Entrepreneurs have an internal locus of control and they believe that the rewards they have received are determined by their behaviours (Yıldız, 2012:84).

According to Rauch and Frese (2007:359), an internal locus of control is linked to entrepreneurship, since business owners hold the belief that their own actions determine the rewards they obtain, and therefore they exert more effort towards intended outcomes, which in turn helps to start and maintain an enterprise successfully.

2.2.2.3 Risk-taking propensity

Brockhaus (1980:513) define risk-taking as the perceived probability of receiving the rewards associated with the success of a proposed situation, which is required by an individual before he will subject himself to the consequences associated with failure. However, successful entrepreneurs take calculated risks or avoid risks they do not need to take (Spinelli & Adams, 2012:146).

2.2.2.4 Need for autonomy

Autonomy is a quality of independent, single-minded people who are self-directed in their pursuit of opportunities and have the ability to carry their idea through to completion (Lumpkin & Dess, 1996:140). The need for autonomy is associated with entrepreneurs' avoidance of restrictive environments, thus people with a desire for independence and autonomy choose the entrepreneurial role (Rauch & Frese, 2007:359).

2.2.2.5 Tolerance of ambiguity

According to Spinelli and Adams (2012:41), entrepreneurs have a strong tolerance for ambiguity. Decisions are taken without clarity on which alternative will be successful. A person with a high tolerance for ambiguity finds ambiguous situations challenging and endeavours to overcome unstable and unpredictable situations in order to perform well (Barnard, 2012:22).

Miller (1983:771) notes a distinction between entrepreneurial businesses and non-entrepreneurial businesses by suggesting that an entrepreneurial firm engages in

product-market innovation, undertakes somewhat risky ventures and is first to come up with pro-active innovations, whereas a non-entrepreneurial firm innovates less, is highly risk averse and follows the moves of competitors instead of leading the way.

2.3 ENTREPRENEURIAL ORIENTATION

2.3.1 Overview of entrepreneurial orientation

EO refers to the processes, practices and decision-making activities that lead to new entries. Entrepreneurial orientation is characterised by the following dimensions, namely a propensity to act autonomously, a willingness to innovate, a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities (Lumpkin & Dess, 1996:136).

The concept of EO originated from the pioneering work of Miller (1983), who developed the construct by using three characteristics, namely risk-taking, innovation and pro-activeness (Arbaugh *et al.*, 2009:12). Rauch *et al.* (2009:763) describe risk-taking as taking bold actions by venturing into the unknown, borrowing heavily and committing significant resources to ventures in uncertain environments. Risk-taking enables businesses to take aggressive initiation of actions with high risk (Lumpkin & Dess, 1996:144). Innovativeness reflects “a firm’s predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D processes” (Rauch *et al.*, 2009:763). Pro-activeness refers to the process of “seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and brands ahead of competition, strategically eliminating operations which are in the declining stages of life cycle” (Venkatraman, 1989:949). Pro-activeness promotes taking initiatives by anticipating opportunities and participating in new or emerging markets. Su, Xie and Li (2011:560) posit that pro-activeness and innovation are often associated with high risks; while risk-taking enables the firm to take aggressive initiation of actions and alter the competitive landscape in existing markets.

Rauch *et al.* (2009:763) state that EO has its roots in the strategy-making process literature. It is viewed by these authors as the entrepreneurial strategy-making

process that key decision-makers use to enact their firm’s organisational purpose, sustain its vision and create a competitive advantage. Strategy making is an organisation-wide phenomenon that includes planning, analysis, decision making and other aspects such as culture, value systems and missions.

Table 2.3 below presents a sampling of various definitions of EO as established during previous research. The entries displayed in the table include the dimensions of EO hypothesised by the authors and the definitions of EO.

Table 2.4: Selected EO definitions

Authors	Definition of EO	Dimensions
Mintzberg (1973)	“In the entrepreneurial mode, strategy-making is dominated by the active search for new opportunities as well as dramatic leaps forward in the face of uncertainty”	Risk-taking; Pro-activeness; Centralization; Growth
Khandwalla (1976/1977)	“The entrepreneurial management style is characterised by bold, risky, aggressive decision-making”	Risk-taking; Flexibility; Centralization
Miller & Friesen (1982)	“The entrepreneurial model applies to firms that innovate boldly and regularly while taking considerable risks in their product-market strategies.”	Innovation; Risk-taking
Miller (1983)	“An entrepreneurial firm is the 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”	Pro-activeness; Innovation; Risk-taking
Morris & Paul (1987)	“An entrepreneurial firm is one with decision-making norms that emphasise proactive, innovative strategies that contain an element of risk”	Pro-activeness; Innovation; Risk-taking

Authors	Definition of EO	Dimensions
Merz & Sauber (1995)	“...entrepreneurial orientation is defined as the firm’s degree of pro activeness (aggressiveness) in its chosen product-market unit and its willingness to innovate and create new offerings”	Pro-activeness; Innovation;
Lumpkin & Dess (1996)	“EO refers to the processes, practices and decision-making activities that lead to new entry” as characterised by one or more of the following dimensions: “a propensity to act autonomously, a willingness to innovate, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities”	Pro-activeness; Innovation; Risk-taking; Autonomy; Competitive aggression
Zahra & Neubaum (1998)	“EO is the sum total of a firm’s radical innovation, proactive strategy action, and risk-taking activities that are manifested in support of projects with uncertain outcomes”	Pro-activeness; Innovation; Risk-taking
Avlonitis and Salavou (2007)	“EO constitutes an organisational phenomenon that reflects a managerial capability by which firms embark on proactive and aggressive initiatives to alter the competitive scene to their advantage “	Innovativeness; Pro-activeness;
Cools and Van Den Broeck (2007/2008)	“EO refers to the top management’s strategy in relation to innovativeness, pro-activeness, and risk-taking”	Pro-activeness; Innovation; Risk-taking

Authors	Definition of EO	Dimensions
Pearce, Fritz & Davis (2010)	“An EO is conceptualised as a set of distinct but related behaviours that have the qualities of innovativeness, pro-activeness, competitive aggressiveness, risk-taking and autonomy”	Pro-activeness; Innovation; Risk-taking Competitive aggressiveness, Autonomy

Source: Covin & Wales (2011:679)

2.3.2 Historical view on entrepreneurial orientation

The concept of EO originated from Danny Miller (1983) although he never employed the term EO in his initial writings on this topic (Lumpkin & Covin, 2011:855). EO emerged from a strategic-choice perspective; it involves the intentions and actions of key players functioning in a dynamic generative process aimed at new-venture creation. The key dimensions that characterise an EO include a propensity to act autonomously, a willingness to innovate and take risks, a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities (Lumpkin & Dess, 1996:137)

Entrepreneurial Orientation is defined as the processes, practices and decision making activities that lead to the development and delivery of new and innovative services and products that can distinguish one enterprise from another in the market (Lumpkin & Dess, 2001:137). These processes include experimenting with new technologies, seizing new product-market opportunities and the disposition to undertake risky ventures.

Rauch *et al.* (2004:166) state that EO has a positive effect on performance and argues further that businesses benefit from highlighting newness, responsiveness and a large degree of boldness.

Entrepreneurial orientation keeps organisations alert by exposing them to new technologies, making them aware of market place trends and helping them evaluate new possibilities (Lumpkin, Cogliser & Schneider, 2009:48). EO helps businesses to

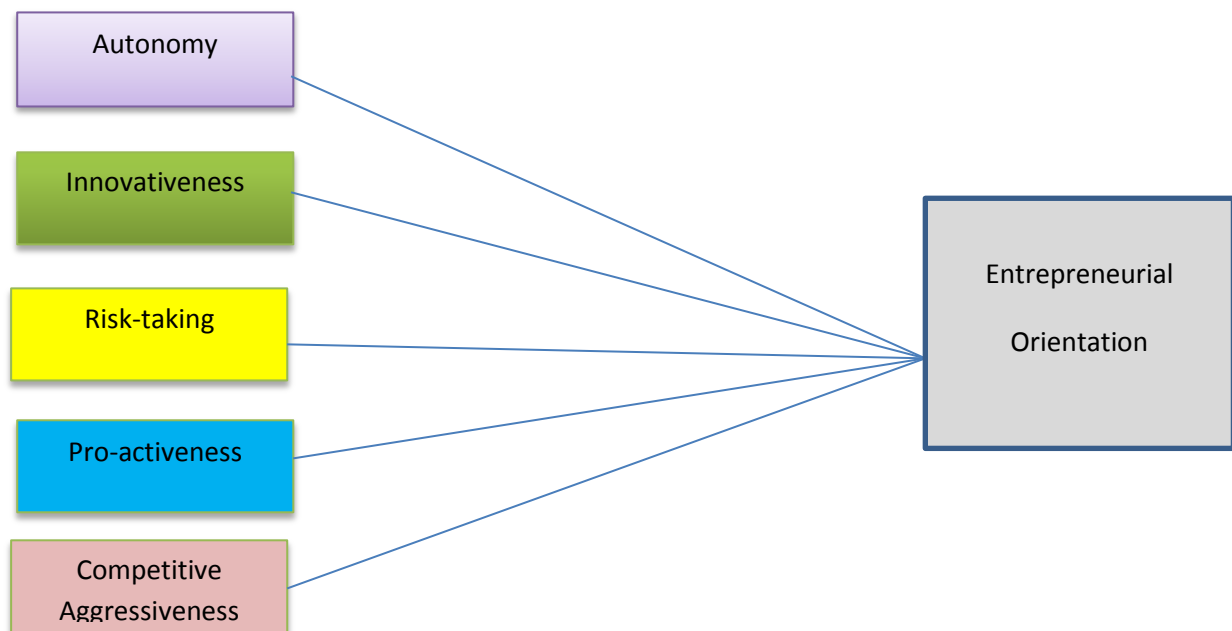
identify opportunities and launch new ventures, hence the result that businesses that exhibit a strong EO generally experience higher performance.

Based on Miller's conceptualisation (Rauch *et al.*, 2009:6), three dimensions of entrepreneurial orientation have been identified and used consistently in the literature, namely innovativeness, risk-taking and pro-activeness (Rauch *et al.*, 2009:6). Lumpkin and Dess (1996:137) add two constructs salient to entrepreneurial orientation which they have identified as additional components of EO, namely autonomy and competitive aggressiveness.

EO involves the intentions and actions of key players functioning in a dynamic generative process aimed at new-venture creation (Lumpkin & Dess, 1996:136). Five dimensions - autonomy, innovativeness, risk-taking, pro-activeness and competitive aggressiveness - have been used for characterising and distinguishing key entrepreneurial processes, which is a business' entrepreneurial orientation (Lumpkin & Dess, 1996:136). These dimensions are independent and collectively define the domain of entrepreneurial orientation (Lumpkin & Dess, 1996:140). Each one of these dimensions could have a universally positive influence on performance (Wiklund & Shepherd, 2005:75). "Those who view entrepreneurial orientation as a multidimensional construct, have found that not all dimensions influence business performance in the same way" (Lotz and van der Merwe, 2013:16). The extent to which each of these dimensions is useful for predicting the success of a business, may be contingent on external factors, such as industrial, environmental or internal factors, as well as the organisational structure or characteristics of founders or top managers (Lumpkin & Dess, 1996:137).

For the purpose of this study, these five dimensions will be considered as independent variables influencing the dependent variables and perceived business success.

Figure 2.1: A schematic demonstration of the five entrepreneurial orientation dimensions



2.3.3 Dimensions of entrepreneurial orientation

2.3.3.1 Autonomy

Autonomy refers to the independent actions of an individual or a team in bringing forth an idea or a vision and carrying it through to completion (Lumpkin & Dess, 1996:140). Because of its importance to entrepreneurship, Lumpkin and Dess (1996:140) highlight autonomy as a crucial dimension of an entrepreneurial orientation. Lumpkin and Dess (1996:140) describe autonomy as the ability and will to be self-directed in the pursuit of opportunities. In an organisational context it refers to actions taken, free of stifling organisational constraints.

Lumpkin *et al.* (2009:48) note that autonomy has often been omitted as an element of EO, and they cite two reasons that could be attributed to this omission. Firstly, autonomy is not one of the “original” dimensions of EO identified by Miller (1983) and developed by Covin and Slevin (1986, 1989). Furthermore some researchers view autonomy as an antecedent of entrepreneurial behaviour. The second reason is a lack of a valid firm-level scale that measures autonomy from an EO perspective.

Autonomy constitutes one of the bases for innovative and entrepreneurial behaviour (Casillas & Moreno, 2010:271). Prior research (Lumpkin *et al.*, 2010:251) supports the view that autonomy encourages innovation, promotes the launching of entrepreneurial ventures and increases the competitiveness and effectiveness of a firm.

Autonomy is vital to the processes of leveraging a firm's existing strengths, identifying opportunities that are beyond the organisation's current competencies and encouraging the development of new ventures or improved business practices (Lumpkin *et al.*, 2009:48).

In an organisational context, this involves freeing organisational members to operate outside the norms and strategies of the firm where they can think and act more independently (Lumpkin *et al.*, 2009:48). In small businesses this may be reflected in the centralised authority of the owner/manager who could act autonomously to conduct or manage entrepreneurial activities (Lumpkin & Dess, 1996:141). Vora, Vora and Polley (2012:355) agree that in a small business setup, an owner-entrepreneur is the one who will exhibit the autonomous characteristics in taking decisions and driving the business. However, the opposite is found in large businesses wherein a flat structure is created in order to spur entrepreneurial activities at the grass roots level (Vora *et al.*, 2012:355). A flat structure gives employees the flexibility to develop new ideas and work on new projects.

A "top-down" and "bottom-up" approach encourages autonomy in an organisational context (Lumpkin *et al.*, 2009:49). Many of the best ideas for entrepreneurial ventures come from the bottom up. Companies with an overall entrepreneurial mission support programs and incentives that foster a climate of entrepreneurship and welcome autonomous decision-making (Lumpkin *et al.*, 2009:49). Companies that encourage autonomous decision-making at the grass roots level offer special incentives and structural arrangements designed to develop and build support for entrepreneurial ventures (Lumpkin *et al.*, 2009:49). Miller (1983) found that most entrepreneurial businesses have the most autonomous leaders.

Furthermore, past research supports the view that in an organisational setting autonomy encourages innovation, promotes the launching of entrepreneurial ventures and increases competitiveness and effectiveness of a firm (Brock, 2003, Burgelman, 2001, cited in Lumpkin *et al.*, 2009:49). Autonomy enables both opportunity seeking and advantage-seeking behaviours (Lumpkin *et al.*, 2009:47). Businesses need a certain level of autonomous strategic behaviour to be able to pursue opportunities, redeploy resources and gain a competitive advantage. Alluding to this, Lumpkin, Brigham and Moss *et al.* (2010:251) posit that autonomy empowers and motivates individuals to support and contribute to a firm's efforts by encouraging independent actions and initiatives on the part of employees at all levels.

Lumpkin *et al.* (2010:251) state that autonomous individuals operating outside their usual work routines and practices represent an important source of creativity and entrepreneurial development and growth. Therefore, autonomy is important to the processes of leveraging a firm's existing strengths, identifying opportunities that are beyond the organisation's current capabilities, increases the competitiveness and effectiveness of a firm and thereby encouraging the development of new ventures or improved business practices (Lumpkin *et al.*, 2009:49).

2.3.3.2 Innovativeness

Schumpeter (1934) was among the first to emphasise the role of innovation in the entrepreneurial process (Lumpkin & Dess, 1996:142). In Schumpeter's opinion, innovativeness stimulates economic development and it is the engine of firm growth and wealth creation (Ireland, Hitt and Sirmon, 2003:980). Based on Miller's (1983) conceptualisation cited in Rauch *et al.* (2009:6), innovativeness is the predisposition to engage in creativity and experimentation through the introduction of new products/services, as well as technological leadership via R&D in new processes.

Innovativeness reflects a business' tendency to engage in and support new ideas, novelty, experimentation and creative processes that may result in new products, services or technological processes (Lumpkin & Dess, 1996:142). The role of innovation in entrepreneurial businesses is often considered an important factor in

facilitating growth and the enhancement of the overall market value (Kreiser, Marino, Kuratko & Weaver, 2013:276).

According to McFadzean, O'Loughlin and Shaw (2005:353), innovation is the process that provides added value and a degree of novelty to the organisation and its suppliers and customers through the development of new procedures, solutions, products and services, as well as new methods of commercialisation.

Innovativeness denotes a basic willingness to depart from existing technologies or practices and venture beyond the current state of the art (Lumpkin & Dess, 1996:142). Lumpkin and Dess (1996:143) emphasise that innovativeness is an important component of EO because it reflects an important means by which businesses pursue new opportunities. Innovativeness is one of the major components of an entrepreneurial strategy (Dess & Lumpkin, 2005:150) and it is one dimension that has to be present in order for an organisation to be entrepreneurial.

According to Demirer and Kara (2007:51), cited in Barnard (2012:20), innovativeness is the ability and desire to discover new methods of managing a business, market a product and the ability to improve the product in a creative manner. According to Kreiser *et al.* (2012:276), innovativeness facilitates the development of organisational routines and discovery of unique approaches to technologies, products, or processes.

There are numerous ways to classify innovation, but perhaps the most useful distinction is between product-market innovation and technological innovation. Technological innovativeness consists primarily of product and process development, engineering, research and an emphasis on technical expertise and industry knowledge. Product-market innovation suggests an emphasis on product design, market research, advertising and promotion (Lumpkin & Dess, 1996:143).

“Innovativeness is viewed as essential to maintain a company’s viability because it is a key source of the new ideas that lead to product introductions, service improvements and managerial practices that advance and sustain a thriving

company” (Lumpkin *et al.*, 2010:247). For smaller businesses, emphasis on R&D and technological leadership promotes an organisational culture that is open to experimentation and the use of new strategic approaches. Technological leadership is utilised by small businesses to develop and implement breakthrough technologies that can be used to enhance a competitive advantage (Kreiser *et al.*, 2003:276). In a small firm setup innovativeness can be used to stimulate higher levels of organisational creativity and to enhance experimentation in product development processes (Kreiser *et al.*, 2013:276).

According to Kreiser *et al.* (2013:276), innovativeness requires a large financial investment in the development of firm-specific innovation capabilities and R&D expenditures, which can compromise the ability of SMEs to meet short-term financial obligations. Dess and Lumpkin (2003:150) argue that expenditures on R&D can be a waste of resources if the effort does not produce results.

According to Spinelli and Adams (2012:14), previous studies have shown that research and development are more productive and robust in smaller businesses than at larger businesses. Brockman, Jones and Becherer (2012:434) highlight the importance of innovativeness in small businesses by suggesting that small businesses are structurally better equipped for high innovativeness due to decreased departmentalisation and less developed organisational control. Most radical innovations come from small entrepreneurial businesses (Brockman *et al.*, 2012:434).

Furthermore, innovative companies that create and introduce new products and technologies can generate extraordinary economic performance (Wiklund & Shepherd, 2005:75) and have even been described as the engines of economic growth (Wiklund & Shepherd, 2003:1309).

Lotz and Van der Merwe (2013:19) state that there is a growing recognition that innovation is the only sustainable source of growth, competitive advantage and new wealth. There is a positive relationship between innovativeness, business performance and growth (Lotz & Van der Merwe, 2013:19).

2.3.3.3 Risk-taking

Risk-taking refers to undertaking bold actions, such as venturing into unknown or new markets, and committing large portions of resources to ventures with uncertain outcomes (Lumpkin & Dess, 2001:431). The concept of risk-taking is a quality that is frequently used to describe entrepreneurship (Lumpkin & Dess, 1996:144).

Dewett (2004:258) defines risk as the extent to which there is uncertainty about whether potentially significant and/or disappointing outcomes of a decision will be realised.

According to Morris and Kuratko (2002:41), risk-taking involves the willingness to chase opportunities that have a reasonable probability of producing losses or significant performance inconsistencies.

Madsen (2007:187) states that risk-taking is associated with a willingness to commit large amounts of resources to projects where the costs of failure may be high. In the context of strategy, Baird and Thomas (1985) identify three types of risk: (a) venturing into the unknown, (b) committing relatively large portions of assets and (c) borrowing heavily (Lumpkin & Dess, 1996:144). However this form of risk-taking should never be a gamble, but a cautious and calculated action taking both benefits and threats into consideration (Dess & Lumpkin, 2005:152).

According to Brockman *et al.* (2012:433), small entrepreneurial businesses often take more risk in their quest to exploit opportunities and develop a new technology than larger businesses. Entrepreneurial businesses are not risk-takers per se (Dafel, 2012:30), they clearly define risks that they are willing to take by putting managing systems, such as researching and assessing risk factors to minimise uncertainty in place, and using tried-and-true practices that have worked in other domains (Dess & Lumpkin, 2005:152).

According to Brockman *et al.* (2012:433), small entrepreneurial businesses exploit opportunities in the market, thereby demonstrating a higher inclination toward risk-taking than large established businesses. Risk is also high when businesses do not innovate. In essence, the more frequently organisations undertake innovative initiatives the more experienced and resourceful these organisations become in managing the risks involved (Dafel, 2012:30). Organisations that do not innovate face very little risk in the short-run but increase their risk in the long-term, because innovation is a necessity for organisations to grow and develop.

2.3.3.4 Pro-activeness

Pro-activeness refers to how businesses relate to market opportunities in the process of new entry and seize such opportunities to shape the environment (Wang, 2008:637).

Pro-activeness relates to a forward-looking perspective characteristic of a marketplace leader that has the foresight to act in anticipation of future demands and shape the environment (Lumpkin & Dess, 2001:433). Proactive businesses have the desire to be pioneers, thus capitalising on emerging opportunities (Wiklund & Shepherd, 2005:75). Pro-activeness involves taking the initiative in an effort to shape the environment to one's own advantage (Lumpkin & Dess, 2001:434).

This definition is consistent with Venkatraman's (1989) view of pro-activeness as "seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and brands ahead of competition, strategically eliminating operations which are in the mature or declining stages of life cycle" (Venkatraman, 1989:949).

According to Dess and Lumpkin (2005:150), it is important to monitor proactive business trends, identify future needs of existing customers and anticipate changes in the demand of emerging problems that can lead to new venture opportunities. Pro-activeness therefore pertains to a willingness to initiate actions to which competitors respond (Lumpkin & Dess, 2005:151).

Pro-active businesses can create first-mover advantages, target premium market segments, charge high prices and “skim” the market ahead of competitors (Wiklund & Shepherd, 2005:75), establish brand identity, and implement administrative techniques or adopt new technologies, thereby gaining a market share (Lumpkin & Dess, 2005:151). These businesses are usually the first ones in a specific niche market (Venkatraman, 1989:949). First movers are however, not always successful. The potential customers of companies that introduce novel products or embrace breakthrough technologies may be reluctant to embrace a new way of doing things. Therefore, a careful monitoring of the environment and extensive feasibility research are needed for a proactive strategy, to lead to a competitive advantage and substantial growth (Dess & Lumpkin, 2005:151).

2.3.3.5 -Competitive aggressiveness

According to Rauch *et al.* (2009:764), competitive aggressiveness refers to the intensity of a firm’s effort to outperform rivals and is characterised by a strong offensive posture or aggressive response to competitive threats. It involves reacting to existing competitive trends and demands in the environment. Such a reaction to competitive conditions would be facilitated in a stable environment where the “rules of the game” are more evident and invariable (Lumpkin & Dess, 2001:437). Companies that aggressively establish their competitive position are characterised by responsiveness, which may take the form of head-to-head confrontation, for example when a firm enters a market that another competitor has identified (Lumpkin & Dess, 1996:149).

Competitive aggressiveness is also characterised by reactive behaviour whereby a firm may take bold steps by cutting prices in response to a competitive challenge (Lumpkin & Dess, 1996:149). Furthermore, competitive aggressiveness also reflects a willingness to be unconventional rather than relying on traditional methods of competing. This involves the adoption of unconventional tactics to challenge industry leaders, analysing and targeting a competitor’s weakness, and focusing on high-value-added products (Lumpkin & Dess, 1996:149).

Activities aimed at overcoming rivals or enhancing entrepreneurial positions, may involve entering markets with drastically lower prices, copying the business practices or techniques of successful competitors (Lumpkin & Dess, 2005:151), or spending aggressively, compared to competitors on marketing, products, service and quality, or manufacturing capacity (Lumpkin & Dess, 1996:149).

Although competitive aggressiveness and pro-activeness are closely related, Lumpkin and Dess (1996:147) note a distinction between competitive aggressiveness and pro-activeness that needs to be clarified. Competitive aggressiveness refers to how businesses relate to competitors, that is, how businesses respond to trends and demands that already exist in the marketplace.

Pro-activeness refers to how businesses relate to market opportunities during the process of new entry, by seizing initiative and acting opportunistically in order to “shape the environment”, that is, to influence trends and perhaps even create a demand. Competitive aggressiveness has more to do with competing for demand, whereas pro-activeness is about meeting demand. Thus, the extent to which competitive aggressiveness is related to performance will be independent from the extent to which pro-activeness is related to performance (Lumpkin & Dess, 2001:435).

Van der Merwe and Lotz (2013:20) posit that competitive aggressive behaviour is less related to a strategy oriented towards growth, by citing Casillas and Moreno (2010:284) who argue that it is a reactive behaviour to competitors or behaviour in defence of a market position. Consistent with their view, they have found no relationship between competitive aggressiveness and growth.

2.4 AN OVERVIEW OF A SMALL BUSINESS

2.4.1 Definition

A common definition of SME includes registered businesses with less than 250 employees. In South Africa a small business' official definition, in Section 1 of The National Small Business Amendment Act of 2003 and 2004, is "a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more".

There are a number of views of what a small business comprises of, but there is no standard definition for a small business (Storey, cited in Nieman, 2006:4). This lack of uniformity is intensified due to the fact that small business' definitions differ from country to country and between industry sectors. For example the definition of a small business in the United States is not necessarily the same as in South Africa, especially in terms of size.

Nevertheless, small businesses are usually defined using quantitative and/or qualitative criteria (Nieman 2006:4). Qualitative criteria relates to the ownership structure of the business. Nieman (2006:5) defines a small business based on qualitative criteria, as follows:

- A small business must be a separate and distinct business entity,
- cannot be part of a group of companies,
- must include subsidiaries and branches, if applicable, when measuring the size, and
- should be managed by its owners.

The quantitative criteria are presented in the Schedule to the Act found in Annexure A.

The National Small Business Amendment Act of 2003 and 2004 defines a small business as a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one or more owners. These can be classified as micro, very small, small or medium enterprises in terms of the specified threshold (Nieman, 2006:8). These thresholds are defined per industry in the National Small Business Act of 2003 as presented in Annexure A.

The National Small Business Act of 2003 classifies businesses into micro, very small, small and medium enterprises. Nieman (2006:8) defines these classifications as follows:

Micro-enterprises: are the smallest in the small business sector, often involving only the owner, some family members and at the most one or two paid employees. They lack formality with regards to business licences, VAT registration, formal business premises and accounting procedures. In addition, most of them have limited capital and rudimentary business skills. Within this class fall the “**survivalist**” enterprises. It is generally referred to as the “informal sector”. These enterprises generate income that is less than the minimum income standard and include hawkers, vendors and subsistence farmers.

Very small enterprises: refer to enterprises with less than ten paid employees and operate in the formal economy.

Small enterprises: constitute a large number of the established businesses and are defined as employing between 11 and 50 employees. The business is owner-managed and usually complies with formal registration and labour legislation.

2.4.2 Importance of SMMEs in the economy

Lumpkin and Dess (1996:138) posit that small businesses are responsible for the majority of economic growth and new-job creation via new entry into untapped markets. Nieman (2006:12) summarises the importance of small and medium sized enterprises as follows:

- The small business sector has a higher capacity to absorb labour than big businesses.
- The average capital cost of creating a job in the SMME sector is lower than in the large business sector.
- Small enterprises play a vital role in technical innovations.

- The sector provides opportunities for aspiring entrepreneurs.
- It allows for more competitive markets.

According to a study conducted by Abor and Quarty (2010), 91% of the formal business entities in South Africa are SMEs and that contribute between 52% to 57% to the GDP, and account for approximately 61% of employment (Mahembe,2011:14). SMEs are therefore an important contributor to the economy and are considered by economists as drivers for reducing poverty and unemployment.

Furthermore, small businesses stimulate private ownership and entrepreneurial skills, they can bring more flexibility to the economy, they adapt quickly to changing market conditions and they can facilitate technological innovation as well as provide significant opportunities for the development of new ideas and skills (Aloulou & Fayole, 2005:29). A healthy SME sector contributes prominently to the economy through creating more employment opportunities, generating higher production and the introducing of innovative and entrepreneurial skills (Mahembe, 2011:13).

2.4.3 Constraints faced by small businesses

A number of constraints are hampering the development of small businesses (South Africa, 1995). Below are a number of constraints faced by small businesses that have been identified by the Department of Trade and Industry (DTI), such as:

- The legal and regulatory environment.
- Access to markets.
- Access to finance and affordable business premises.
- The acquisition of skills and management expertise.
- Access to appropriate technology.
- The tax burden.
- Access to quality business infrastructure in poor areas.

In the 2012 annual report conducted by the Small Enterprise Development Agency (SEDA), the following challenges responsible for hampering SMEs' growth were identified:

- Lack of business planning during start-up.
- Difficulty accessing finance.
- Difficulty accessing markets or meeting industry requirements or standards.
- Lack of experience among owners and managers.
- Lack of sector-specific expertise.
- Inconsistencies in cash flow.
- Lack of entrepreneurial skills and mind-sets.
- Lack of capacity to undertake market research, resulting in a lack of understanding the market needs and characteristics.
- Skills shortages, particularly with respect to technical skills and business management skills.
- Fragmented and uncoordinated support from entities tasked with providing assistance.
- Lack of innovation and creativity.
- Difficulty accessing land or securing operating premises.
- Red tape and cumbersome regulatory processes and procedures.

In 1995 the Government adopted the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa. The White Paper created an enabling environment for the accelerated growth of small businesses. The key objectives of the strategy as set out in the White Paper are summarised as follows:

- Increase the contribution of small enterprises to the growth of the South African economy.
- Create an enabling environment for small enterprises with a level playing field between big businesses and small enterprises that also reduce the disparities between urban and rural enterprises and is conducive to entrepreneurship.

- Create sustainable long-term jobs in the small business sector.
- Ensure equitable access and participation in terms of race, gender, disability, age, geographical location and sector.
- Increase the competitiveness of the small-enterprise sector and its enabling environment.

The South African Government has implemented a range of products and services to improve small business development and sustainability. These services include access to finance and an advisory function to assist with all the aspects involved in the start-up of a new small business. The South African Revenue Services (SARS) and the National Treasury reduced the tax and cost burden on small enterprises in order to contribute to the development of small businesses (Kotzé, 2010:12).

2.5 PERCEIVED BUSINESS SUCCESS

Perceived success of an organisation due to the change of management's behaviour, vision and strategy, will foster more innovation, creativity and lower bureaucratic barriers (Dafel, 2012:34). Entrepreneurial climate is seen as a key driver for the future success of an organisation (Thornberry, 2003:340).

A study by Lotz and Van der Merwe (2013) investigate the influences of entrepreneurial orientation and perceived success on agri-businesses in South Africa. Lotz and Van der Merwe (2013) have originally treated the perceived success measurement collectively as one variable. They however have found that the perceived success of the business could be measured by two variables namely: business growth and business development and improvement. The study has concluded that there is a positive relationship between business growth, business development and improvement and perceived success. They concluded that the two identified variables for perceived success are reliable and could be used as a measurement.

The two variables, namely business growth and business development and improvement, will also be used as the two variables for perceived success in this study.

2.5.1 Business growth

Business growth is measured with financial indicators. These include growth in turnover, growth in profit, growth in market share and improved competitive position (Lotz & Van der Merwe, 2013:17).

Financial measures

According to Lotz and Van der Merwe (2013:17), financial measures provide a solid foundation from which to draw conclusions regarding the success and effectiveness of an organisation. The frequently used financial measures include sales growth and return on assets and growth in market share. The financial results are the overall indication of an organisation's combined efforts. Growth as a measure of performance is more accurate and accessible than accounting measures of financial performance (Wiklund & Shepherd, 2005:80).

Sales growth is considered as the main indicator of growth since it is common knowledge that without an increase in sales the firm is unlikely to hire employees (Gürbüz & Aykol, 2009:328).

2.5.2 Business development and improvement

Business development and improvement will be measured using nonfinancial measures. According to Lotz and Van der Merwe (2013:17), nonfinancial measures include growth in employment, a new product/service/process, operational measures and customer satisfaction.

Personnel development/growth in employment

Successful organisations value the assets that they have in their human capital and treat their employees as important (Kreitner & Kinicki, 2008:4). Employee satisfaction can be related to a firm performance in terms of growth and may lead to employee commitment to the organisation (Antoncic & Antoncic, 2011:593).

Antoncic and Antoncic (2011:592) highlight general satisfaction with work, employee relationships, remuneration, benefits and organisational culture, and employee loyalty as elements of employee satisfaction essential to firm growth. Employee satisfaction improves innovativeness and willingness to invest their own knowledge and skills (Antoncic & Antoncic, 2011: 593). Committed and satisfied employees may also have a positive effect on the entrepreneurial orientation of the business (Lotz & Van der Merwe, 2013:18).

Operational measures

“A measure of business success is often related to the effectiveness and efficiency that a business’ employees are able to employ in producing business outputs” Lotz and Van der Merwe (2013:18).

2.6 SUMMARY

This chapter introduced the literature study regarding entrepreneurship and its characteristics. Various definitions of entrepreneurship were highlighted. The purpose of this chapter was to define entrepreneurial orientation and its dimensions, namely innovativeness, risk-taking, competitive aggressiveness, autonomy and pro-activeness.

The main focus of this study was to measure the entrepreneurial orientation and perceived success. A study done by Lotz and Van der Merwe (2013) analysed perceived success as one variable in order to define two different variables for perceived success, namely business growth and business development and

improvement. These two variables as defined by Lotz and Van der Merwe were used in this study.

CHAPTER 3

RESULTS AND DISCUSSION OF THE EMPIRICAL STUDY

3.1 INTRODUCTION

The purpose of this chapter is to present, discuss and interpret the results obtained from the empirical study. This study attempts to determine the strength of the entrepreneurial orientation constructs namely autonomy, innovativeness, risk-taking, competitive aggressiveness and pro-activeness of small businesses acting as independent variables with perceived success as the dependent variable.

The empirical study was conducted by means of a self-completion questionnaire distributed to small business owners in the Gauteng Province. The questionnaires were sent to business owners in an electronic format via email. The questionnaire consisted of a section capturing the demographics of the participants and two sections measuring entrepreneurial orientation and perceived success, as constructed by (Lotz, 2009). An example of the questionnaire is presented in Annexure B.

The mean values, standard deviations(s) and Cronbach Alpha coefficients were calculated through SPSS (SPSS, 2010) and Statistica (Statsoft, 2010). Multiple regression analyses between entrepreneurial orientation and perceived success were determined by the Statistical Consultation Services (SCS) of the North-West University, Potchefstroom campus.

This chapter provides insight into the methods and procedures that were followed to determine the study population, sampling method and size, questionnaire compilation, gathering of data, demographic compilation of the sample group, presentation and discussion of the researched results.

3.2 DATA GATHERING

3.2.1 Development and construction of a questionnaire

The questionnaire used in the study is a standard questionnaire on entrepreneurial orientation compiled by Lotz (2009:324). The questionnaire was only made available in electronic format. The questionnaires were distributed via email with a cover letter explaining the purpose of the study and instructions on completing the questionnaire.

The questionnaire was divided into four sections, namely:

Section A was developed to evaluate the entrepreneurial orientation of small businesses. This section consisted of 27 statements which were rated based on a five point Likert scale. The Likert scale, introduced by Likert (1903-1981), is at present the most popular type of attitude scale in the social sciences. The Likert or summated scale may be used for measuring multidimensional attitudes. The scale consisted of a collection of statements about attitudinal objects. In respect of each statement, subjects had to indicate the degree to which they agreed or disagreed with its content, based on a five-point scale. "Some statements represent a positive attitude, whereas others reflect a negative attitude" (Welman *et al.*, 2005:157).

Section B was an evaluation of the perceived success of the businesses in which the respondents operate. This section consisted of 11 statements, which aimed to measure the dependent variables of business growth and business development. A five point Likert scale was used for this section, ranging from "strongly disagree" (1) to "strongly agree" (5).

Section C evaluated the demographical information of the business owners and their level of education. Age group, gender, race classification and highest academic qualification achieved were determined. The purpose of this section was for statistical analysis and comparisons between various groups.

Section D captured the business structure and financial information of the small businesses. Questions included the number of employees employed in the business, annual turnover, the industry in which the entity operates and the legal status of the entity.

3.2.2 Data collection

The questionnaires were distributed to business owners via email or hand delivered to their place of work. After eight weeks of data collection with a very low response rate, the questionnaires were sent to the respondents via email. Several attempts were made to collect all 60 questionnaires, but only 42 responses were received. Out of the 42 completed questionnaires 38 were useful for data analysis. The rejected questionnaires were considered unusable due to incompleteness.

3.2.3 Sample size

The population was made up of business owners operating in Gauteng with the founder of the business being the decision maker in the business. The selected businesses had been in operation for at least two years, but no longer than 10 years. Previous research studies indicated that a large percentage of small businesses fail within the first five years of operation, hence the period selected for the study.

A total of 60 questionnaires were distributed to small business owners, 42 were collected but only 38 were used in the survey. The business owners were responsible for completing the questionnaire, because of the sensitivity of the questions. The study population included different industries operating within the Gauteng area.

3.2.4 Statistical analysis of data

The statistical analysis of the data was conducted by The Statistical Consultation Services of the North-West University, Potchefstroom campus. Frequency distributions evaluated were presented in the form of tables. The mean values were

used to measure the central tendency and the standard deviation to indicate distribution of data. The Cronbach Alpha coefficients were utilised to assess the internal consistency of the different variables. Multiple regression analyses were done between entrepreneurial orientation and perceived success, with the assistance of The Statistical Consultation Services of the North-West University, Potchefstroom campus. These results will be discussed in this chapter.

3.3 DEMOGRAPHIC INFORMATION OF RESPONDENTS

Section C of the questionnaire (refer to Appendix B) captured the demographical information of the business owners, where participants had to specify their age group, gender, race classification and their level of education. The frequency and distribution results will be discussed in this section.

3.3.1 Age group classification of respondents

- **Purpose of the question**

The purpose of this question in the questionnaire was to determine the age of participants in order to make comparisons between the age groups in small business ownership.

- **Results obtained**

Table 3.1 presents the age distribution of the respondents.

Table 3.1: Age group classification of respondents

Age	Frequency	Percentage
≤ 29	9	23.68%
30 – 39	19	50.00%
40 – 49	7	18.42%
50 – 59	3	7.89%
60+	0	0.00%
Total	38	100%

- **Analysis of results**

The majority of respondents are in the age group 30 to 39 years, with 19 respondents which represent 50% of responses. This is followed by the under 29 year age group representing 23.68% of responses. The third largest age group is 40 to 49 years of age representing 18.42% of the total responses. The smallest age group is 50 to 59 years, with only three participants representing 7.89% of the total responses. There are no respondents in the age group 60 plus.

3.3.2 Gender classification of respondents

- **Purpose of the question**

The purpose of question C2 in Section C of the questionnaire was to determine the gender of the respondents.

- **Results obtained**

Table 3.2 presents the respondents' gender distribution.

Table 3.2: Gender distribution of respondents

Gender	Frequency	Percentage
Male	22	57.89%
Female	16	42.11%
Total	38	100%

- **Analysis of results**

Table 3.2 above shows that fewer females (42.11%) participated compared to males (57.89%).

3.3.3 Racial group classification of respondents

- **Purpose of the question**

The purpose of this question was to determine and differentiate between the participants' race group.

- **Results obtained**

Table 3.3 presents the respondents' race group distribution.

Table 3.3: Race distribution of respondents

Race	Frequency	Percentage
Black	30	78.95%
White	2	5.26%
Coloured	1	2.63%
Indian	5	13.16%
Total	38	100%

- **Analysis of results**

The table above shows that 78.95% of small business owners who participated in this study are Black, 13.16% are Indian, while White and Coloured owners represent 5.26% and 2.63% of the total, respectively.

3.3.4 Highest academic qualifications obtained by respondents

- **Purpose of the question**

Question C4 was answered by selecting one of the following categories: lower than matric, matric, certificate, diploma, university degree or post graduate degree.

- **Results obtained**

Table 3.4 presents the respondents' highest qualifications.

Table 3.4: Highest academic distribution of respondents

Highest academic qualification	Frequency	Percentage
Lower than matric	0	0.00%
Matric	1	2.63%
Certificate	2	5.26%
Diploma	8	21.05%
University degree	12	31.58%
Post graduate degree	15	39.47%
Total	38	100%

- **Analysis**

The largest portion of respondents have a post graduate degree, namely a total of 15 respondents, representing 39.47% of the total respondents. The second largest

group has a university degree (31.58%) and the smallest number of respondents has a matric certificate (2.63%). Only 21.05% of respondents have diplomas.

3.4 RESULTS OF STRUCTURAL INFORMATION

3.4.1 Number of permanent employees

- Purpose of the question

The purpose of question D1 in Section D of the questionnaire was to determine the number of permanent employees employed by the small businesses.

- Results obtained

Table 3.5: Number of employees

Employees	Frequency	Percentage
1-4	13	34.21%
5-10	9	23.68%
11-25	8	21.05%
26-50	6	15.79%
51-100	0	0.0%
101-200	1	2.63%
201-500	0	0.00%
500+	0	0.00%
Not indicated	1	2.63%
Total	38	100%

- Analysis of the results

The majority of these small businesses (34.21%) employ between one and four employees. Only 1 business, representing 2.63% of total respondents, employs between 101 and 200 employees. None of the participating businesses have more than 200 employees.

3.4.2 Legal status of the business

- **Purpose of the question**

The purpose of question D5 in Section D of the questionnaire was to obtain information regarding the legal status of the small businesses that participated in the study.

- **Results obtained**

Table 3.6: Legal status of the business

Legal status	Frequency	Percentage
Proprietorship	3	7.89%
Partnership	3	7.89%
Company (private)	12	31.58%
Company (public)	0	0.00%
Close Corporation	17	44.74%
Co-operative	0	0.00%
Business Trust	0	0.00%
Franchise	3	7.89%
Total	38	100%

- **Analysis of the results**

Table 3.6 indicates that 44.74% of the participating small businesses operate as close corporations, 31.58% as private companies and 7.89% as proprietorships. Franchises and partnerships represent of only 7.89% of the total respondents.

3.4.3 Industry

- **Purpose of the question**

The purpose of D3 in Section D of the questionnaire was to obtain information regarding the industry in which the participants were operating.

- **Results obtained**

Table 3.7: Industry where the respondents were operating

Industry	Frequency	Percentage
Automotive	1	2.63%
Agriculture	1	2.63%
Clothing	3	7.89%
Construction	3	7.89%
Food	5	13.16%
Real Estate	3	7.89%
Retail	2	5.26%
Wholesale	3	7.89%
Manufacturing	2	5.26%
Services	8	21.05%
Other	4	10.53%
Not indicated	3	7.89%
Total	38	100%

- **Analysis of the results**

Table 3.7 shows that the services industry (21.05%) dominates the SMME sector in the Gauteng area, while agriculture and the automotive industries are only represented by 2.63% of the total respondents respectively. The second largest industry in the SMME sector is the food industry, represented by 13.16% of the total group, followed by wholesale; real estate; construction and lastly clothing that represents 7.89% of the total respondents.

3.4.4 Annual turnover of businesses

- **Purpose of the question**

The purpose of question D2 in Section D of the questionnaire was to obtain information regarding the financial position of the participating small businesses in the study.

- **Results obtained**

Table 3.8: Annual turnover of the businesses

Turnover	Frequency	Percentage
<1m	16	42.11%
1m to 2.5m	6	15.79%
2.5m to 10m	9	23.68%
10m to 50m	5	13.16%
>100m	1	2.63%
Not indicated	1	2.63%
Total	38	100%

- **Analysis of the results**

The results in Table 3.8 indicate that most small businesses (42.11%) that took part in the research, have an annual turnover of under R1 million. A total of 23.68% of these participation small businesses have an annual turnover of between R2.5 million and R10 million, 15.79% of these small businesses have an annual turnover between R1 million and R2.5 million and 13.16% of these small businesses have an annual turnover of R10 million to R50 million. One small firm (2.63%) has an annual turnover of R100 million.

3.5 RELIABILITY OF THE MEASURING INSTRUMENT

To assess the internal consistency between the statements of the measuring instrument, the Cronbach Alpha coefficients were calculated. A Cronbach Alpha coefficient is an indication of the internal consistency of a measure or test. According to Lotz and Van der Merwe (2013:24), a Cronbach Alpha measures internal consistency by computing the average of all split-half reliabilities for a multiple-item scale. A Cronbach Alpha coefficient is based on the average correlation variables within a test (Struwig & Stead, 2004:132). For an acceptable reliability the Cronbach Alpha coefficient should be equal or greater than 0.7 (Nunnally & Bernstein, 1994:265). Theoretically Cronbach Alpha varies from zero to one and a greater value for the coefficient indicates that consistency and improved reliability of higher values of Cronbach Alpha are more desirable.

Table 3.9 indicates the Cronbach Alpha coefficients of the constructs measuring Entrepreneurial Orientation and perceived success in small businesses.

Table 3.9: Cronbach Alpha coefficients of variables

Variables	Cronbach Alpha coefficients
Entrepreneurial orientation constructs	
Autonomy	0.620
Innovativeness	0.849
Risk-taking	0.775
Pro-activeness	0.773
Competitive aggressiveness	0.692
Perceived business success	
Business growth	0.836
Business development and improvement	0.749

All 38 responses were used to determine the reliability of the items. The results in Table 3.9 below indicate that the measuring instrument used in this study to analyse the Entrepreneurial Orientation of small businesses, has an acceptable reliability, since only two of the variables, namely competitive aggressiveness (0.692) and

autonomy (0.620), had coefficients of less than 0.7. However these two variables will be included in this study due to the fact that their Cronbach Alpha coefficients are fairly close to 0.7. All five variables had Cronbach Alpha coefficients greater than 0.7.

3.6 ASSESSMENT OF THE ENTREPRENEURIAL ORIENTATION

Section A consisted of 27 statements with the purpose to determine the entrepreneurial orientation of the respondents. The questions were divided into five variables, namely: **autonomy, innovativeness, risk-taking, pro-activeness and competitive aggressiveness**. The respondents indicated on a five point Likert scale, to what extent they agreed or disagreed with the statements' measuring variables. The value on the scale varied from 1, where the respondent strongly disagreed, up to 5, where the respondent strongly agreed with a specific statement. Appendix C detailed the items used to measure entrepreneurial orientation and perceived business success.

The mean and standard deviations were calculated for each statement of the questionnaire and will be presented per construct. There were a total of 38 respondents to the survey and 4 questionnaires were rejected.

3.6.1 Autonomy

- **Purpose of the question**

The purpose of statements A1 to A5 in Section A of the questionnaire was to determine the level of autonomy in small businesses.

- **Results obtained**

Table 3.10 indicates the results showing the mean and standard deviation for each variable obtained, ranking the means from the largest to the smallest mean value.

Table 3.10: Autonomy of respondents

	Statement	<i>n</i>	\bar{x}	s
A1	I have enough autonomy in my job without continual supervision to do my work.	36	4.056	1.194
A2	Our business allows me to be creative and try different methods to do my job.	38	4.026	1.026
A4	Employees in our business are encouraged to manage their own work and have flexibility to resolve problems.	38	3.789	0.991
A5	I seldom have to follow the same work methods or steps while performing my major tasks from day to day.	38	3.053	1.138
A3	Employees in our business are allowed to make decisions without going through elaborate justification and approval procedures.	38	2.974	1.174
Average		38	3.571	0.688

- **Analysis of the results**

The average mean of the construct, autonomy, is 3.571 with a standard deviation of 0.688. Statement A1, A2 and A4 has a mean value above the average ($\bar{x} = 3.571$). The results obtained above indicate that on average, the respondents believe that they have autonomy in their businesses. The highest score obtained was for the statement relating to **autonomy in work**. Statement A3 recorded the lowest average score which is in agreement with Vora *et al.* (2012:355) that in a small business setup, an owner or entrepreneur is the one who will exhibit the autonomous characteristics in making decisions and driving the business.

3.6.2 Innovativeness

- **Purpose of the question**

The purpose of statements A6 to A14 in Section A of the questionnaire was to determine the level of innovativeness in a small business setting.

- **Results obtained**

Responses to innovativeness are summarised in the Table 3.11 below, ranking the means from the largest to the smallest.

Table 3.11: Innovativeness of respondents

	Statement	<i>n</i>	\bar{x}	s
A14	Our leaders seek to maximise value from opportunities without constraint to existing models, structures or resources.	37	3.919	1.115
A7	Our business places a strong emphasis on new and innovative products/-services/processes.	38	3.889	0.887
A12	Our business places a strong emphasis on continuous improvement in products/service delivery/processes.	38	3.816	0.865
A9	Our business is continually pursuing new opportunities.	38	3.771	0.973
A13	Our business has a widely held belief that innovation is an absolute necessity for the business' future.	38	3.763	1.101
A6	Our business regularly introduces new services/products/processes.	38	3.5	1.133
A8	Our business has increased the number of services/products offered during the past two years.	38	3.474	1.156
A11	In our business there is a strong relationship between the number of new ideas generated and the number of new ideas successfully implemented.	38	3.474	1.202
A10	Over the past few years, changes in our processes, services and product lines have been quite dramatic.	37	3.243	1.140
Average		38	3.640	0.703

- **Analysis of the results**

Innovativeness scored a mean average of $\bar{x} = 3.640$ and a standard deviation of 0.703. Statement A14 ($\bar{x} = 3.919$), A7 ($\bar{x} = 3.889$), A12 ($\bar{x} = 3.816$), A9 ($\bar{x} = 3.771$) and A13 ($\bar{x} = 3.763$), have a mean above the average mean of ($\bar{x} = 3.640$). The other four statements A6 ($\bar{x} = 3.500$), A8 ($\bar{x} = 3.474$), A11 ($\bar{x} = 3.474$) and A10 ($\bar{x} = 3.243$) have rankings below the mean average ($\bar{x} = 3.640$). The results obtained indicate that the respondents seem to innovative less in their business operations, they rarely

introduce **new services/products/processes** or come up with **new ideas and make dramatic changes in their processes**. This can stifle flexibility and the competitiveness of the business to reach business growth. The standard deviation ranges between 0.865 and 1.202.

3.6.3 Risk-taking

- **Purpose of the question**

The purpose of statement A15 to A19 in Section A was to determine the level of risk-taking that small business owners endure.

- **Results obtained**

The responses are summarised in the table below, ranking the means from the highest to the lowest.

Table 3.12: Risk-taking of respondents

	Statement	<i>n</i>	\bar{x}	s
A15	When confronted with uncertain decisions, our business typically adopts a bold posture in order to maximise the probability of exploiting opportunities	38	3.474	1.006
A17	Owing to the environment, our business believes that bold, wide-ranging acts are necessary to achieve the business' objectives.	38	3.474	0.922
A18	Employees are often encouraged to take calculated risks concerning new ideas.	38	3.316	0.904
A19	The term 'risk-taker' is considered a positive attribute for employees in our business.	38	3.289	1.113
A16	In general, our business has a strong inclination towards high-risk projects.	38	3.263	1.131
Average		38	3.363	0.739

- **Analysis of the results**

Risk-taking obtained a mean average of $\bar{x} = 3.363$ and a standard deviation of 0.739. Two of the statements, **our business adopts a bold posture in order to maximise the probability of exploiting opportunities** ($\bar{x} = 3.474$) and **our business believes that bold, wide-ranging acts are necessary to achieve the business' objectives** ($\bar{x} = 3.474$), have a mean above the average mean of ($\bar{x} = 3.363$) and the **term 'risk-taker' is considered a positive attribute for employees in our business** ($\bar{x} = 3.289$) and **our business has a strong inclination towards high-risk projects** ($\bar{x} = 3.263$), have a mean below average. This is an indication that the respondents do not take-on risky projects and believe that the term 'risk-taker' has a negative connotation in their businesses.

3.6.4 Pro-activeness

- **Purpose of the question**

The purpose of statement A20 to A23 was to determine the level of pro-activeness in small businesses.

- **Results obtained**

Responses to pro-activeness as a variable are summarised in the table below, ranking the means from the largest to the smallest.

Table 3.13: Pro-activeness of respondents

	Statement	<i>n</i>	\bar{x}	s
A23	Our business continuously monitors market trends and identifies future needs of customers.	38	4.000	0.900
A22	Our business continuously seeks out new products/processes/services.	36	3.639	1.046
A21	Our business typically initiates actions that competitors respond to.	38	3.132	0.935
A20	Our business is very often the first to introduce new products/services/-processes.	35	3.000	0.804
Average		38	3.445	0.667

- **Analysis of the results**

The variable pro-activeness obtained a mean average of $\bar{x} = 3.445$ and a standard deviation of 0.667. Statement A23 ($\bar{x} = 4.000$) and statement A22 ($\bar{x} = 3.639$) obtained values above the average mean ($\bar{x} = 3.445$). Statements A21 ($\bar{x} = 3.132$) and A20 ($\bar{x} = 3.00$) seem to indicate that respondents do not usually take initiative to **introduce new products/services/processes to take actions that competitors respond to.**

3.6.5 Competitive aggressiveness

- **Purpose of the question**

The purpose of statements A24 to A27 was to determine the level of competitive aggressiveness of small businesses in the Gauteng area.

- **Results obtained**

Responses to competitive aggressiveness as a variable are summarised in the table below.

Table 3.14: Competitive aggressiveness of respondents

	Statement	n	\bar{x}	s
A27	Our business knows when it is in danger of acting overly aggressive (this could lead to erosion of our business' reputation or to retaliation by our competitors).	38	3.947	0.899
A26	Our business effectively assumes an aggressive posture to combat trends that may threaten our survival or competitive position.	38	3.789	0.704
A25	Our business is very aggressive and intensely competitive.	38	3.737	0.860
A24	In dealing with competitors our business typically adopts a very competitive “undo-the-competitor” posture.	38	3.289	0.835
Average		38	3.691	0.597

- **Analysis of the results**

Competitive aggressiveness obtained a mean average of $\bar{x} = 3.691$ and a standard deviation of 0.597. The three statements A27, A26 and A25, rank above the average mean ($\bar{x} = 3.132$). These statements indicate that small businesses are **very aggressive and intensely competitive, effectively assume an aggressive posture to combat trends that may threaten survival or competitive position and are cognisant of acting overly aggressive**. On average, the respondents believe that they are competitively aggressive.

3.6.7 Assessment of combined results

The results of the constructs were combined to generate an overall assessment of entrepreneurial orientation as per the table below.

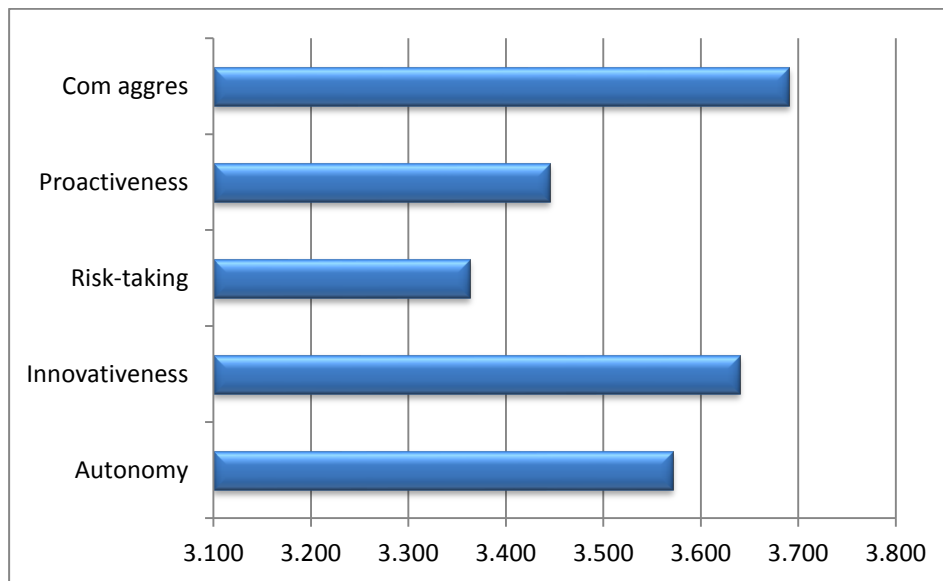
Table 3.15: Entrepreneurial orientation survey results

Variable	<i>n</i>	\bar{x}	s
Autonomy	38	3.571	0.688
Innovativeness	38	3.640	0.703
Risk-taking	38	3.363	0.739
Pro-activeness	38	3.445	0.667
Competitive aggressiveness	38	3.691	0.597
Total	38	3.542	3.394

- **Analysis of combined results**

The results of the survey are graphically represented in a bar chart in Figure 3.1, that compares the values across the constructs.

Figure 3.1: Entrepreneurial orientation analysis



The mean average of all the independent variables of entrepreneurial orientation is $\bar{x} = 3.542$, indicating a neutral opinion as per the five point Likert scale. Autonomy, innovativeness and competitive aggressiveness rank above the 3.5 averages, which indicate a higher tendency towards agreeing with the statements. The strongest agreement is with **competitiveness aggressiveness** ($\bar{x} = 3.691$), followed by

innovativeness ($\bar{x} = 3.640$) and **autonomy** ($\bar{x} = 3.571$), all with scores higher than the average mean. **Pro-activeness** ($\bar{x} = 3.445$) and **risk-taking** ($\bar{x} = 3.363$) have results below the average mean. The average mean score suggests that there is room for improvement for small businesses. -The average standard deviation is 3.394.

3.7 THE PERCEIVED SUCCESS OF THE BUSINESS

The perceived success, Section B, consisted of 11 statements measuring two dependable variables, namely business growth and business development and improvement. The purpose of Section B was to evaluate the perception of small businesses with regard to the two variables measuring perceived success. A five point Likert scale was used for the evaluation.

3.7.1 Business growth

- **Purpose of the question**

The purpose of statement B1 to B4 in Section B of the questionnaire was to determine the perceived success of small businesses in the Gauteng area, with specifically referring to business growth as a measure of perceived success.

- **Results obtained**

The results of business growth are summarised below in Table 3.16, with the four statements, B1 to B4, sorted from largest to smallest.

Table 3.16: Results of Business growth

	Statement	n	\bar{x}	s
B2	Our business has experienced growth in profit over the past few years.	38	4.079	0.882
B1	Our business has experienced growth in turnover over the past few years.	38	4.000	0.930
B4	The competitive position of our business has improved over the past few years.	38	3.921	0.997
B3	Our business has experienced growth in market share over the past few years.	38	3.868	1.018
Average		38	3.967	0.785

- **Analysis of results**

The average mean for **business growth** is $\bar{x} = 3.967$ with a standard deviation of 0.785. Two of the items rank above the average mean, **business has experienced growth in profit over the past few years** ($\bar{x} = 4.079$) and **business has experienced growth in turnover over the past few years** ($\bar{x} = 4.000$). **Competitive position of our business has improved over the past few years** ($\bar{x} = 3.921$) and **growth in market share over the past few years** ($\bar{x} = 3.868$), both have a ranking below the average mean.

3.7.2 Business development and improvement

- **Purpose of the question**

The purpose of statements B5 to B11 in Section B of the questionnaire was to determine the perceived success of small businesses in the Gauteng area, with specifically referring to development and improvement as measures of success.

- **Results obtained**

The responses to business development and improvement are summarised below in Table 3.17, with the four statements B5 to B11 sorted from the largest to the smallest mean value.

Table 3.17: Results of business development and improvement

	Statement	<i>n</i>	\bar{x}	s
B5	The effectiveness (doing the right things) of our business has improved over the past few years.	38	3.921	0.850
B10	The image (stature) of our business, relative to our competitors, has grown over the past few years.	38	3.921	0.784
B6	The efficiency (doing things right) of our business has improved over the past few years.	38	3.895	0.953
B8	Our employees are highly committed to our business.	38	3.868	0.963
B9	The moral (job satisfaction) of our employees has improved over the past few years.	38	3.816	0.766
B7	In our business, employees are viewed as the most valuable asset of the business.	38	3.789	1.234
B11	During difficult economic periods, investments in research and development/innovative projects continue and no significant financial cuts are made.	38	3.158	1.197
Average		38	3.767	0.619

- **Analysis of results**

The average mean for **business development and improvement growth** is $\bar{x} = 3.767$, with a standard deviation of 0.619. Statement B5 ($\bar{x} = 3.921$), B10 ($\bar{x} = 3.921$), B6 ($\bar{x} = 3.895$), B8 ($\bar{x} = 3.868$), B9 ($\bar{x} = 3.816$) and B7 ($\bar{x} = 3.789$) have a mean above the average mean. Statement B11 has a mean below average ($\bar{x} = 3.158$) with a standard deviation of 1.197.

Figure 1.5 below represents the results of the survey in a bar chart. The results indicate that there is a strong agreement with business growth ($\bar{x} = 3.967$).

3.7.3 Assessment of combined results

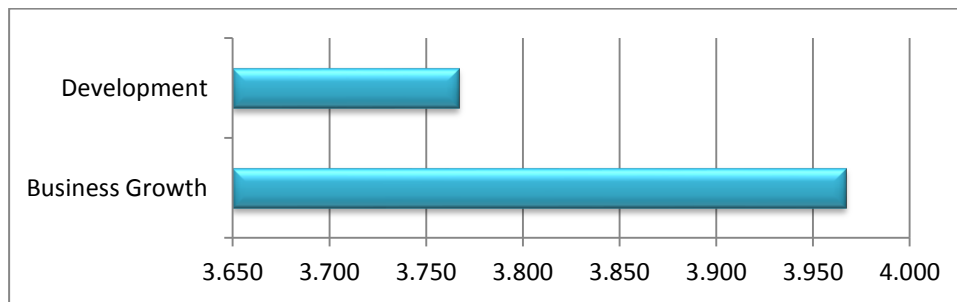
Table 3.18 below summarises the combined results of perceived success.

Table 3.18: Analysis of perceived success

Variable	n	\bar{x}	s
Business growth	38	3.967	0.785
Business development and improvement	38	3.767	0.619
Total	38	3.867	0.702

Figure 3.2 below represents the results of the survey in a bar chart. The results indicate that there is a strong agreement with business growth ($\bar{x} = 3.967$).

Figure 3.2: Perceived success of the small firm analysis



The average mean of perceived success is 3.867, with a standard deviation of 0.702. The overall highest ranked items are **growth in turnover** ($\bar{x} = 4.000$), **growth in profit** ($\bar{x} = 4.079$), **business image relative to competitors has grown over the past few years** ($\bar{x} = 3.921$), **improved business effectiveness** (mean = 3.921) and **improved efficiency** ($\bar{x} = 3.895$). Business growth had the highest mean score ($\bar{x} = 3.967$), which means that business owners are in agreement with most statements relating to business growth, while the weakest agreement is with statements relating to business development ($\bar{x} = 3.767$).

3.8 MULTIPLE REGRESSION ANALYSIS

Multiple regression analysis was conducted to determine the influence which independent variables – autonomy, innovativeness, risk-taking, pro-activeness and competitive aggressiveness - have on the dependent variables of perceived success.

Business growth and business development and improvement were the two factors used to measure perceived success (Lotz & van der Merwe, 2013:25). For the purpose of this study, business growth refers to growth in turnover, growth in profit, growth in market share and an improved competitive position of the business over the past few years. Business development and improvement refers to highly committed employees viewed as the most valuable asset of the business and improvement of job satisfaction, efficiency and effectiveness, investment in research and development during difficult periods, and the image of the business over time. Factor scores for each participant were computed as the average of all items contributing to the relevant factors.

Table 3.19 below presents the results of the multiple regression analysis and the influence which the five entrepreneurial orientation variables have on the dependent variable, business growth.

Table 3.19: Multiple regression results: Impact of entrepreneurial orientation on the dependent variable, business growth

Model	Non-standardised coefficients		Standardised coefficients	t-value	p-level
	B	Std. Error	Beta		
(Constant)	2.540	0.880		2.884	0.007
Autonomy	0.016	0.218	0.014	0.072	0.943
Innovativeness	0.313	0.218	0.280	1.253	0.219
Risk-taking	-0.429	0.200	-0.404	-2.150	0.039**
Pro-activeness	0.462	0.258	0.393	1.794	0.082
Competitive aggressiveness	0.023	0.242	0.017	0.094	0.926

$R^2 = 0.262$ (**p<0.05)

Table 3.19 above indicates that a significant percentage (26.2%) of the variation in business growth is explained by the variables of entrepreneurial orientation, namely autonomy, innovativeness, risk-taking, pro-activeness and competitive aggressiveness. There is a significant negative relationship between the independent

variable, risk-taking ($p = 0.039$), and the dependent variable **business growth**. The multiple regression analysis further indicated that the p -values of autonomy, innovativeness, pro-activeness and competitive aggressiveness are greater than the $p < 0.05$ level of significance, therefore there is no relationship between the independent variables and the dependent variable, **business growth**.

Table 3.20 below presents the results of the multiple regression analysis and the influence which the five entrepreneurial orientation variables have on the dependent variable, business development and improvement.

Table 3.20: Multiple regression results: Impact of entrepreneurial orientation on the dependent variable business development and improvement

Model	Non-standardised coefficients		Standardised coefficients	t-value	p-level
	B	Std. Error	Beta		
(Constant)	1.026	0.524		1.958	0.059
Autonomy	0.039	0.130	0.043	0.298	0.768
Innovativeness	0.500	0.148	0.568	3.367	0.002**
Risk-taking	-0.181	0.119	-0.216	-1.523	0.138
Pro-activeness	0.260	0.153	0.280	1.694	0.100
Competitive aggressiveness	0.135	0.144	0.130	0.933	0.358

$R^2 = 0.581$ (* $p < 0.05$)

Table 3.20 above indicates that a significant percentage (58.1%) of the variation in business development and improvement is explained by the dimensions of entrepreneurial orientation, namely autonomy, innovativeness, risk-taking, pro-activeness and competitive aggressiveness. The multiple regression indicates a significant positive relationship between the independent variable, innovativeness ($p = 0.002$), and the dependent variable, **business development and improvement**. Therefore if the variable innovativeness increases, business development and improvement will increase with the same depth. A significant negative relationship

has been found between the independent variable, risk-taking ($p = 0.138$), and the dependent variable, **business development and improvement**. The multiple regression analysis further indicates that the p-values of autonomy, pro-activeness and competitive aggressiveness are greater than the $p < 0.05$ level of significance, therefore no significant relationship could be found between these independent variables and the dependent variable, **business development and improvement**.

3.9 SUMMARY

The results and discussion of the empirical study was presented in Chapter four. The study was of a quantitative nature, as it consisted of a survey questionnaire. The questionnaire used to conduct the empirical research consisted of four sections, namely Section A assessed entrepreneurial orientation, Section B measured perceived business success of small and medium-sized enterprises, Section C gathered the biographical data and Section D revealed the business structure of the enterprise. The data gathering process, response to the survey and biographical profile of the respondents were discussed. The questionnaires were distributed to the population group in electronic format via email.

The population group included small businesses in the Gauteng Province. The entire population consisted of 42 business owners but only 38 questionnaires were used in the study. The information obtained from the participants was captured and presented in frequency tables. The empirical results were analysed as set out in the context of the research objectives and the problem statement.

The mean and standard deviation of all the statements were calculated and presented in the study. The average mean of all variables regarding entrepreneurial orientation was $\bar{x} = 3.542$ and the standard deviation calculated was 0.679. Risk-taking ($\bar{x} = 3.363$) and pro-activeness ($\bar{x} = 3.445$), had a mean value below the average mean ($\bar{x} = 3.542$). The variables with the highest mean were competitive aggressiveness ($\bar{x} = 3.691$), innovativeness ($\bar{x} = 3.640$) and autonomy ($\bar{x} = 3.571$) with a mean above the average.

The average mean of variables concerning perceived success of small businesses was $\bar{x} = 3.867$ with a standard deviation $s = 0.702$. Business growth ($\bar{x} = 3.967$) evaluated, had a mean above the average mean ($\bar{x} = 3.867$) and standard deviation of $s = 0.785$. Business development and improvement ($\bar{x} = 3.767$) had a below the average mean ($\bar{x} = 3.867$), and a standard deviation of $s = 0.619$.

The Cronbach Alpha coefficient was used to determine the internal consistency and reliability among items in the measuring instrument. The results indicated that only two variables (autonomy and competitive aggressiveness) had a Cronbach Alpha coefficient lower than 0.7, but higher than 0.6, and therefore all the variables were included in the study.

The multiple regression evaluated indicated that 26.2% of the variance of business growth is explained by the independent variable of entrepreneurial orientation. There was no significant relationship found between the independent variables and the dependent variable, business growth. However, a significant negative relationship was found between the independent variable, risk-taking ($p = 0.039$), and the dependent variable, business growth. The second multiple regressions evaluated, indicated that 58.1% of the variance in business development and improvement was explained by the independent variable of entrepreneurial orientation. A strong positive relationship was found between the independent variables, innovativeness and business development and improvement. Therefore an emphasis on new and innovative products, processes or services will have a positive effect on business improvement.

The next chapter's conclusion will be drawn from the findings discussed in this chapter and recommendations will be made on how to enhance entrepreneurial orientation in small and medium-sized enterprises in the Gauteng Province.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

4.1 INTRODUCTION

The purpose of this final chapter on the analysis of entrepreneurial orientation in small and medium-sized enterprises is to conclude the empirical study as discussed in Chapter 3, and suggest practical recommendations to enhance entrepreneurial orientation, with the aim of improving perceived success of small and medium-sized enterprises.

This chapter consists of four sections. The first section will focus on conclusions drawn from the empirical study in Chapter 3, followed by recommendations based on the findings. A critical evaluation of primary and secondary objectives is carried out. The last section makes suggestions for future research.

4.2 CONCLUSIONS

The conclusions drawn are based on the empirical study done in the previous chapter. The conclusions consist of the biographical data of respondents, entrepreneurial orientation and perceived success of the participating small businesses. The assessment of the Cronbach Alpha coefficient to establish the reliability of the measuring instrument used for the analysis of entrepreneurial orientation and the perceived success will be discussed.

4.2.1 Demographic information

- **Age:** The majority of respondents are between the ages of 30 and 39 years (50%). Only 7.89 % of respondents are between 50 and 59 years of age, while there are no respondents over the age of 60 years.
- **Gender:** Of the 38 respondents taking part in the survey, 22 are females (57.89%) and 16 are males (42.11%).

- **Race:** The largest race group of respondents is black (78.95%), followed by Indians (13.16%), while white and coloured groups have a representation of 5.26% and 2.63% respectively.
- **Highest academic qualification:** The majority of respondents are in possession of a post graduate degree (38%), followed by 31.58% in possession of a degree, and only one person with a matric certificate (2.63%) as the highest qualification. 21.05% of the respondents are in possession of a diploma.
- **Legal status:** Of the 38 businesses taking part in the survey, 35 are registered as closed corporations (44.74%), and 12 as private companies (31.58%).
- **Industry:** Seven of the respondents did not indicate the industry in which they operate. 31% of respondents are from the services industry, 13.16% are from food services, 7.89% represent clothing, construction, real estate, and wholesale industries. The automotive/agriculture industries represent a small percentage of 2.63%.
- **Number of employees:** 34.2% of businesses employ one to four employees, 23.68% employ five to 10 employees, 21.05% employ 11 to 25 employees, and 15.79% employ more than 26 but less than 50 employees.

4.2.2 Reliability of the questionnaire used

Cronbach Alpha coefficients were measured to determine the reliability of the measuring instrument. Only two variables, autonomy (0.620) and competitive aggressiveness (0.692), had a Cronbach Alpha coefficient lower than 0.7, but were included in this study because the range was not far from 0.7 and not below 0.6 per Field's view (Field, 2005:688). Innovativeness and business growth both obtained higher Cronbach Alpha coefficients of 0.849 and 0.836 respectively.

The results of the Cronbach Alpha coefficient as indicated in Table 3.9, suggested that the measuring instrument used to assess the entrepreneurial orientation and perceived success in small businesses, had an acceptable reliability, since three dimensions had a Cronbach Alpha coefficient greater than 0.7. The two variables

measuring the perceived success of small businesses had Cronbach Alpha coefficients higher than 0.7.

4.2.3 Conclusion on entrepreneurial orientation

The purpose of this study was to assess entrepreneurial orientation in small enterprises. Respondents were given a questionnaire consisting of 27 statements measuring entrepreneurial orientation. A five point Likert scale was used to measure the replies of the participants - a rating of 1 on the scale indicated that the respondent strongly disagrees with the statement and 5 indicated that the respondent strongly agrees with the statement. An average score of $\bar{x} = 3.000$ on the five point Likert scale was used as a benchmark for the purpose of making recommendations in the empirical study (Enslin, 2010:98).

Conclusions for each individual dimension of entrepreneurial orientation and perceived success are discussed below.

4.2.3.1 Autonomy

Autonomy received the third highest rating with a mean score of $\bar{x} = 3.580$ and a standard deviation of $s = 0.688$. This indicated that autonomy had the strongest influence on entrepreneurial orientation in small businesses. Respondents highly agreed with statement A1 ($\bar{x} = 4.056$) and statement A2 ($\bar{x} = 4.026$), which stated that they had enough autonomy to do their work and be creative in trying different methods of performing their jobs. Casillas and Moreno (2010:271) stated that autonomy constituted one of the bases for innovative and entrepreneurial behaviour.

The multiple regression results revealed that there was no relationship between the entrepreneurial factor, autonomy, and the variables of perceived success, namely business growth and business development and improvement. The finding was consistent with findings from Casillas and Moreno (2010), which showed no relationship between autonomy and business growth. However this was in contrast with the findings of Lumpkin *et al.* (2010), and Lotz and Van der Merwe (2013), who

had found that a positive relationship existed between autonomy and business growth.

4.2.3.2 Innovativeness

The dimension, innovativeness, had the second highest rating with a mean score of $\bar{x} = 4.026$. Respondents highly agreed with statements A14 and A7. These findings indicate that business owners had sought to maximise value from opportunities without constraining existing models and a strong emphasis was placed on new and innovative products/processes/services as well as continuous improvement in products/service delivery/processes. Statement A10 obtained the lowest mean value of $\bar{x} = 3.243$, which suggested that small businesses rarely make dramatic changes to their processes, services and product lines.

The results from the multiple regression analysis indicated that there was a significantly positive relationship between innovativeness and business development and improvement. This implies that small businesses are pursuing opportunities, improving existing products/services/processes and introducing new products/service/products in order to improve business development. According to Brockman *et al.* (2012:434), an innovative mind-set could help the small businesses to intensify their search for customer needs, because of their openness to new concepts and creativity, to find new approaches, products and services that customers are not able to visualise. Innovation is an important construct of entrepreneurial orientation and it is a key source of new ideas that lead to product introductions and service improvements that advance and sustain a thriving company (Lumpkin *et al.*, 2010:247).

4.2.3.3 Risk-taking

The variable risk-taking obtained a mean value of $\bar{x} = 3.363$ and a standard deviation of $s = 0.739$. Risk-taking scored the smallest mean value when compared to other independent variables of entrepreneurial orientation. Most respondents however agreed with statements A15 ($\bar{x} = 3.474$) and A17 ($\bar{x} = 3.474$), which state that

businesses need to take a bold posture in order to maximise the probability of exploiting opportunities and achieving business objectives. Statement A16 ($\bar{x} = 3.263$) and statement A19 ($\bar{x} = 3.289$) had the lowest mean values. The average mean of this variable is greater than the neutral value of 3 on the Likert scale. This finding confirms that small business owners have a low inclination towards high-risk projects and consider the term “risk-taker” as a negative attribute. According to Brockman *et al.* (2012:433), small entrepreneurial businesses often take more risk than larger businesses in their quest to develop a new technology. This is supported by an assertion made by Kreiser *et al.* (2013:278), that moderate risk-taking tends to foster higher levels of SME performance.

During this study a negative relationship was found between the independent variable risk-taking and the two dependent variables measuring perceived success. This finding suggests the idea that small businesses tend to search growth through moderate risk decisions (Casillas & Moreno, 2010:285). Moderate levels of risk-taking may be most beneficial to SME performance (Kreiser *et al.*, 2013:274).

4.2.3.4 Pro-activeness

The variable pro-activeness obtained the second lowest mean score ($\bar{x} = 3.443$) with a standard deviation of $s = 0.667$. Statement A23 ($\bar{x} = 4.000$) and A22 ($\bar{x} = 3.639$) obtained the highest scores and which is indicative that small businesses believe that monitoring new market trends, discovering new potential opportunities and understanding future needs of the customer will lead to customer satisfaction and financial growth. Lumpkin and Dess (1996:146) state that pro-activeness is crucial to entrepreneurial orientation, because it suggests a forward-looking perspective that is accompanied by innovative or new-venturing activities.

Respondents were however neutral to statement A20 ($\bar{x} = 3.000$), which indicates that most businesses in the survey do not create first-mover advantage in their markets. As first-movers, businesses can target the premium market segments, control the market by dominating distribution channels, charge high prices and “skim” the market ahead of competitors (Wiklund & Shepherd, 2005:75). First movers are

not always successful because the introduction of novel products is not always accepted by the market (Lotz & Van der Merwe, 2013:20).

The results of multiple regression found no significant relationship between the independent variable, pro-activeness (p -value = 0.100), and the dependent variable, business development and improvement, neither between pro-activeness (p -value = 0.082), and the dependent variable, business growth. The finding is in contrast with previous research done by Wiklund and Shepherd (2005); Casillas and Moreno (2010); Lumpkin, Brigham and Moss (2010); and Lotz and Van der Merwe (2013); who found that there is a significant positive relationship between business pro-activeness and its success. Further investigation is proposed in this regard.

4.2.3.5 Competitive aggressiveness

This dimension of entrepreneurial orientation received the highest mean value (\bar{x} = 3.691) and the second lowest standard deviation (s = 0.597). It seems that small businesses are intensely competitive and assume an aggressive posture to combat trends that may threaten their survival or competitive position. The mean values of the statements measuring competitive aggressiveness varied from \bar{x} = 3.947 to \bar{x} = 3.289. The standard deviation measured for this construct is 0.597. The results of the multiple regression analysis indicate that there is no relationship between competitive aggressiveness and variables measuring perceived success, namely business growth and business development and improvement.

The finding in this study is consistent with the finding from Lumpkin and Dess (2001), Casillas and Moreno (2010), and Lotz and Van der Merwe (2013). In this instance, Lumpkin and Dess (2001:446) posit that a competitively aggressive posture has no effect on growth depending on the industry life cycle. They furthermore argue that in a more mature industry competitive posture may enhance a business' efforts to maintain a strong position relative to competitors.

4.2.4 General conclusion on entrepreneurial orientation

The overall average mean of entrepreneurial orientation is $\bar{x} = 3.542$, with a standard deviation of $s = 0.679$. These scores suggest that some level of entrepreneurial orientation can be found in the small businesses that took part in this study. From the 27 statements relating to entrepreneurial orientation, noteworthy results were obtained. Only items measuring **autonomy** obtained a mean value lower than $\bar{x} = 3.000$, which indicate a disagreement with the statement. The statement relates to **employees in our business are allowed to make decisions without going through elaborate justification and approval procedures**. This finding is supported by a literature study conducted by Vora *et al.* (2012:355), namely that in a small business setup the owner or entrepreneur is the one who will exhibit the autonomous characteristics in making decisions and driving the business.

The highest rating for the constructs of entrepreneurial orientation, was **competitive aggressiveness** ($\bar{x} = 3.691$), followed by **innovativeness** ($\bar{x} = 3.650$), **autonomy** ($\bar{x} = 3.580$), **pro-activeness** ($\bar{x} = 3.443$) while **risk-taking** had the lowest mean value of ($\bar{x} = 3.363$). Innovativeness is the only factor that showed a positive influence on the variable, **business development and improvement**. Risk-taking showed a negative influence on **business growth**. No relationship was found between any of the other variables measuring perceived success and entrepreneurial orientation, constructs apart from those mentioned above.

Further improvements can be made on all the variables and more emphasis put on pro-activeness, risk-taking and autonomy.

4.2.5 Conclusion on business success

A Likert scale was used to assess how small business owners perceived the success of their businesses. The perceived success of small businesses was evaluated through 11 statements in terms of two variables - **business growth** and **business development and improvement**. The average mean score of perceived success is $\bar{x} = 3.867$, and the standard deviation is $s = 0.702$. This mean value is high, indicating that respondents agree to a large extent with statements B1 to B11 measuring perceived success. The dependent variable, business growth, obtained

the highest mean score of $\bar{x} = 3.967$. This score indicates that small businesses in this survey are pursuing their business objectives; they experience growth in turnover, growth in profit, growth in market share and improvement in their competitive position. These small businesses need to improve and adopt strategic entrepreneurship to realise further growth.

Business development obtained the second highest mean score ($\bar{x} = 3.767$) of all variables measured in this study. Statement B5 and B10 had the highest mean values of ($\bar{x} = 3.921$), which indicates that respondents agree that business effectiveness and stature, relative to competitors, have improved over the last few years. Statement B11 which states that **during difficult economic periods investments in R&D projects continue without any financial cuts**, had the lowest mean value of ($\bar{x} = 3.158$), with a standard deviation of $s = 1.197$. The mean value of statement B11 is close to the neutral value, and the large standard deviation ($s = 1.197$) indicates that there are a large number of respondents who highly disagree with this statement.

The two variables, **business growth** and **business development and improvement**, obtained Cronbach Alpha coefficients of 0.836 and 0.749 respectively. The Cronbach Alphas are greater than 0.7, hence the reliability and acceptance of the instrument. A significant positive relationship between the dependent variable, **business development and improvement**, and the independent variable of entrepreneurial orientation, **innovativeness**, was found. There is no significant relationship between **business development and improvement** and **autonomy, risk-taking, pro-activeness** and **competitive aggressiveness**.

A significant negative relationship was found between the dependent variable, **business growth**, and the independent variable, **risk-taking**. There was no relationship found between the dependent variable, **business growth and autonomy, innovativeness, pro-activeness** and **competitive aggressiveness**.

4.3 RECOMMENDATIONS

From the empirical study and conclusions drawn from the five constructs measuring entrepreneurial orientation and the two variables measuring perceived success of small businesses, it is evident that some constructs of entrepreneurial orientation are not present in some small businesses. There is a need to improve both entrepreneurial orientation as well as the perceived success of small businesses.

Lotz and Van der Merwe (2013:26) recommend that entrepreneurship must become a way of thinking in the strategy making process of small businesses. Previous research concludes that strong entrepreneurial orientation will ultimately lead to increased entrepreneurship. Herrington *et al.* (2009:7) posit that entrepreneurial activity is an important mechanism for economic development through job creation, innovation and its welfare effect, which led to a growing policy interest in entrepreneurship at a national level.

The following recommendations are made regarding the dimensions of entrepreneurial orientation as well as the variables measuring perceived success:

- **Autonomy**

Autonomy has a mean average of $\bar{x}=3.571$, ranking third in the study conducted. This mean is above the average mean of $\bar{x}=3.542$. The results indicate that there is some level of autonomy present in the participating small businesses. The majority of business owners however, do not give their employees independence to manage their work, which impedes on speedy resolutions of problems and the creative energy of employees. The statement, employees in our business are encouraged to manage their work and have flexibility to resolve problems, had the lowest mean score of $\bar{x}=2.974$. It is recommended that business owners give their employees independence to innovate. No positive relationship was found between autonomy and the variables measuring perceived business success. Business owners have to take initiative and enhance this important dimension of EO.

Previous research (Rauch et al., 2009; Lotz & Van der Merwe, 2013) supports the view that autonomy encourages innovation and increases the effectiveness of businesses.

- **Innovativeness**

Innovativeness is ranked the second highest variable of entrepreneurial orientation based on this study. There was a significant positive relationship found between innovativeness and the variable business development and improvement. The results indicate that innovativeness is highly present in small businesses and it is recommended that businesses build on this strength as a basis to enhance entrepreneurial orientation in their businesses.

- **Risk-taking**

Risk-taking ranked the lowest of all the variables of entrepreneurial orientation, with a mean score of $\bar{x}=3.363$. A negative relationship was found between risk-taking and variables measuring perceived business success, such as business growth and business development. There is a strong negativity towards risk-taking among businesses and this behaviour is impeding on business growth and business development. Risk-taking behaviour needs to be encouraged in businesses. Most entrepreneurial businesses are dubbed “risk-takers”, but these entrepreneurs take calculated risks in pursuing opportunities that may lead to business growth. Tolerance of risk is one of the core attributes of entrepreneurship.

- **Pro-activeness**

There was no relationship found between pro-activeness and the variables measuring perceived business success. Pro-activeness obtained the lowest mean average of $\bar{x}=3.445$. The calculated mean is below the average mean of $\bar{x}=3.542$. Being proactive and acting on the future needs in the marketplace, is

vital to the entrepreneurial orientation in a business (Lotz & Van der Merwe, 2013:27). Small businesses need to take initiatives by coming up with innovative products/services and be the first in the market to introduce these new products/services in order to attain a competitive advantage.

- **Competitive aggressiveness**

This variable scored the highest with a mean score of $\bar{x}=3.691$, but there was no relationship found between this variable and the variables measuring perceived business success. A discrepancy therefore exists and it is recommended that this finding be investigated.

- For an optimal entrepreneurial orientation, small businesses need to establish systems and structures that are not counter-productive to the encouragement of entrepreneurial behaviour, inherent in small businesses.
- The small businesses evaluated in this study should pay special attention to the variables that had a mean below the average, namely pro-activeness and risk-taking, to ensure the enhancement of entrepreneurial orientation in their businesses. There is a need for improvement in the strong variables such as autonomy and innovativeness.
- To prevent failures, the South African SMEs utilise the resources and support programmes made available by Government through the Department of Trade and Industry, and advocate entrepreneurial behaviour in their businesses.

4.4 CRITICAL EVALUATION OF THE STUDY

This section evaluates the success of the study against the research objectives formulated in Section 1.3.

4.4.1 Primary objective re-visited

The primary objective of this study was to investigate the impact of entrepreneurial orientation on the success of participating small businesses.

The primary objective was achieved by forming the secondary objectives of the study.

4.4.2 Secondary objectives re-visited

In order to achieve the primary objective, the following secondary objectives were formulated:

- To define entrepreneurship.
- To gain insight into entrepreneurship through conducting a literature review.
- To study the concept of entrepreneurial orientation by means of a literature review.
- To obtain insight into small businesses and their contribution to the South African economy.
- To study what perceived success of a business entails by means of a literature review.
- To validate the reliability of the questionnaire measuring entrepreneurial orientation and perceived success by means of a statistical analysis.
- To investigate the impact of entrepreneurial orientation variables on perceived success of small businesses.
- To draw conclusions from the empirical study and offer practical recommendations on how to enhance entrepreneurial orientation in small businesses.

The first two objectives were reached by means of a literature review as presented in Chapter two. Section 2.2 defined **entrepreneurship** and Section 2.3 covered the dynamics of entrepreneurship.

The third secondary objective namely, **to study the concept of entrepreneurial orientation by means of a literature review** was achieved in Section 2.3 by defining entrepreneurial orientation and its five practical dimensions.

The fourth secondary objective was to obtain insight into small businesses and their contribution to the South African economy. This objective was achieved in Chapter 2.

Chapter 2 also covered the fifth objective, namely **to study what perceived success of a business entails**.

The sixth objective was to validate the reliability of the questionnaire. This objective was achieved through the testing of Cronbach Alpha coefficients of the variables measuring Entrepreneurial Orientation and perceived success.

The seventh objective, **to investigate the impact of entrepreneurial orientation variables on perceived success of small businesses**, was achieved through the completion of a questionnaire which captured the biographical information of respondents and their opinions regarding the statements measuring entrepreneurial orientation and perceived business success.

The last objective, **to draw conclusions from the empirical study and offer practical recommendations on how to enhance entrepreneurial orientation in small businesses**, was achieved through the empirical research, which was discussed in Chapter three and concluded in Chapter four. The practical recommendations and conclusions laid out in Chapter four of the study, were based on the results obtained in the empirical research.

4.5 SUGGESTIONS FOR FURTHER RESEARCH

The scope of the study was limited to small and medium businesses in the City of Tshwane and the City of Johannesburg in the Gauteng Province of South Africa, which is not a true reflection of the whole province. There was a low response rate from participants in this empirical study which may have a negative influence on the

findings. The findings cannot be generalised to other SMEs, therefore extra care should be taken when interpreting the results and consideration of conclusions and recommendations. The views of more SMEs should be obtained and added to this study.

The questionnaire used was designed by Lotz (2009) for the purpose of assessing entrepreneurial orientation and perceived success in an agri-business. It is a generic questionnaire, therefore there is an opportunity to add more items and expand the research to accommodate various small businesses throughout the country.

There is no previous research done on entrepreneurial orientation of SMEs in South Africa, therefore no correlation can be made between this study and previous studies. Future research should focus on the influence of entrepreneurial constructs on business success and the proper employment of these constructs to improve business success. All start-ups should be assessed to determine if they possess at least four of the constructs in order to attain growth.

4.6 SUMMARY

Conclusions drawn from the empirical research results in Chapter three were discussed in more detail in this chapter. The basic biographical information, structure of the business as well as the constructs of entrepreneurial orientation and perceived success were covered firstly.

The reliability of the measuring instrument was ensured by using the Cronbach Alpha coefficients. The entrepreneurial orientation variables and perceived success variables were examined in relation to the results obtained from the questionnaire. The variables tested n Cronbach Alpha coefficient higher than 0.6 and most variables tested higher than 0.75. The conclusions led to the formulation of recommendations, suggestions for future research, as well as highlighting the critical elements discovered in this study.

The independent variables of entrepreneurial orientation and the dependent variables of perceived business success were discussed in detail. The conclusions drawn regarding each variable were compared to previous studies done on the same topic.

Finally the chapter concluded by evaluating whether all the objectives of the study were achieved and recommendations for possible future research were suggested.

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APPENDIX A: Small Business Classification Schedule

Sector (in accordance with the Standard Industrial Classification)	Size-class	Total full-time equivalent of employees paid less than	Total annual turnover less than (in Million Rands)	Total gross asset value (excluding fixed property) Less than (in Million Rands)
Agriculture	Medium	100	R5m	R5m
	Small	50	R3m	R3m
	Very Small	10	R0.50m	R0.50m
	Micro	5	R0.20m	R0.20m
Mining and Quarrying	Medium	200	R39m	R23m
	Small	50	R10m	R6m
	Very Small	20	R4m	R2m
	Micro	5	R0.20m	R0.10m
Manufacturing	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very Small	20	R5m	R2m
	Micro	5	R0.20m	R0.10m
Construction	Medium	200	R26m	R5m
	Small	50	R6m	R1m
	Very Small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Retail and Motor Trade and Repair services	Medium	100	R39m	R6m
	Small	50	R19m	R3m
	Very Small	10	R4m	R0.60m
	Micro	5	R0.20m	R0.10m
Wholesale trade Commercial agents and allied services	Medium	100	R64m	R10m
	Small	50	R32m	R5m
	Very Small	10	R6m	R0.60m
	Micro	5	R0.20m	R0.10m
Catering accommodation	Medium	100	R13m	R3m
	Small	50	R6m	R1m
	Very Small	10	R5.10m	R1.90m

and other trade	Micro	5	R0.20m	R0.10m
Transport, storage and communications	Medium	100	R26m	R6m
	Small	50	R13m	R3m
	Very Small	10	R3m	R0.60m
	Micro	5	R0.20m	R0.10m
Electricity, Gas and Water	Medium	200	R51m	R19m
	Small	50	R31m	R5m
	Very Small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m
Finance and Business Services	Medium	100	R26m	R5m
	Small	50	R13m	R3m
	Very Small	10	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Community, Social and Personal Services	Medium	100	R13m	R6m
	Small	50	R6m	R3m
	Very Small	10	R1m	R0.60m
	Micro	5	R0.20m	R0.10m

Source: National Small Business Amendment Act, 2003

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Note: All responses are confidential and neither the individual nor the organisation would be identified in any report or release.

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ENTREPRENEURIAL ORIENTATION

Please complete every question / statement to ensure the validity and reliability of the study.

GENERAL INSTRUCTIONS

Virtually all questions should be answered by ticking (X) or **highlighting** the relevant block.

Use the following key to indicate your preference:

SCALE	TERM USED
1	Strongly disagree
2	Disagree
3	Neither agree nor disagree (Neutral)
4	Agree
5	Strongly agree

Please select the number which best describes your opinion about a specific question or statement. In the example beneath, the respondent agreed to the statement listed.

I believe that Small, micro and medium sized enterprises in South Africa can be successful	1	2	3	4	5
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SECTION A

The following statements concern your attitude towards the entrepreneurial orientation of the business.

Please rate the extent to which you agree or disagree with the following statements by making an "X" over the appropriate number on the 1 to 5 point scale next to the statement.

1 = <i>Strongly disagree</i>	2 = <i>Disagree</i>	3 = <i>Neutral</i>	4 = <i>Agree</i>	5 = <i>Strongly agree</i>
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	STATEMENT	SCALE				
A1	I have enough autonomy in my job without continual supervision to do my work.	1	2	3	4	5
A2	Our business allows me to be creative and try different methods to do my job.	1	2	3	4	5
A3	Employees in our business are allowed to make decisions without going through elaborate justification and approval procedures.	1	2	3	4	5
A4	Employees in our business are encouraged to manage their own work and have flexibility to resolve problems.	1	2	3	4	5
A5	I seldom have to follow the same work methods or steps while performing my major tasks from day to day.	1	2	3	4	5
A6	Our business regularly introduces new services/products/processes.	1	2	3	4	5
A7	Our business places a strong emphasis on new and innovative products/ services/processes.	1	2	3	4	5
A8	Our business has increased the number of services/products offered during the past two years.	1	2	3	4	5
A9	Our business is continually pursuing new opportunities.	1	2	3	4	5
A10	Over the past few years, changes in our processes, services and product lines have been quite dramatic.	1	2	3	4	5
A11	In our business there is a strong relationship between the number of new ideas generated and the number of new ideas successfully implemented.	1	2	3	4	5

A12	Our business places a strong emphasis on continuous improvement in products/service delivery/processes.	1	2	3	4	5
A13	Our business has a widely held belief that innovation is an absolute necessity for the business' future.	1	2	3	4	5
A14	Our leaders seek to maximise value from opportunities without constraint to existing models, structures or resources.	1	2	3	4	5
A15	When confronted with uncertain decisions, our business typically adopts a bold posture in order to maximise the probability of exploiting opportunities.	1	2	3	4	5
A16	In general, our business has a strong inclination towards high-risk projects.	1	2	3	4	5
A17	Owing to the environment, our business believes that bold, wide-ranging acts are necessary to achieve the business' objectives.	1	2	3	4	5

Please rate the extent to which you agree or disagree with the following statements by making an "X" over the appropriate number on the 1 to 5 point scale next to the statement.

1 = <i>Strongly disagree</i>	2 = <i>Disagree</i>	3 = <i>Neutral</i>	4 = <i>Agree</i>	5 = <i>Strongly agree</i>
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A18	Employees are often encouraged to take calculated risks concerning new ideas.	1	2	3	4	5
A19	The term 'risk-taker' is considered a positive attribute for employees in our business.	1	2	3	4	5
A20	Our business is very often the first to introduce new products/services/ processes.	1	2	3	4	5
A21	Our business typically initiates actions that competitors respond to.	1	2	3	4	5
A22	Our business continuously seeks out new products/processes/services.	1	2	3	4	5
A23	Our business continuously monitors market trends and identifies future needs of customers.	1	2	3	4	5
A24	In dealing with competitors our business typically adopts a very competitive undo-the-competitor "posture.	1	2	3	4	5
A25	Our business is very aggressive and intensely competitive.	1	2	3	4	5
A26	Our business effectively assumes an aggressive posture to combat trends that may threaten our survival or competitive position.	1	2	3	4	5
A27	Our business knows when it is in danger of acting overly aggressive (this could lead to erosion of our business's reputation or to retaliation by our competitors).	1	2	3	4	5

SECTION B

The following statements concern your attitude towards the success of the business.

Please rate the extent to which you agree or disagree with the following statements by making an "X" over the appropriate number on the 1 to 5 point scale next to the statement.

1 = <i>Strongly disagree</i>	2 = <i>Disagree</i>	3 = <i>Neutral</i>	4 = <i>Agree</i>	5 = <i>Strongly agree</i>
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	STATEMENT	SCALE				
B1	Our business has experienced growth in turnover over the past few years.	1	2	3	4	5
B2	Our business has experienced growth in profit over the past few years.	1	2	3	4	5
B3	Our business has experienced growth in market share over the past few years.	1	2	3	4	5
B4	The competitive position of our business has improved over the past few years.	1	2	3	4	5
B5	The effectiveness (doing the right things) of our business has improved over the past few years.	1	2	3	4	5
B6	The efficiency (doing things right) of our business has improved over the past few years.	1	2	3	4	5
B7	In our business, employees are viewed as the most valuable asset of the business.	1	2	3	4	5
B8	Our employees are highly committed to our business.	1	2	3	4	5
B9	The moral (job satisfaction) of our employees has improved over the past few years.	1	2	3	4	5
B10	The image (stature) of our business, relative to our competitors, has grown over the past few years.	1	2	3	4	5
B11	During difficult economic periods, investments in research and development/innovative projects continue and no significant financial cuts are made.	1	2	3	4	5

SECTION C: BIOGRAPHICAL INFORMATION

The following information is needed to help us with the statistical analysis of the data for comparisons among different interest groups. We appreciate your help in providing this important information.

Mark the applicable block with a cross (X). Complete the applicable information.

C1	Indicate your age group.	≤ 29	30 - 39	40 - 49	50 - 59	60+
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C2	Indicate your gender?	Male	Female
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C3	Indicate your race group classification.	Black	White	Coloured	Indian
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C4	Indicate your highest academic qualification.				
	Lower than matric				
	Matric				
	Certificate				
	Diploma (Technical College or Technicon)				
	University degree				
	Post graduate degree				

SECTION D: STRUCTURE OF THE BUSINESS

Mark the applicable block with a cross (X). Complete the applicable information.

D1	How many permanent employees are employed by the business?							
	1-4	5-10	11-25	26-50	51-100	101-200	201-500	500+

D2	What is the turnover of the business per year?					
	< R 1 m	R 1 – R 2.5 m	R 2.5 – R 10 m	R 10 – R 50 m	R 50 – R 100 m	> R 100 m

D3	In which industry does the business operates?				
	Automotive	Agriculture	Clothing	Construction	Food
	Real estate	Retail	Wholesale	Manufacturing	Services
	Other: (Specify):				

D4	What is the age of the business (years)?
	Specify:

D5	What is the legal status of the business?			
	Proprietorship	Partnership	Company (private)	Company (public)
	Close Corporation	Co-operative	Business Trust	Franchise
	Other or combination (specify):			

APPENDIX C: ITEMS MEASURING THE VARIABLES

ENTREPRENEURIAL ORIENTATION
Autonomy
My employees have enough autonomy in their job to do their work without continual supervision.
My business allows me and my employees to be creative and try different methods to do our job.
Employees in our business are allowed to make decisions without going through elaborate justification and approval procedures.
Employees in our business are encouraged to manage their own work and have flexibility to resolve problems.
Employees seldom have to follow the same work methods or steps while performing major tasks from day to day.
Innovativeness
Our business regularly introduces new services/products/processes.
Our business places a strong emphasis on new and innovative products/services.
Our business has increased the number of services/products offered during the past two years.
Our business is continually pursuing new opportunities.
Over the past few years, changes in our processes, services and product lines have been quite dramatic.
In our business there is a strong relationship between the number of new ideas generated and the number of new ideas successfully implemented.
Our business places a strong emphasis on continuous improvement in products/service delivery.
Our business has a widely held belief that innovation is an absolute necessity for the business' future.
Our leaders seek to maximise value from opportunities without constraint to existing models, structures or resources.

Risk-taking
When confronted with uncertain decisions, our business typically adopts a bold posture in order to maximise the probability of exploiting opportunities.
In general, our business has a strong inclination towards high-risk projects.
Owing to the environment, our business believes that bold, wide-ranging acts are necessary to achieve the business' objectives.
Employees are often encouraged to take calculated risks concerning new ideas.
The term 'risk-taker' is considered a positive attribute for employees in our business.
Pro-activeness
Our business is very often the first to introduce new products/services.
Our business typically initiates actions that competitors respond to.
Our business continuously seeks out new products/services.
Our business continuously monitors market trends and identifies future needs of customers.
Competitive aggressiveness
In dealing with competitors our business typically adopts a very competitive "undo-the-competitor" posture.
Our business is very aggressive and intensely competitive.
Our business effectively assumes an aggressive posture to combat trends that may threaten our survival or competitive position.
Our business knows when it is in danger of acting overly aggressive (this could lead to erosion of our business's reputation or to retaliation by our competitors).

<i>PERCEIVED BUSINESS SUCCESS</i>
Business growth
Our business has experienced growth in turnover over the past few years.
Our business has experienced growth in profit over the past few years.
Our business has experienced growth in market share over the past few years.
The competitive position of our business has improved over the past few years.
Development and improvement
The effectiveness (doing the right things) of our business has improved over the past few years.
The efficiency (doing things right) of our business has improved over the past few years.
In our business, employees are viewed as the most valuable asset of the business.
Our employees are highly committed to our business.
The moral (job satisfaction) of our employees has improved over the past few years.
The image (stature) of our business, relative to our competitors, has grown over the past few years.
During difficult economic periods, investments in research and development/innovative projects continue and no significant financial cuts are made.