

An analysis of the influence of entrepreneurial orientation on business success in selected small and medium-sized enterprises

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ABSTRACT

Entrepreneurial orientation (EO) contributes to performance with an outlook on business growth as well as business development and improvement. It is predicted that the failure rate of small, medium and micro enterprises in South Africa is between 70% and 80%. Millions of rands are being lost on new venture creations because of mistakes and problems that could have been avoided. The survival rate of SMME's in South Africa is relatively low indicating that less than half of newly established businesses survive beyond five years. There are a number of similar undesired events surrounding entrepreneurs. These events called for a study on entrepreneurial orientation with the aim to improve on the current situation.

The South African government Gazette (2009) indicates that small and medium-sized enterprises contribute positively to the South African GDP and it is essential to help these businesses to grow and to develop. The primary objective of this study is to investigate entrepreneurial orientation in small and medium-sized businesses in South Africa and to assess the awareness and application of the five EO-dimensions, in order to ultimately promote entrepreneurial orientation in the entrepreneurial environment so that businesses can be successful and sustainable.

The field of study is entrepreneurship with reference to the impact of entrepreneurial orientation on business managers and entrepreneurs, managing and creating South African SMME's. The private sector with specifically regard to micro, small and medium sized-enterprises in South Africa is under investigation. The study was carried out on selected product and service suppliers in the region of the North-West and the Gauteng provinces. Only businesses older than one year was considered during the research process due to the fact that most businesses that have not yet reached the first year is still under establishment.

Keywords: Entrepreneurial orientation, entrepreneurship, business success, knowledge, business performance.

DEDICATION

I dedicate this in memory of my beloved grandfather, Coenraad Kahts (1935 - 2000), and grandmother, Cornelia Kahts (1942 - 2013).

Without having any obligation towards me they are the people that continuously contributed to the establishment of the foundation of my life in my early childhood-years and who always inspired me to reach for the stars and to be the best that I can be.

Thank you very much for teaching me to be hard working; for teaching me honesty, integrity and loyalty; for teaching me how to deal with the difficult circumstances in life that I cannot change and for all the other valuable lessons in life. Your love and the memories that you shared with me will always be cherished.

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CHAPTER 1

NATURE AND SCOPE OF THE STUDY

1.1 INTRODUCTION

During the start-up phase of a business the entrepreneur must be in possession of a set of certain characteristics which includes innovativeness and the will to act (Littunen, 2000: 295). Innovativeness means that the entrepreneur must have the ability to produce solutions in new and unfamiliar situations. The entrepreneur can accomplish this by relying on his abilities attained through training and experience. The characteristics of a successful entrepreneur include the ability to take risks, innovativeness and knowledge of how the market functions, marketing skills and business management skills (Littunen, 2000: 295). This statement relates to entrepreneurial orientation (EO) seeing that the elements mentioned such as innovativeness, for one, determines the success of an entrepreneur or manager.

Originally, Miller (1983) and Covin and Slevin (1989) described entrepreneurial orientation by only considering innovation, risk-taking and pro-activeness. Lumpkin and Des (1996) incorporated two other dimensions referred to as autonomy and competitive aggressiveness. It is proven with the research done by Frese, Bantjies and Hoorn (2002) that EO positively contributes to the success of an organisation. According to Lyon, Lumpkin and Dess (2000: 1057), the entrepreneur's perceptions can be obtained from surveys using questionnaires. Survey type measures on entrepreneurial orientation emerged from Miller and Friesen (1978) and were later extended by Lumpkin and Des (1996). The advantages and disadvantages of these measures, however, should also be considered (Lyon *et al.*, 2000: 1057).

According to Lyon *et al.* (2000: 1056), entrepreneurial orientation consists of processes, structures and behaviours that can be described as autonomy seeking, innovativeness, risk-taking, pro-activeness and being competitively aggressive. The correct application of

these dimensions keeps small businesses ahead of their competitors (Quince & Whittaker, 2003: 24). Entrepreneurial orientation contributes to performance with an outlook on a company's growth as well as financial performance. It is said that this construct determines the perceived success of a business.

This study will focus on the influence of the dimensions of entrepreneurial orientation on the perceived success of SMME's in South Africa. New venture entrepreneurs are becoming less aware of the knowledge and skills required to be successful and with the required knowledge, training and skills anyone can enhance their entrepreneurial skills (Joubert, 2007: 40). This predicament brings the challenge to determine the influence that entrepreneurial orientation has on the performance of businesses, to substantiate prior research that relates to this study and to indicate the effect, if any, of insufficient knowledge of an entrepreneur or manager on the business environment.

The organisations with greater innovation will achieve a better response from the environment; obtain more easily the capabilities needed to increase the performance of the organisation and to consolidate a sustainable competitive advantage. Not promoting the dimensions of entrepreneurial orientation, may have a negative effect on organisational performance (Victor & Francisco, 2006: 42).

Quince and Whittaker (2003: 5) explain that entrepreneurial orientation represents key entrepreneurial processes and is concerned with how new ventures are undertaken, whereas entrepreneurship refers to the content of decisions made. Most of the empirical studies of entrepreneurial orientation have utilised the instrument developed by Miller (1983) and extended by Covin and Slevin (1989). Evaluation should be done carefully in order to neglect some more criticism relating to past organisational behaviour.

1.2 PROBLEM STATEMENT

According to Brink and Cant (2003: 2), it is predicted that the failure rate of SMME's in South Africa is between 70% and 80%. Millions of rands are being lost on new venture

creation because of mistakes and problems that could have been avoided. The survival rate of SMME's is relatively low indicating that less than half of newly established businesses survive beyond five years. The statement is not only true for South Africa but appears to be a phenomenon around the world (Brink & Cant, 2003: 19). Successful entrepreneurs and the governments should ask some questions related to the experience and knowledge of these continuous failing entrepreneurs and corrective action should be considered to develop entrepreneurs before allowing them to be responsible for ventures.

The South African government Gazette (2009) indicates that small and medium-sized enterprises contribute positively to the South African GDP and it is essential to help these businesses to grow. Customers are now demanding more and technology-levels are increasing daily. The constant changes in the business environment can be regarded as a positive outlook (Ireland & Webb, 2009: 469). Entrepreneurs are entering the world of business without knowing simple answers to the basic questions; how, where and when. The poor management of businesses lead to corruption and failure. Section 7 of the South African companies act as referred to by the government Gazette (2009) attempts to promote and enhance certain aspects pertaining to the South African economy, social development, conduct, innovation and market related progress. Entrepreneurial orientation and its dimensions is constructed in a manner to facilitate the outcomes of the companies act, but the strategy is not mentioned anywhere in the act. The awareness aspect of entrepreneurial orientation by entrepreneurs should be considered.

Entrepreneurial orientation consists of five essential dimensions, as discussed in the introduction. According to prior research done by Quince and Wittaker (2003: 13), entrepreneurial orientation is directly linked to business success and performance. Entrepreneurial orientation, and more specifically the dimensions of entrepreneurial orientation, should therefore be investigated in the relevant enterprises to determine why up to 80% of new ventures in South Africa fail and why most of the SMME's are not

sustainable and how entrepreneurial orientation will be helpful for the entrepreneur to achieve success.

It is of importance to make all South African entrepreneurs aware of the term entrepreneurial orientation and to assist them in understanding the dimensions and how they should be incorporated as a part of their business strategies for attempted improved performance.

1.3 RESEARCH OBJECTIVES

The research objectives are divided into a primary objective and secondary objectives.

1.3.1 Primary objective

The primary objective of this study is to investigate the influence of the dimensions of entrepreneurial orientation on the perceived success of the participating small and medium-sized businesses. Based on that, recommendations will be made to management to foster an entrepreneurial orientation in the business.

1.3.2 Secondary objectives

In support of the primary objective, the following secondary objectives have been formulated:

- To define corporate entrepreneurship and entrepreneurial orientation.
- To obtain insight into corporate entrepreneurship and entrepreneurial orientation by means of a literature study.
- To assess the entrepreneurial orientation within small and medium-sized businesses by means of a questionnaire.
- To validate the reliability of the questionnaire by means of a statistical analysis.

- To determine if any relationship exists between entrepreneurial orientation and the perceived success of the business.
- To give suggestions and recommendations to small and medium-sized businesses to foster entrepreneurial orientation and innovation within the business.

1.4 SCOPE OF THE STUDY

1.4.1 Field of study

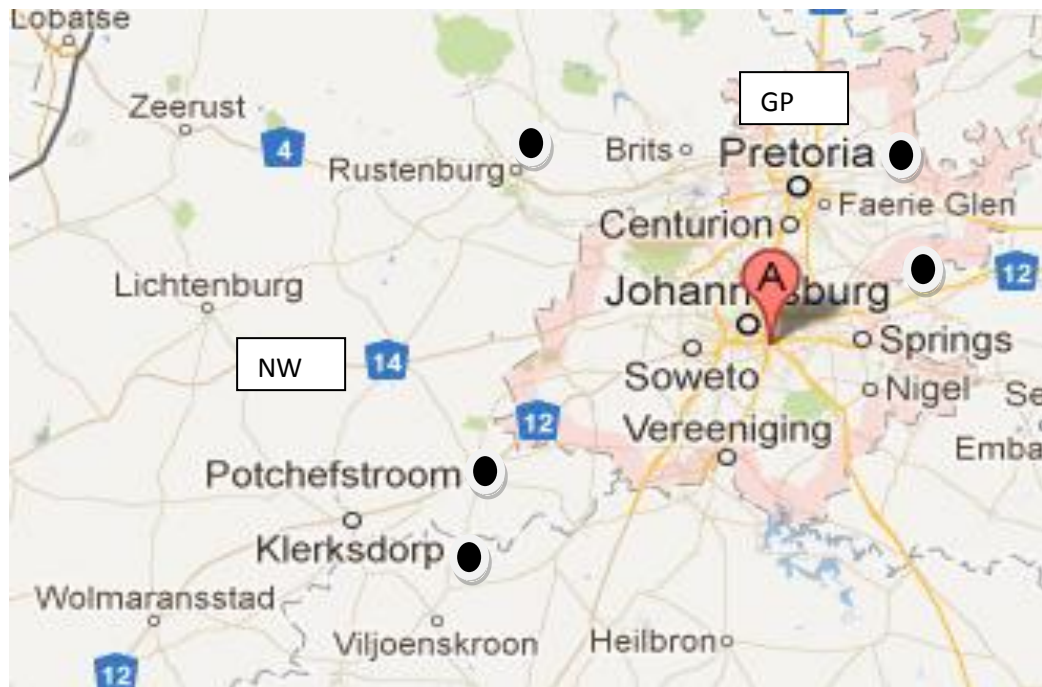
The field of study is entrepreneurship with specific focus on entrepreneurial orientation and the perceived success of businesses. The main focus of this study will be to investigate the influence of the dimensions of entrepreneurial orientation on the perceived success of small and medium-sized enterprises in South Africa.

1.4.2 The business sector under investigation

The private sector with specifically regard to small and medium-sized enterprises in South Africa is under investigation. Only businesses with less than 200 employees were taken into account in order to respect the definition and classification of SMME's. The study was carried out on chosen product and service suppliers in the region of the North-West province and the Gauteng province. A convenient sampling technique was employed.

The following map identifies the cities where the research was conducted accordingly in the two selected provinces of South Africa.

Figure 1.1: Map of cities taken into account for investigation



Source: <http://maps.google.com/maps> ● Indicates a selected city for investigation.

1.5 RESEARCH METHODOLOGY

In order to address the study objectives the research was conducted in two phases. A literature study was conducted in order to gain insight into the subject field of entrepreneurial orientation and its impact on business success, and an empirical study was conducted to gather data for ascertaining the relationship between entrepreneurial orientation and business success and to identify other possible shortcomings in the businesses.

1.5.1 Literature review

The purpose of the literature study is to obtain insight into the subject of entrepreneurial orientation as to what it consist of and to investigate other matters of interest that relates to entrepreneurial orientation. Conducting proper research requires collecting and studying many various publications that relates to the specific field of study.

The sources employed for this study may include the following documentation:

- Text books.
- Web-articles.
- Scientific journal articles.
- Dissertations and theses.
- Internet sources.

The literature review was conducted in chapter two. It starts off with an introduction, followed by the relevant definitions of the terms used in the literature study. The chapter then deals with the dimensions and the main aspects of entrepreneurial orientation and the influence that it has on business success, substantiated with prior research. The independent variables of the perceived success of a business are explained with regard to business growth and business development and improvement as the dependent variables. The construct of developing an entrepreneurial mind is also of importance to recognise the different psychological factors that influences an entrepreneur's ability to be entrepreneurial orientated. Chapter two then concludes with a chapter summary on the literature review.

1.5.2 Empirical research

The empirical research was done by means of a questionnaire targeted at selected SMME's within the specified two provinces. The questionnaire contains the relevant questions to support the research. The questionnaires were then gathered in the form of hard copies and from there on the data was analysed to give meaningful information regarding the SMME's in South Africa. Welman, Kruger and Mitchell (2010: 6) explain that quantitative research methods may be observed objectively and that it exists independently of opinions and feelings of people. A convenient sample was chosen for this study and a quantitative research method was employed. A set of 95 questionnaires were then distributed between the selected cities in the two provinces under investigation.

1.5.2.1 Construction of the questionnaire

The empirical study was done by means of a research frame developed by Miller (1983) and extended by Covin and Slevin (1989). Lotz and Van Der Merwe (2013) designed a questionnaire to measure the same constructs from the employee's point of view in agri-businesses and it proved to be successful. The questionnaire measures entrepreneurial orientation in the business with reference to the five dimensions of EO that have an influence on the success and sustainability of a business.

1.5.2.2 The study population

The target population is micro, small and medium-sized enterprises. A snowball sampling technique was used and a convenient sample was taken. The questionnaire was then only completed by the business manager or the business owner since they are the entrepreneurs referred to in this study. The study population included SMME's in South Africa that provides society with one or more products or a service. The SMME' was selected conveniently in the identified cities and the questionnaires were distributed between the micro, small and medium-sized businesses. The maximum number of employees that a business may employ to be recognised as a medium sized enterprise is 200. Businesses with more than 200 employees were not considered for analysis and were disqualified from the research process.

A total of 95 businesses were invited to take part in the study in order to gather as much information as possible. A total of 45 questionnaires were returned. One of them turned out to be incomplete and another questionnaire revealed information that did not represent that specific business. The total number of usable questionnaires added up to 43 and delivered a response rate of 45%.

Recently starting ventures had to be excluded from the study since they do not have a history of entrepreneurial orientation. Therefore only businesses older than one year were considered during the research process. Within the businesses that are being

managed by a manager, only businesses with one manager were considered in the research process to avoid the possibility of collecting irregular data. In businesses with more than one manager one might find that one manager is very entrepreneurial and innovative while the other manager is not, not even considering effectiveness and contributions from managers in the structure referred to.

1.5.2.3 Data gathering

The participating businesses were then identified by door to door visits, internet and social media searches. The questionnaires were then delivered personally and via e-mail. Confidentiality was ensured to every participating business. The questionnaires distributed to the study population were then collected and only completed questionnaires were accepted to be considered as a part of the data to be analysed. Many entrepreneurs required the assistance of the researcher in completing the questionnaire.

1.5.2.4 Data analysis

The data gathered by a research process must be analysed and interpreted in order to conclude the research with the achievement of the study objectives (Babbie & Mouton, 2001: 237). The completed questionnaires were analysed by the Statistical Consultation Services at the North-West University, Potchefstroom Campus. The data was analysed using descriptive statistics, Cronbach Alfa coefficients and multiple linear regression analyses.

1.6 LIMITATIONS TO THE STUDY

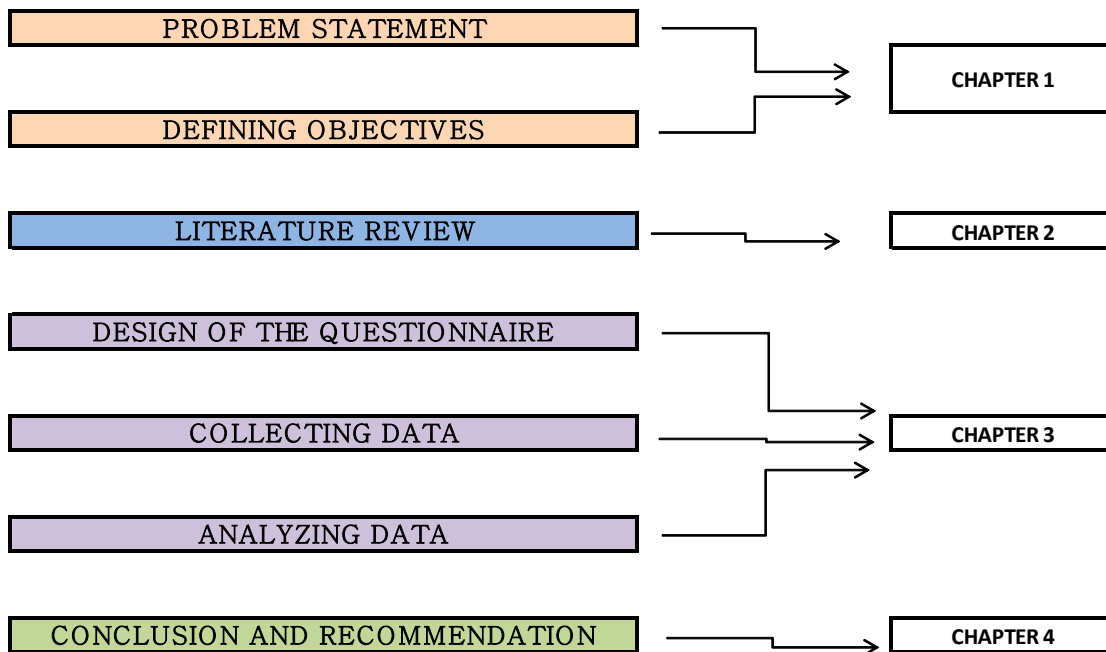
The study assessed the entrepreneurial orientation of managers and owners of SMME's and the application of the EO-dimensions in the respective businesses that enhances effectiveness and performance. Some limitations were applicable; only businesses with one manager or one owner were included to prevent irregular data, two entrepreneurs in

one business may also have different levels of knowledge and different goals. Informal settlements could not be reached due to the poor communication systems in those areas. Businesses in informal settlements will also give rise to irregular data due to the constraints they function by. The study was also further limited to two provinces to make the study possible and more accessible for the researcher. The relative small sample size might not accurately represent the current business situation in the whole of South Africa and generalisation of the results is therefore not advisable.

1.7 LAYOUT OF THE STUDY

Figure 1.2 presents the layout of the study.

Figure 1.2: Layout of the study



Chapter 1 – Nature and scope of the study

Chapter 1 provides a background and an introduction to the study. The chapter introduces the reader to entrepreneurial orientation and to the dimensions thereof and

also explains the impact of EO on the South African economy. SMME's are also defined in the chapter and it is further explained how they relate to the country's GDP.

The problem statement with regards to entrepreneurial orientation and leadership in SMME's are explained and the objectives of the study are clearly defined. The objectives aim to provide a better life for the entrepreneur and the consumers and to ultimately benefit the South African economy. The objectives are divided into the primary objective and secondary objectives and recommendations will be offered in chapter 4 with regards to the objectives identified.

The research method is explained in this chapter and the limitations to the study are discussed with valid reasons and solutions. The chapter finally contains the layout to the document and explains briefly how the other chapters will be dealt with. The scope of the study defines the environment and the field of study identifies the sector under investigation and explains the research methodology. The research for this study was done by means of a literature review and an empirical research method. The empirical research was done by means of a questionnaire completed by the population sample and the data was statistically analysed afterwards.

Chapter 2 – Literature review on entrepreneurial orientation in South Africa

Chapter 2 covers the literature review on entrepreneurial orientation and further defines the business sector under investigation. The literature review explains firstly what entrepreneurial orientation consists of and the five dimensions are discussed in detail keeping in mind the effect that EO has on SMME's in South Africa. The objective of the literature study is to identify the relationship that the dimensions of entrepreneurial orientation has on the perceived success of a small or medium-sized business. How entrepreneurial orientation contributes positively to the business environment is yet another discussion in the literature review. The hypothesis model is explained under this chapter and the chapter conclude with a summary.

Chapter 3 – Research method and results discussion

In Chapter 3 the results obtained by the empirical study will be presented and discussed. That included the assessment of the dependent and independent variables, determining the reliability of the questionnaire utilised in the study, and testing the relationships between the dependent and independent variables by means of multiple linear regression analyses.

Chapter 4 – Conclusion and recommendations

This chapter will present conclusions based on the results of the study. Recommendations will then be made to ensure that owner-managers of small and medium-sized businesses foster an entrepreneurial orientation in their respected businesses and to be ultimately, more successful. Thereafter, the achievement of the objectives of the study will be assessed and the chapter will conclude with suggestions for further research.

CHAPTER 2

LITERATURE REVIEW ON ENTREPRENEURIAL ORIENTATION IN SOUTH AFRICA

2.1 INTRODUCTION

According to Joubert (2007: 2), South Africa is flooded by high levels of unemployment and the indisputable relationship between unemployment, poverty and crime suggests that major interventions should be put in place to evaluate the situation. Such interventions may also include the effective application of entrepreneurial orientation (EO) in SMME's. Maas and Herrington (2006: 59) supports Joubert's statements and further explains the country's urgent need for entrepreneurs that can act and be successful to combat crime and unemployment and to make a contribution to the economy.

In situations in which a clear course of action is unavailable, businesses tend to model themselves after similar businesses in such a way that they perceive to be more successful (Borkowski & Gordon, 2006: 536). By educating entrepreneurs and managers towards entrepreneurial orientation will ultimately enable organisations to be successful in their own way without having to follow another business's pattern. This statement also relates to the innovativeness of business managers and owners which is an important element of entrepreneurial orientation.

Entrepreneurial orientation is an important determining factor in the successful development and sustainability management of a business and is suggested as a key for success to higher performance (Yamada & Eshima, 2009: 1). The successful implementation of entrepreneurial orientation also enhances the financial, social and economic factors of a business. The term entrepreneurial orientation and its existing dimensions is considered the building blocks for entrepreneurs and it explains methods

for creating new ventures successfully and running existing ventures in a way to achieve great success.

Entrepreneurship creates opportunities for better use of existing resources and it is an important adjustment mechanism in the market (Okwiet, 2013: 38). Many entrepreneurs consider the current demand factors in the market along with good marketing principles as good enough to achieve success, while in fact the term success is determined by the sustainability of the business, the financial position of the business and the possibility to grow. It might be because entrepreneurs are not aware of entrepreneurial orientation or because they do not know what entrepreneurial orientation is and how it can be applied in practice.

Drejer (2006: 143) states that the key competitive success factor is the ability to constantly develop new products, services or processes and providing consumers with increased functionality. In real world business practice it can be considered very difficult to achieve business success without the implementation of entrepreneurial orientation by owners and venture managers. In this chapter, an investigation is conducted to determine how the dimensions of entrepreneurial orientation influence the perceived success of a business.

2.2 DEFINITIONS

It is important to define relevant key words and concepts used in a literature review since these concepts and words often has different meanings to readers and some readers may not be familiar with the terms used.

2.2.1 Defining entrepreneurship

Joubert (2007: 14) defines entrepreneurship as a well-known description for self-employment and the ability to start a business. Spinelli and Adams (2012: 87) further

define entrepreneurship as a way of thinking, reasoning and acting that is opportunity obsessed, holistic in approach and leadership balanced.

Coulter (2003: 6) explains entrepreneurship as the process where an individual uses effort to pursue a promising opportunity to create value through uniqueness and the five dimensions of entrepreneurial orientation. This explanation links entrepreneurial orientation to performance. It can be added that entrepreneurship also consist of the effective application of the dimensions of entrepreneurial orientation during the creation of a new venture and during continuous development and growth phases of a venture already in existence.

2.2.2 Defining an entrepreneur

Shelton and Darling (2001: 45) describe an entrepreneur as a person who is a developer and an innovator and who recognises opportunities and converts them into workable ideas to add value. Following the Becker-McKinney model (1957), two Ideal types of entrepreneurs were constructed through empirical analysis and research; the Craftsman-Entrepreneur and the Opportunistic-Entrepreneur. The Craftsman-Entrepreneur is defined as the person who tends to be focused on the present and past. The Craftsman-Entrepreneur normally has specialised technical education and has low levels of confidence and flexibility. Conversely, the Opportunistic-Entrepreneur tends to have advanced levels of education and social awareness. This entrepreneur focusses on the future with a high degree of flexibility and orientation (Smith, 1967).

The word entrepreneur is originally derived from the French verb "*entreprendre*", that means to undertake an idea, to seek for an opportunity and to fulfil an individual's needs by starting a business and being innovative (Kuratko & Hodgetts, 2004: 28). Boulton, Hoy and Carland (1984: 358) explain an entrepreneur as an individual who establishes a new venture and manages it with the goal to be profitable and to be successful. This definition of Boulton and Carland is considered sufficient do describe the entrepreneur.

2.2.3 Defining entrepreneurial orientation

In the competitive environment of the business economy, innovation and pro-activeness can be the driving forces of business success and survival along with elements such as risk-taking, autonomy and competitiveness. These elements combined together have been used often to define the construct of entrepreneurial orientation (Knight, 1997: 214). George and Marino (2011: 992) also describe the domain of entrepreneurial orientation as containing fewer or more dimensions therefore, one should further embrace Lumpkin and Dess's (1996) concept of entrepreneurial orientation that explains that entrepreneurial orientation consists of processes, structures and behaviours that can be described as being aggressive in a competitive manner, being innovative, being proactive, taking risks and seeking autonomy. The five dimensions of entrepreneurial orientation hold the key to organisational success.

McGuinness (2008: 8) explains the difference between entrepreneurial orientation and entrepreneurship as the distinction between content and process on the subject of strategic management—entrepreneurship being the content and entrepreneurial orientation explaining the process of how to be entrepreneurial.

2.2.4 Defining micro, small and medium-sized enterprises

Mahembe, author of the National Credit Regulator (NCR) (2011: 24), states that while the importance of the SMME sector and the informal sector are acknowledged internationally, defining an SMME is a challenging task as every country has its own definition concluded by determining factors.

In South Africa, a 'small business' is officially defined in Section 1 of the National Small Business Act of 1996 as amended by the National Small Business Amendment Acts of 2003 and 2004 (NSB Act 29/2004: 2) as: "a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly

carried on in any sector or sub sector of the economy mentioned in Column I of the Schedule.” This definition classifies businesses that employ the equivalent of less than 200 employees as micro, small and medium-sized enterprises (SMME’s).

2.3 THE ENTREPRENEURIAL ORIENTATION CONSTRUCT

Entrepreneurial orientation originally involves the strategy-making process and represents the policies and practices that establish the foundation for entrepreneurial actions and decisions (Rauch, Wiklund, Lumpkin & Frese, 2009: 763). George and Marino (2011: 1000) explain that entrepreneurial orientation is created by its dimensions, and that the dimensions were not manifestations of the entrepreneurial orientation construct. Covin and Slevin (1989: 76) stated that the level of applied entrepreneurial orientation in a business is often demonstrated by the extent to which entrepreneurs and managers are willing to take risks in order to favour change and innovation to ultimately obtain a competitive advantage. Baran and Velickaite (2008: 22) suggest that entrepreneurial orientation provides equipment for business development and growth and this leads to a sustainable competitive advantage.

Lumpkin and Dess (1996) set out the five dimensions of entrepreneurial orientation. The first three dimensions were initially developed by Miller in 1983 and the model was then extended by Covin and Slevin to a five dimensional model in 1989. The five dimensions of entrepreneurial orientation are the independent variables influencing business success as the dependant variable. The five dimensions are known as innovativeness, risk-taking, pro-activeness, autonomy and competitive aggressiveness.

Empirical studies proved that there is in fact a positive relationship between the dimensions of entrepreneurial orientation and business performance and business success. In real world business practice this statement makes the suggestion that businesses that are more entrepreneurial orientated will perform better (Madsen, 2007: 188).

The effective application of the dimensions of entrepreneurial orientation along with the essential marketing-related issues is very important to ensure success in the business environment. The lack of knowledge or poor implementation of the essential elements can easily result in business failure and other undesired circumstances (Brink & Cant, 2003: 11).

2.3.1 The dimensions of entrepreneurial orientation

The following section of this chapter describes the dimensions of entrepreneurial orientation as defined by the literature.

2.3.1.1 Autonomy

Depending on the business structure and the management style the principle autonomy is mostly applied by the decision maker. This will in most cases be the entrepreneur or the manager. Casillas and Morena (2010: 270) state that autonomy constitutes one of the bases for innovative and entrepreneurial behaviour. Lumpkin and Dess (1996: 140) define autonomy as the willingness and the ability to work independently when acting on an opportunity or when accepting an organisational challenge. Managers and entrepreneurs hold the rights to making decisions and they therefore only trust themselves to ensure the survival of an organisation.

Some managers delegate autonomy to a lower level in the business. This creates autonomous leaders and very often results in improved decision making. In other countries delegating authority to blue collar workers is very common (Lumpkin & Dess, 1996: 140). The term autonomy further refers to an action of an individual or a team creating new ideas and visions and carrying it through to completion. Pursuing an opportunity with a great deal of determination is another way to define the term autonomy. Enterprise related factors with negative results such as a lack of access to resources may change the course of ventures but autonomy will not be distinguished by these factors (Lumpkin & Dess, 1996: 140).

Dawson (2012: 7) states that businesses operate more flexible with higher levels of productivity if owners give more autonomy to the managers of the businesses and implements control and formalisation. It is advisable that the owners of South African SMME's also delegate authority in the decision making process to lower levels in an organisation with the appropriate direction and control from management. Involving employees and by making them autonomous leaders can improve employee satisfaction and business success. This process however should be supervised to ensure satisfactory results and to eliminate undesired outcomes. The above research already indicates that there is to some extent a relationship between entrepreneurial orientation and perceived business success. It is therefore hypothesised that:

H¹: There is a significant relationship between *Autonomy* in the business environment and the *Perceived success* of the participating businesses.

2.3.1.2 Innovativeness

Innovativeness focuses on the application and the development of creative solutions to common challenges arising in the business environment (Darling, Gabrielsson & Seristö, 2007: 5). Having an entrepreneurial orientation means to be committed to innovation, among other dimensions in the strategic process (Kuratko & Audretsch, 2009: 3). Lumpkin and Dess (1996: 142) say that innovativeness reflects a tendency for a business to engage in and support creative processes, new ideas, novelty and experimentation that may result in new products, services or technological processes. The first mover business developing a new product or service not yet in existence therefore immediately dominates the market in that scope provided that there is a need in the market for that product or service. Other businesses may follow afterwards with similar products to compete but by that time, the first mover business may have already achieved its financial and prospective goals and a new product or service is yet again almost ready to be launched.

Caruana, Ewing and Ramaseshan (2002: 43) describe innovation as the central value of entrepreneurial behaviour and that it provides solutions to problems and needs. Creativity of employees very often lead to innovation and employees should be encouraged to utilize their creative minds. Some researchers imply that innovation is creativity; this concept is technically incorrect as innovation is described as an outcome of creativity.

Most of the explanations and definitions of innovation represents a starting point from practices or conditions already in existence (Schilling, 2005: 43). Johnson (2001: 139) says that process innovation can be regarded as any change in the way a product or service is created or delivered and in most instances this innovative process will be invisible to the user, except for physical changes.

Based on this background, the following hypothesis was formulated:

H²: There is a significant relationship between the implementation of *Innovativeness* in the business environment and the *Perceived success* of the participating businesses

2.3.1.3 Risk-taking

Sharma and Dave (2011: 50) elaborate on the discovery that was made that mentions risk-taking as the dimension of entrepreneurial orientation that has the highest impact on the success of a business compared to innovativeness and pro-activeness. Risk-taking refers to instantaneous explicit actions taken in moments of uncertainty.

Caruana *et al.* (2002: 45) explain that without the willingness to take risk there can be no innovation and opportunities promising a bright future will not be captured easily. Calculating and assessing the risks involved is a very appropriate approach but the rewards should always be kept in mind. Risk is inherent in the operations of a business and decisions taken by managers and owners always involve risk. A risk is often an opportunity not yet recognised (Caruana *et al.*, 2002: 45). There are many types of risks

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

The term risk is defined by Dewett (2004: 258), as the extent to which there is uncertainty about the outcome of a decision. When developing a new product or service the manager or entrepreneur has to consider the financial implications with regard to the cost of introducing that product or service and the marketing implications such as the price of the product, how it should be promoted and if there is a demand for that product in the market. Decisions have to be made with regard to the new product or service and these decisions involve risks. If the product is priced wrong the consumer will either not buy it or the company will not produce a profit; if there is no demand in the market for the product or service the financial and time elements spent on development and research would be disadvantaged. In product development one should also consider if a product under development has deficiencies that cannot be resolved easily; this is considered an undesired outcome (Dewett, 2004: 258).

Taking risks concerns the business manager or the entrepreneur with regard to the decision on hand. Although the lives of the employees can be influenced by the decision taken, the entrepreneur or manager should also investigate the reward available. Organisations can establish a framework to assess risks and to identify opportunities that can lead to great success of the business. Taking risk is an essential part of business as well as everyday life and the wrong decision always leads to disappointment (Hopenhayn & Vereshchagina, 2002). South Africans should be encouraged to take those risks that employ colourful opportunities.

Taking risks sounds mostly unfavourable to entrepreneurs, but with risk comes opportunities and great reward. Hopenhayn and Vereshchagina (2002: 2) state that the relatively poor entrepreneurs tend to take more risk while at the same time investing less in their projects than the richer entrepreneurs. The risks should be measured and should

further be controlled or eliminated to ensure organisational benefit. This can be done by means of proper market research, statistical and mathematical methods and other entrepreneurial strategies.

Against this background, the following hypothesis is subjected to further testing:

H³: There is a significant relationship between the practice of *Risk-taking* in the business environment and the *Perceived success* of the participating businesses

2.3.1.4 Pro-activeness

According to Madsen (2007: 187) pro-activeness refer to a posture of anticipating and acting on the future requirements of the market. First movers can control the market by dominating the distribution channels. It is further explained by Sharma and Dave (2011: 47) that a pro-active business should be considered a leader rather than a follower. Madsen (2007) supports this statement and further mentions that the pro-active businesses are usually the more sustainable businesses with innovative people and with entrepreneurs that are willing to take risks.

Implementing change in a business or in the product or service that the business provides does not define pro-activeness but a simple reaction to the current situation. By implementing change in the organisation while analysing the future implies acting proactively so that the business is prepared for what the future will bring (Lumpkin & Dess, 1996).

Rauch *et al.* (2009: 778) found that the dimensions innovativeness, risk-taking and pro-activeness are of equal importance in determining business success. By being proactive a business can identify and predict future expectations. This gives entrepreneurs the opportunity to prepare themselves accordingly in order to reap the maximum benefit from the coming events. From being proactive another dimension such as innovation or risk-taking is often also applied in conjunction in order to achieve the desired outcome.

Against this background, the following relationship is hypothesised:

H⁴: There is a significant relationship between the existence of *Pro-activeness* in the business environment and the *Perceived success* of the participating businesses

2.3.1.5 Competitive aggressiveness

Competitive aggressiveness is very similar to pro-activeness and it is therefore necessary to clarify the difference between these two dimensions. Competitive aggressiveness refers to how a business relates to competitors and how it responds to the existing demand in the market. It can be explained as organisations in the market competing for demand (Chang, Lin & Chen, 2007: 999). The reason for competitive aggressiveness is thus to outperform rivals in the market and to be prepared for possible competition (Antonic & Hisrich, 2003: 15). Pro-activeness, on the other hand, focuses on meeting the demand.

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

Knight (1997: 218) explains in his research that the dimensions competitive aggressiveness, risk-taking and pro-activeness should be included in the same dimension when measuring levels of entrepreneurial orientation. The five dimensions of entrepreneurial orientation is the guide to organisational success and entrepreneurial excellence if effectively applied. Entrepreneurs are the drivers of the entrepreneurial orientation construct but it is recommended that employees are encouraged to also participate as individuals in some of the dimensions to ultimately reap as much benefit as possible on all organisational levels.

Based on the literature review, the following hypothesis was formulated:

H⁵: There is a significant relationship between the *Competitive aggressiveness* of the business and the *Perceived success* of the participating businesses

2.4 PERCEIVED SUCCESS OF THE BUSINESS

Lumpkin, Bringham and Moss (2010) found positive relationships between long-term business performance and the five dimensions of entrepreneurial orientation, despite the fact that the dimensions might contribute to one another or have an influence on each other. The application of the dimensions of entrepreneurial orientation is the required foundation to be built for the desired outcome since it is already clear by research that the success of a business depends on the application and awareness of entrepreneurial orientation by the entrepreneur (Yamada & Eshima, 2009: 1).

Literature defines performance as a multidimensional concept and explains that multiple performance measures should be used as a measuring tool rather than a single dimension (Lumpkin & Dess, 1996: 137; Madsen, 2007:195). Financial measures provide a firm foundation as an analytical tool to measure the success and effectiveness of an organisation. This however, does not state that only financial measures should be used. There is a very clear relationship between entrepreneurial orientation and the success of SMME's when considering the basic principles of business. It is known that businesses need to perform and achieve success and should also grow in order to survive and to be sustainable.

According to Rauch, Wiklund, Lumpkin and Frese (2009: 761-787), entrepreneurial orientation result in higher levels of performance. The relationship between entrepreneurial orientation and performance may depend on the key performance indicators used to measure performance in businesses (Lumpkin & Dess, 1996). Frese *et al.* (2002: 276), indicate that the dimensions of entrepreneurial orientation have been positively related to success. A business owner who develops new ideas and products

and who takes more risks than his competitor is more successful than people with a lower level of entrepreneurial orientation.

Considering the fact that entrepreneurial orientation has determinants it is necessary to also clarify them and to acknowledge that they also have an influence on a business's behaviour and involves the business's strategy and decision making process. The effectiveness and efficiency of outputs of a business's employees often determine the success of the business (Dess, Ireland, Zahra, Floyd, Janney & Lane, 2003: 370).

Wiklund and Shepherd (2003: 1307), explain that businesses with rare and valuable resources have the potential of achieving great performance. These resources can be knowledge-based resources or property-based resources. Entrepreneurial orientation is a dependant variable of resources as business success is a dependent variable of the dimensions of entrepreneurial orientation (Frese *et al.*, 2002: 276), and there exist a positive relationship between entrepreneurial orientation and a business' performance. Entrepreneurial orientation can therefore explain the management process of a business that allows the business to be ahead of its competitors.

Research distinguishes between entrepreneurial businesses and other types of businesses. Early research on entrepreneurial orientation noted that entrepreneurial businesses tend to take more risks and grow faster than other types of businesses and those entrepreneurial businesses pro-actively search for new business opportunities (Kreiser, Marino & Weaver, 2002: 72). Kreiser *et al.* (2002: 73) further explain that a truly entrepreneurial business would exhibit high levels of each dimension of entrepreneurial orientation.

For the purpose of this study, perceived business success has been measured through two dependent variables, namely business growth and business development.

2.4.1 Business growth

Although SMME's should be utilised to create wealth for the owner or entrepreneur it is most seen as favourable when the business shows rapid growth as well. Lumpkin and Dess (1996:151) explain that research have suggested that entrepreneurial orientation holds the key to organisational success. Business growth includes growth in sales and profit, growth in market share, a better competitive position in the market and job satisfaction of employees.

Business growth can be measured by considering the dimensions of entrepreneurial orientation (Yamada & Eshima, 2009: 1). Entrepreneurial orientation can be measured by a nine-item, 7-point semantic differential type scale developed by Covin and Slevin (1986, 1988), based on the work of Miller and Friesen (1982) and Khandwalla (1976). The study is developed to reflect management's behaviour in strategic entrepreneurship. The perceptions of clients and staff are collected and they are asked to assess the performance of a product line or a category over a certain period with the change in profit margins and market share as well as other similar factors taken into consideration over the time period (Avlonitis & Salavou, 2007: 566).

Casillas and Morena (2010) proved that there is a significant positive relationship between the two dimensions; pro-activeness and innovativeness towards business growth. Research clearly indicates that entrepreneurs are more successful when they are aware of the dimensions of entrepreneurial orientation and when the dimensions of entrepreneurial orientation are successfully applied in their businesses. It is known that SMME's in South Africa contribute extensively to the country's GDP and business owners should therefore rather consider becoming entrepreneurs rather than just being business owners (NCR, Mahembe, 2011: 11). Financial measures also provide accurate conclusions as to the success of a business because all systems are aimed at ensuring and improving financial returns (Van der Post, 1997: 75). These financial measures may include sales growth as such. In the empirical study the effect of the turnovers of the businesses and the growth in market shares will be considered.

Van der Post (1997:75) further explains that financial measures provide a solid foundation from which to draw inferences and conclusions regarding the success and effectiveness of financial returns. The most commonly used financial measures include sales growth and return on business assets.

2.4.2 Business development and improvement

Lotz (2009: 19) states that business development refers to highly committed employees that are regarded as valuable assets of the business and the improvement of job satisfaction and with continued investment in research and development.

Business improvement relates to the continuous improvement in efficiency and effectiveness. Bowen (1997: 337) describes the distinction that can be made between the two types of quality: Product features that enhance customer satisfaction and freedom of deficiencies that will increase the levels of satisfaction among customers.

Bowen (1997) also explains that if management expects employee's attitudes to be positive towards clients, management must also have positive attitudes towards the clients and the employees of that business. Very often businesses employ the services of trainers to improve employee relations in order to provide quality customer service, but the training shows little effect because of poor support from managers.

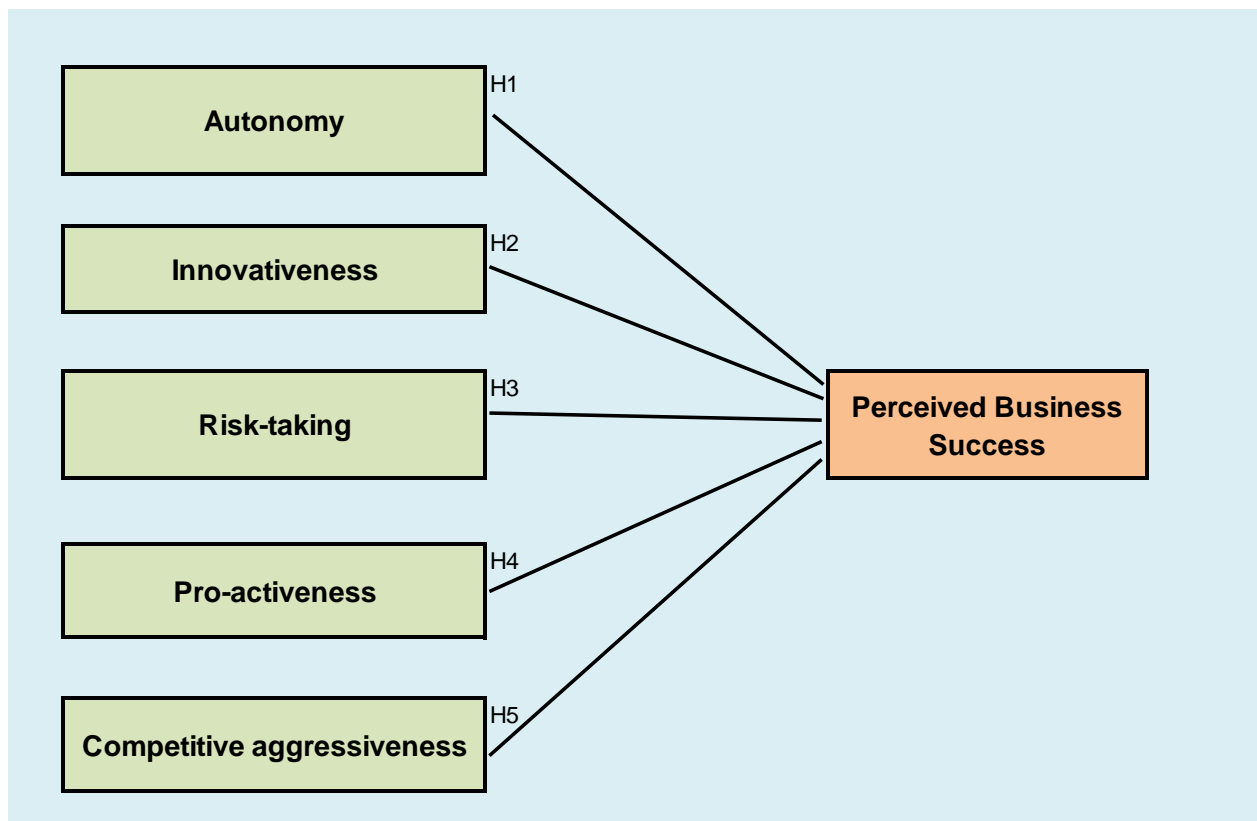
Frank, Kessler and Fink (2010: 190) explain through previous studies that entrepreneurial orientation has a positive impact on business development and improvement and thus this concept deserves more attention from entrepreneurs around the world. It is further necessary to explore the impact on a business if entrepreneurial orientation is not effectively exercised in a business or not exercised at all in a business. By looking at the effects of the poor application of entrepreneurial orientation and the lack of management skills one can clearly explain how the dimensions can create benefit for the business, but if a certain dimension is not applied effectively or not even applied at all, a business should then still expect certain losses that could've been

avoided and in the case of no losses, the business can be sure that a great opportunity has gone to waste (Yamada & Eshima, 2009). The dimensions are constructed to support each other thus delivering exceptional results if all dimensions are applied effectively in the business.

2.5 THE HYPOTHESIS MODEL

Figure 2.1 displays the dimensions of entrepreneurial orientation (Autonomy, Innovativeness, Risk-taking, Pro-activeness and Competitive aggressiveness) hypothesised as influencing the dependent variable, Perceived success of the business.

Figure 2.1: The Hypothesis model



The dependent variable, *Perceived business success*, for the purpose of this study, has been measured by two variables, *Business development and improvement* and

Business growth. It is therefore necessary to amend the hypotheses to incorporate both dependent variables measuring business success.

The amended hypotheses are:

H^{1a}: There is a positive relationship between *Autonomy* and *Business development and improvement* in SMME's.

H^{1b}: There is a positive relationship between *Autonomy* and *Business growth* in SMME's.

H^{2a}: There is a positive relationship between *Innovativeness* and *Business development and improvement* in SMME's.

H^{2b}: There is a positive relationship between *Innovativeness* and *Business growth* in SMME's.

H^{3a}: There is a positive relationship between *Risk-taking* and *Business development and improvement* in SMME's.

H^{3b}: There is a positive relationship between *Risk-taking* and *Business growth* in SMME's.

H^{4a}: There is a positive relationship between *Pro-activeness* and *Business development and improvement* in SMME's.

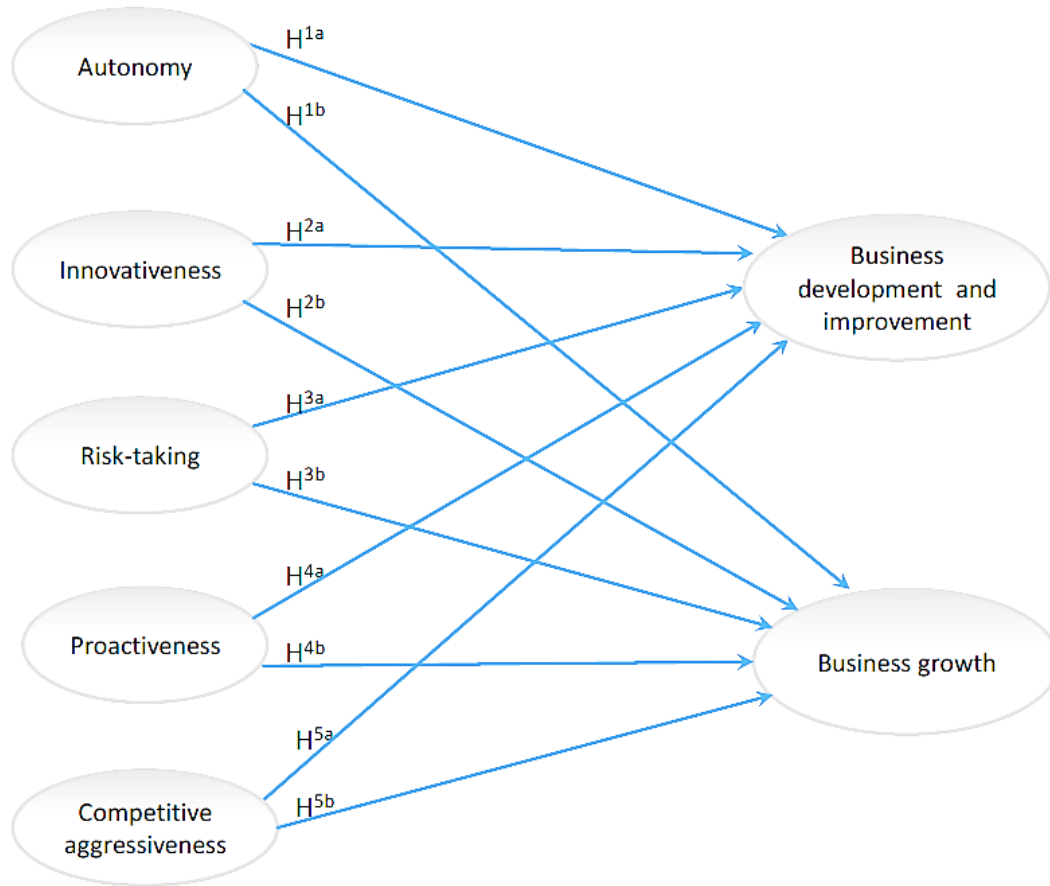
H^{4b}: There is a positive relationship between *Pro-activeness* and *Business growth* in SMME's.

H^{5a}: There is a positive relationship between *Competitive aggressiveness* and *Business development and improvement* in SMME's.

H^{5b}: There is a positive relationship between *Competitive aggressiveness* and *Business growth* in SMME's.

Figure 2.2 displays the amended hypothesis.

Figure 2.2: The Amended Hypothesis model



2.6 CHAPTER SUMMARY

SMME's should be utilised to create wealth for the owner or entrepreneur and it is most seen as favourable when the business shows rapid growth and development as well. Research indicates that entrepreneurs are more successful when they are aware of the dimensions of entrepreneurial orientation and when these dimensions are successfully applied in their businesses.

SMME's are the driving force of economic growth and job creation. Surveys of small business failures shows that entrepreneurs often have good ideas and are to some

extend competent but they have no underlying appreciation of business and lack business management skills. It is therefore clear that being a successful entrepreneur involves knowledge, skill and determination.

In this chapter the current situation of SMME's with regard to entrepreneurial orientation can be concluded and the importance of entrepreneurial orientation in the business environment is explained. The lack of skills in South Africa constitutes a major problem to the economy. Many entrepreneurs are survivalists and need to start making a profit in their businesses so that they can better provide for their families and contribute to the South African economy. In order to achieve sustainable growth and to address the economic development challenges, more and more entrepreneurs are needed to enhance the small and medium-sized business sector.

Considering the fact that entrepreneurial orientation has dimensions considered as independent variables influencing the dependent variable, perceived business success, it can be said that the growth and sustainability as well as the financial performance of a business are determined by the level of application of entrepreneurial orientation of the owner or the manager of the business. It is therefore important for entrepreneurs and managers to be educated in understanding the concept of entrepreneurial orientation and to develop an entrepreneurial mind.

In empirical research on strategic management and entrepreneurship, there are three basic perspectives on how independent variables relate to each other and to business performance; the main-effects approach, the contingency approach and the configuration approach. The simplest approach is the main-effects approach which basically describes the relationship between the independent variables and business performance as a function in which the independent variables do not interact with one another. The contingency approach goes further and accounts for selected interactions between two variables in the form of two-way interactions. For the purpose of this study on entrepreneurial orientation and perceived business success the questionnaire

developed by Lotz and Van der Merwe will be used with a slight modification to make the questionnaire only relevant to business owners and managers.

CHAPTER 3

RESEARCH METHOD AND RESULTS DISCUSSION

3.1 INTRODUCTION

An empirical research study was conducted by means of a questionnaire in order to establish the outcome of the research hypotheses as set in chapter 2. The observation was analysed and the data was transformed to information that is usable with the aid of mathematical or statistical methods. This process is termed quantitative research. This research method is widely used to answer a specific research question or to test a hypothesis. The empirical observation process is aimed to retrieve detailed information on the study population in order to reach valid conclusions and to make accurate recommendations.

The main objective of this research is to establish whether there is a significant relationship between the dimensions of entrepreneurial orientation and business success in SMME's in South Africa.

The empirical research process consisted of gathering data from selected SMME's in South Africa. The data was then analysed to provide usable information and accurate results. The data that was gathered with the questionnaires was arranged to provide information, calculations and an analysis of the study.

In this chapter the questionnaire that was used to gather the data will be explained along with the procedure that was followed to gather the data. The process of analysing the data will be discussed and the research results will then be discussed keeping the objectives of the study in mind.

3.2 GATHERING OF DATA

The empirical study was done by employing and adapting the questionnaire that was developed by Lotz and Van der Merwe (2013: 15) to measure entrepreneurial orientation and perceived business success in SMME's.

Section A of the questionnaire measured the entrepreneurial orientation of the respective business owners and managers within the selected business environment.

Section B of the questionnaire measured the success factors such as *business growth* and *business development and improvement* within the selected businesses.

The biographical information of the entrepreneur was obtained through section C of the questionnaire to determine his level of education and experience and an indication as to the sustainability of the business and information on the structure and size of the business was obtained through section D.

The questionnaire was distributed to 95 randomly selected enterprises around the selected geographical region that fits the business profile of an SMME, and also taking into account the limitations of the study and the parameters of qualifying SMME's. A total of 45 completed questionnaires were returned of which 43 were viable questionnaires. The questionnaires were returned by e-mail, but most of them were collected personally by appointment. The returned questionnaires were then examined for quality to ensure accurate results.

3.3 RESPONSE TO THE SURVEY

A total of 95 questionnaires were sent to selected entrepreneurs, and 45 questionnaires were returned. Two questionnaires had to be discarded due to incompleteness and doubt in the accuracy of the information provided. The total number of usable

questionnaires returned added up to a total of 43. This number represents a response rate of 45.2%.

3.4 RESULTS OF BIOGRAPHICAL INFORMATION

Section C of the questionnaire collected data on the biographical information of the entrepreneur/manager. The empirical research was conducted in two provinces as indicated earlier. The biographical information further provides an indication to the reader as to the age of the entrepreneurs, the gender of the entrepreneurs and finally the academic qualifications of the entrepreneurs and managers.

3.4.1 Age group classification of respondents

Table 3.1 gives an indication as to the ages of the entrepreneurs/managers in the participating businesses.

Table 3.1: Age group classification of respondents

Age	Total	Percentage
<29	2	4.65
30-39	10	23.26
40-49	19	44.19
50-59	12	27.91
Total	43	100.00

Only two of the businesses (4.65%) are managed by entrepreneurs aged younger than thirty years old. The majority of businesses are managed by entrepreneurs in the age group of 40-49 years (44.19%) old. A total of 27.91% of the respondents represent business owners and managers above the age of 50 years old.

3.4.2 Gender of respondents

The purpose of this section in the questionnaire was to determine and differentiate between the number of female and male respondents. The respondents had to select between male and female in the questionnaire.

The following table describes the gender of the participating candidates (Table 3.2).

Table 3.2: Gender distribution of respondents

Gender	Total	Percentage
Female	28	65.12
Male	14	32.56
Not indicated	1	2.33
Total	43	100.00

A total of 28 respondents (65.12%) in this study are women while only 14 (32.56%) are men. One (2.33%) of the respondents did not indicate his/her gender.

3.4.3 Highest academic qualification of respondents

The purpose of this question was to determine the respondents' highest academic qualification in order to establish the relationship between the level of education and entrepreneurial orientation.

Table 3.3 indicates the levels of education of the various participating entrepreneurs and managers.

Table 3.3: Highest academic qualifications of respondents

Qualification	Total	Percentage
Lower than matric	2	4.65
Matric	18	41.86
Certificate	5	11.63
Diploma	9	20.93
Degree	8	18.60
Post graduate	1	2.33
Total	43	100.00

The results are fairly distributed between the six levels of education with the majority of candidates being holders of matric certificates and graduating from high schools (41.86%). A total of 23 candidates (53.6%) hold an academic qualification higher than matric, such as a university degree or a diploma. Respondents with degrees account for 18.60%. Only one responded obtained a post graduate qualification and constitutes 2.33% of the sample.

3.5 RESULTS OF STRUCTURAL INFORMATION

Section D of the questionnaire collected information regarding the structure of the participating businesses. The structure of a business is explained by the number of people employed by the business, the turnover of the business, the industry in which the business operates, the age of the business which also gives us an indication of the sustainability of the business and the legal status of the business.

3.5.1 Number of permanent employees

Table 3.4 shows the statistics on the number of employees employed by the various businesses.

Table 3.4: Number of permanent employees

Nr of Employees	Total	Percentage
1 to 4	4	9.30
5 to 10	17	39.53
11 to 25	12	27.91
26 to 50	2	4.65
51 to 100	3	6.98
101 to 200	5	11.63
Total	43	100.00

The results of the sample indicate a fair distribution with no outliers and the majority of businesses employing approximately 5 to 10 people (39.53%). A total of 4 businesses only employed between 1 and 4 employees (1 to 4) and they account for 9.30%. A total of 5 businesses employed more than 101 employees (101 to 200) and they account for 11.63% of the sample. A total of 3 businesses employed 51 to 100 employees (6.98%).

3.5.2 Annual turnover of businesses

The following table shows the classified groups of the annual turnover of the businesses along with the recorded results (Table 3.5).

Table 3.5: Annual turnover of the business

Turnover	Total	Percentage
<1m	6	13.95
1m to 2.5m	16	37.21
2.5m to 10m	15	34.88
10m to 50m	4	9.30
>100m	1	2.33
Missing information	1	2.33
Total	43	100.00

One respondent (2.33%) regarded this question as personal and preferred not to provide any information regarding the annual turnover of the business. Results show that one of the businesses (2.33%) has an annual turnover of more than 100 million rand. A total of 6 businesses have a turnover of less than 1 million rand (13.95%). They are the businesses that employ the least number of people while the 4 businesses (9.30%) with a turnover of 10 to 50 million rand employs the larger number of people.

3.5.3 Industry

Table 3.6 shows the different industries in which the businesses operate.

Table 3.6: The different operating industries

Industry	Total	Percentage
Automotive	4	9.30
Agriculture	3	6.98
Clothing	3	6.98
Construction	3	6.98
Food	5	11.63
Real estate	2	4.65
Retail	5	11.63
Manufacturing	1	2.33
Services	7	16.28
Other	8	18.60
Missing information	2	4.65
Total	43	100.00

The participating businesses are fairly distributed between the different industry classifications. Only one business operates in the manufacturing industry and accounts for 2.33%. The services industry contains 7 participating businesses and further accounts for 16.28% of the sample.

3.5.4 Age of the businesses

The purpose of this question was to determine the ages of the participating businesses.

The age groups of the businesses can be explained as in table 3.7.

Table 3.7: Business age distributions

Business age	Total	Percentage
3 years and less	5	11.63
>3 to 5 years	7	16.28
>5 to 10 years	14	32.56
>10 to 15 years	8	18.60
older than 15 years	9	20.93
Total	43	100.00

The age of a business give an indication of the sustainability of a business in the past. The majority of the businesses (31 businesses) have been in existence for more than five years. A total of 14 businesses are between the ages 5 to 10 years and account for 32.56% of the sample. A total of 9 participating businesses are older than 15 years (20.93%). Only 5 of the participating businesses have been in business for less than 3 years and they account for 11.63% of the sample.

3.6 MEASURING ENTREPRENEURIAL ORIENTATION

Section A of the questionnaire gathered data from the participating businesses with regard to the dimensions of entrepreneurial orientation, practically applied in the business environment. It is noted that some dimensions were rated as very important for some entrepreneurs, such as Autonomy, while other dimensions, for some businesses are irrelevant and not at all important, like risk-taking. It is necessary to consider the different industries and circumstances in which the businesses operate and the empirical research also proved that each businesses has a different perspective on the

importance of the various dimensions of EO. The questionnaire measured each question on the following numbering scale:

1	2	3	4	5
Strongly disagree	Disagree	Neutral	Agree	Strongly Agree

Where the respondent agrees or strongly agrees to a question, he in fact recognises the statement as true within his own entrepreneurial environment.

Appendix A contains the questionnaire employed for this study.

Appendix B explains the measured constructs.

Table 3.8 reports the dimensions of EO with the mean measured levels of application and recognition. The standard deviation is a further indication of how the recorded data is distributed. It gives the number to be added to, or subtracted from the mean value to obtain the highest or lowest accurate perspective without being concerned about the effect of outliers.

Table 3.8: The dimensions of entrepreneurial orientation

EO Dimension	N	Mean	Std. Deviation
Autonomy	43	3.60	0.79
Innovativeness	43	3.48	0.58
Risk-taking	43	3.07	0.62
Pro-activeness	43	3.42	0.50
Competitive aggressiveness	43	3.42	0.51
Average EO-levels		3.4	0.6

The average EO-level considering the mean values of all the dimensions is $\bar{x} = 3.4$, indicating that most of the entrepreneurs are to some extent acknowledging and applying some of the dimensions of entrepreneurial orientation. The five dimensions all obtained an average mean higher than 3 and these were **Autonomy** ($\bar{x} = 3.60$),

Innovativeness ($\bar{x} = 3.48$), **Risk-taking** ($\bar{x} = 3.07$), **Pro-activeness** ($\bar{x} = 3.42$) and **Competitive aggressiveness** ($\bar{x} = 3.42$).

3.6.1 Autonomy

In section A of the questionnaire the first few statements (a1 to a5) was used to measure the levels of autonomy in the businesses. The table reports the autonomy levels that the entrepreneurs provide to their employees to be creative.

Table 3.9: Autonomy levels in the participating businesses

Question	n	Mean	Std. Deviation
a1	43	4.00	1.11
a2	43	3.77	1.04
a3	43	3.09	1.21
a4	43	3.91	0.97
a5	43	3.26	1.07
Average		3.60	0.79

Statement a1, suggested that employees have enough autonomy to perform work without supervision. Statement a1 accounts for a mean value of 4 ($\bar{x} = 4$). The statement a4, with the second highest mean rating ($\bar{x} = 3.91$), described that employees are encouraged to manage their own work and to have flexibility in resolving problems. Most of the entrepreneurs agreed to these two statements. Question a3 stated that employees are allowed to make decisions on their own and the results shows a clear indication that entrepreneurs and managers are less favourable to these circumstances ($\bar{x} = 3.09$).

From the results, with an average autonomy mean of 3.6 ($\bar{x} = 3.6$) it can be said that entrepreneurs and managers in SMME's maintain high levels of autonomy when it is task related, but rather want to make the decisions, that will impact the business, themselves.

3.6.2 Innovativeness

Questions a6 to a14 (Section A of the questionnaire) recorded information on the levels of innovation in the participating businesses and the results are displayed in table 3.10.

Table 3.10: Innovativeness in the participating businesses

Question	n	Mean	Std. Deviation
a6	43	3.14	0.94
a7	43	3.40	0.98
a8	43	3.35	1.07
a9	43	3.77	0.72
a10	43	2.63	0.93
a11	43	3.33	0.78
a12	43	4.16	0.48
a13	43	3.42	1.07
a14	43	4.16	0.61
Average		3.48	0.58

The results show high levels of innovation in the businesses ($\bar{x} = 3.48$), with a standard deviation of 0.58 ($s = 0.58$), which indicates that all of the participating businesses feel the same way. All of the statements were assessed to be very reliable. From question a12 with a mean rating of 4.16 ($\bar{x} = 4.16$), it is clear that businesses place a very strong emphasis on improvement in product and service delivery. Question a10, with a relative negative result of 2.63 ($\bar{x} = 2.63$), shows that most businesses have not undergone much change recently. This result could be described by difficult economical periods and the idea that many entrepreneurs prefer not to take risks at this stage.

Another result with a high rating of $\bar{x} = 4.16$ was delivered by question a14. The question stated that business leaders seek to maximise value from opportunities without constraints. For any innovative entrepreneur this statement should be true and the result is therefore not surprising.

3.6.3 Risk-taking

The levels of risk-taking as measured in the respective businesses are displayed in the following table (Table 3.11).

Table 3.11: Levels of risk-taking in the participating businesses

Question	n	Mean	Std. Deviation
a15	43	3.58	0.76
a16	43	2.79	0.80
a17	43	3.05	0.84
a18	43	3.26	1.00
a19	43	2.70	1.01
Average		3.07	0.62

From question a15 it can be seen that entrepreneurs are very eager to exploit opportunities ($\bar{x} = 3.58$), but in contrast, question a16 indicates that entrepreneurs are not that eager to take on high risk projects ($\bar{x} = 2.79$). Question a19 further indicates that many entrepreneurs do not consider the term risk-taker a positive attribute for their employees ($\bar{x} = 2.70$).

3.6.4 Pro-activeness

Question a20 to a23 (Section A of the questionnaire) measures pro-activeness among entrepreneurs. It is important for businesses to be aware of the conditions and activities of other businesses surrounding them in order to prepare themselves for what the future may bring. Table 3.12 represents the levels of pro-activeness in the participating businesses.

Table 3.12: Pro-activeness in the participating businesses

Question	n	Mean	Std. Deviation
a20	43	2.93	0.88
a21	43	3.09	0.84
a22	43	3.67	0.84
a23	43	4.00	0.65
Average		3.42	0.50

The tabulated results indicate with an average mean value of 3.42 ($\bar{x} = 3.42$), that there is to an extent a strong level of pro-activeness in the businesses. Attention is drawn to question a23, with a very high mean rating ($\bar{x} = 4$) and a relatively low standard deviation ($s = 0.65$). Question a23 established that almost every business monitors the market trends to identify future needs of customers.

3.6.5 Competitive aggressiveness

Competitive aggressiveness is a measure of the competitive stands of a business. In certain industries businesses do not take competitive stance while other industries turn out to be very competitive.

Table 3.13 give the analysed results of the dimension, competitive aggressiveness.

Table 3.13: Competitive aggressiveness of the participating businesses

Question	n	Mean	Std. Deviation
a24	43	3.12	0.79
a25	43	3.14	0.97
a26	43	3.65	0.61
a27	43	3.77	0.61
Average		3.42	0.51

The results show a high average mean rating for competitiveness ($\bar{x} = 3.42$) in the participating businesses. The statement a27 stated that the business knows when it is in danger or when it is acting overly aggressive. This statement delivered a mean value of 3.77 ($\bar{x} = 3.77$). From the statement a24, with a mean value of 3.12 ($\bar{x} = 3.12$), it can be explained that businesses are not focussed on outperforming their competitors.

3.7 PERCEIVED BUSINESS SUCCESS

Section B of the questionnaire dealt with the growth and development and improvement of the participating businesses. From the analysis of the results obtained in section B of the questionnaire and the results discussed on the dimensions of entrepreneurial orientation, a relationship can then be determined.

3.7.1 Business growth

Table 3.14 displays the analysis of the growth of the participating businesses. Questions b1 to b4 measured the growth levels of the businesses as to the perception of the entrepreneur/manager.

Table 3.14: Business growth measured in the participating businesses

Question	n	Mean	Std. Deviation
b1	43	3.58	0.96
b2	43	3.42	0.91
b3	43	3.60	0.62
b4	43	3.60	0.76
Average		3.55	0.70

Businesses claimed in terms of questions b3 and b4, with a mean value of $\bar{x} = 3.60$ and $\bar{x} = 3.60$ respectively, that they have experienced growth in market share and that their competitive positions have improved. In general a total mean of 3.55 ($\bar{x} = 3.55$) indicate a strong growth rate.

3.7.2 Business development and improvement

Table 3.15 shows the results of the development and improvement of the participating businesses.

Table 3.15: Business development and improvement

Question	n	Mean	Std. Deviation
b5	43	3.72	0.73
b6	43	3.98	0.56
b7	43	3.65	1.00
b8	43	3.84	0.78
b9	43	3.60	0.76
b10	43	3.79	0.77
b11	42	2.81	0.99
Average		3.63	0.56

The mean value of 3.6 ($\bar{x} = 3.60$) indicates strong levels of development and improvement in the businesses with a relatively low standard deviation ($s = 0.56$). Not many businesses believe to invest in research and development during difficult times as measured by question b11 with a mean value of $\bar{x} = 2.81$, which also result in low levels of innovation and risk-taking during these difficult economic periods. According to the results obtained by questions b6 ($\bar{x} = 3.98$) and b7 ($\bar{x} = 3.65$), entrepreneurs and managers agree that both the effectiveness and the efficiency of their businesses have improved.

3.8 SUMMARY OF THE MEASURED CONSTRUCTS

The following table displays the summary of the measured constructs of entrepreneurial orientation and perceived business success. A comparison can easily be made between the construct by considering the summarised results in table 3.16.

Table 3.16: Summary of the measured constructs

Variable	n	Mean	Std. Deviation
Entrepreneurial orientation			
Autonomy	43	3.60	0.79
Innovativeness	43	3.48	0.58
Risk-taking	43	3.07	0.62
Pro-activeness	43	3.42	0.50
Competitive aggressiveness	43	3.42	0.51
Perceived business success			
Business growth	43	3.55	0.70
Business development	43	3.63	0.56

The above summary explains mean values of over 3 ($\bar{x} > 3$) for all the variables with acceptable standard deviations ($s < 0.8$). The values displayed in this summary can be considered acceptable for the purpose of this study.

3.9 THE RELIABILITY OF THE MEASURING INSTRUMENT

The Cronbach Alfa coefficients were calculated in order to assess the internal consistency and the reliability between the statements in the research instrument. The Cronbach Alfa coefficient is an index that indicates the degree to which all the items as measured and tested, measures the same attribute (Struwig & Stead, 2004: 132). The coefficient is based on the correlation of variables. A greater value for the coefficient indicates a higher consistency and improved reliability.

The value for Alpha varies from zero to one since it is the ratio of two variances. A value of 0.7 is the internationally acceptable standard, but when dealing with human behaviour and psychological constructs, values below 0.7 can very well be expected because of the diversity of the constructs (Field, 2009: 675). A value of 0.6 can be considered acceptable for the purposes of this study. If the statements are not formulated properly

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

Table 3.17 represents the calculated Cronbach Alfa coefficients for this study.

Table 3.17: The Cronbach Alpha coefficients of the questionnaire.

Variable	Cronbach Alpha
Autonomy	0.78
Innovativeness	0.85
Risk-taking	0.74
Pro-activeness	0.48
Competitive aggressiveness	0.60
Business growth	0.88
Business development and improvement	0.81

The results indicate that the instrument used in this study to measure entrepreneurial orientation and perceived success of a business have an acceptable reliability with only one of the variables below the acceptable value of 0.6. The dimension; Pro-activeness was measured against an unacceptable reliability of 0.48. It is possible that the entrepreneurs did not understand the statements in the questionnaire or that they may have interpreted the statements differently. Another possibility to explain the poor reliability can be to claim that the statements measuring pro-activeness may be irrelevant to the business industry in which the research was conducted.

3.10 THE INFLUENCE OF THE DIMENSIONS OF EO ON PERCEIVED BUSINESS SUCCESS

The main objective of this study is to determine the impact of the dimensions of entrepreneurial orientation on the perceived business success. It can thus be said that

the main objective of the study was to determine the influence of the dimensions of entrepreneurial orientation on perceived business success in SMME's.

From the results it can now be said that there is in fact a very strong relationship between these dimensions and the perceived success of the businesses. The percentage of the total number of businesses that applies the dimensions of EO correlates well with the percentages of the total number of businesses with good success rates.

Multiple regression analysis was used to determine the detailed relationships between the variables of entrepreneurial orientation and the variables of perceived business success. On the grounds of the results obtained from the multiple regression analysis the hypotheses can then be accepted

Table 3.18 and table 3.19 represent the multiple regression analyses.

Table 3.18: Multiple regression results: Impact of the independent variables on the dependent variable; business growth

Model	Non-standardised coefficients		Standardised coefficients	t-value	p-value
	B	Std. Error	Beta		
(Constant)	0.269	0.846		0.318	0.752
Autonomy	0.208	0.163	0.234	1.274	0.211
Innovativeness	0.245	0.242	0.201	1.010	0.319
Risk-taking	0.173	0.234	0.154	0.742	0.463
Pro-activeness	0.382	0.229	0.275	1.673	0.103
Competitive aggressiveness	-0.047	0.204	-0.034	-0.232	0.818

$R^2 = 0.428$ (* $p < 0.05$)

Table 3.18 shows that a significant number (R squared = 42.8%) of the variation in business growth can be explained by the five dimensions of entrepreneurial orientation.

The results indicated no significant relationship between the dependent variable, Business growth, and any of the dimensions measuring entrepreneurial orientation. Therefore, no hypothesis can be accepted (H^{1b} , H^{2b} , H^{3b} , H^{4b} and H^{5b}).

Table 3.19: Multiple regression results: Impact of the independent variables on the dependent variable business development and improvement

Model	Non-standardised coefficients		Standardised coefficients	t-value	p-value
	B	Std. Error	Beta		
(Constant)	0.506	0.492		1.029	0.310
Autonomy	0.069	0.095	0.097	0.725	0.473
Innovativeness	0.339	0.141	0.350	2.405	0.021**
Risk-taking	0.174	0.136	0.194	1.285	0.207
Pro-activeness	0.481	0.133	0.434	3.623	0.001**
Competitive aggressiveness	-0.142	0.118	-0.130	-1.203	0.237

$R^2 = 0.696$ (* $p < 0.05$)

Table 3.19 shows that a significant number (R squared = 69.6%) of the variation in business development and improvement can be explained by the five dimensions of entrepreneurial orientation.

The results indicated a significant positive relationship between the dependent variable, *Business development and improvement* and the independent variables *Innovativeness* ($p = 0.021$) and *Pro-activeness* ($p = 0.001$) respectively. This means that hypotheses H^{2a} and H^{4a} are accepted. The rest of the hypotheses are not accepted (H^{1a} , H^{3a} and H^{5a}).

3.11 CHAPTER SUMMARY

The information obtained through the questionnaire was discussed in this chapter with regard to the profile of both the businesses and the entrepreneurs or managers. The statements in the questionnaire proved to be reliable, except for the statements measuring pro-activeness, and thus it can be said that the employed questionnaire is reliable and delivers accurate results. The dimensions of entrepreneurial orientation as measured in the businesses were discussed and the influence of the dimensions on business success is clearly indicated. A total number of 43 usable questionnaires were used for the purpose of this study.

It was established that some 53.6% of the candidates hold some form of qualification higher than matric. Considering the success rates of the various businesses one may draw the conclusion that the majority of successful entrepreneurs are qualified to an extent higher than matric.

The structure of a business is explained by the number of people employed by the business, the turnover of the business, the industry in which the business operates and the age of the business which also gives the reader an indication as to the sustainability of the business.

The mean values for the five dimensions are all above 3, which indicate that the entrepreneurs agree to the importance of the dimensions of entrepreneurial orientation. The results indicated high levels of EO with the lowest measured value from the dimension, risk-taking. Entrepreneurs are known to seek opportunities and to take calculated risks. Further recommendations to this regard will be communicated in the following chapter.

The majority of the businesses claimed that they have experienced growth in market share and that their competitive positions have improved. Table 3.18 and table 3.19 concludes this chapter with the results from the multiple regression analysis that

indicates that a significant number of the variation in business growth and in business development and improvement, respectively, can be explained by the five dimensions of entrepreneurial orientation.

The aspects that was considered in measuring the success rate of a business is the turnover of the business, the sustainability of the business, the rate of growth, the rate of development and improvement, and after consideration of the results obtained in this study the dimensions of entrepreneurial orientation can also be used in future studies to measure this success rate of businesses.

CHAPTER 4

CONCLUSION AND RECOMMENDATIONS

4.1 INTRODUCTION

With reference to the primary and secondary objectives, this chapter ultimately deals with the research results. Conclusions can now be drawn with viable proof and certain reasonable assumptions can be made in this chapter with the relevant research results supporting the assumptions. Conclusions and recommendations will be given based on the objectives of the research; to investigate the influence of entrepreneurial orientation on the perceived success of small and medium-sized businesses.

The chapter will further explain the evaluation done to ensure that the research objectives were met and how the actual results correlate with the initial objectives formulated. Both the literature research and the empirical research results will be considered in this chapter. Some recommendations are also made for further research on the subject of entrepreneurial orientation in SMME's. These recommendations also include the subject of educating entrepreneurs towards entrepreneurial orientation in order to equip them to become business leaders. Another aspect that is to be discussed in this chapter is the current standings of South African SMME's with the current economy and how they have been managed in the past until today. This overview will provide a broad perception from the empirical research results of the sustainability and performance of SMME's and how they deal with economic dilemmas.

4.2 CONCLUSION ON THE EMPIRICAL STUDY

With the objectives of the study clearly defined in chapter 1, a conclusion can now be reached in this chapter.

4.2.1 Biographical conclusion

The results in table 3.1 and table 3.2 indicate that the majority of entrepreneurs/managers fall in the age group of 40–60 years with 65.12% of all participating entrepreneurs and managers being women. There is an indication among the questionnaires that the businesses with less than 25 employees are more likely to be managed by women while businesses with more than 25 employees are more likely to be managed by men. The majority of the medium-sized enterprises (not the small and micro-sized enterprises) are thus owned by men.

4.2.2 Structural conclusion

Table 3.7 indicate that only 12 of the 43 participating businesses had an operational age of 5 years and less. This is a true indication of the contribution that SMME's make to the South African GDP. About 6 of the participating businesses reported a turnover of less than one million rand per annum according to the results displayed in table3.5. It was found that these businesses operated in the food and clothing industry with less than 10 employees and that the majority of them are managed by women. These small businesses also indicate to still be very sustainable. Table 3.4 shows that about 22 of the 43 businesses employ more than 11 employees with some of them employing almost 200 employees. The majority of SMME's have a legal status of either closed corporations or private companies.

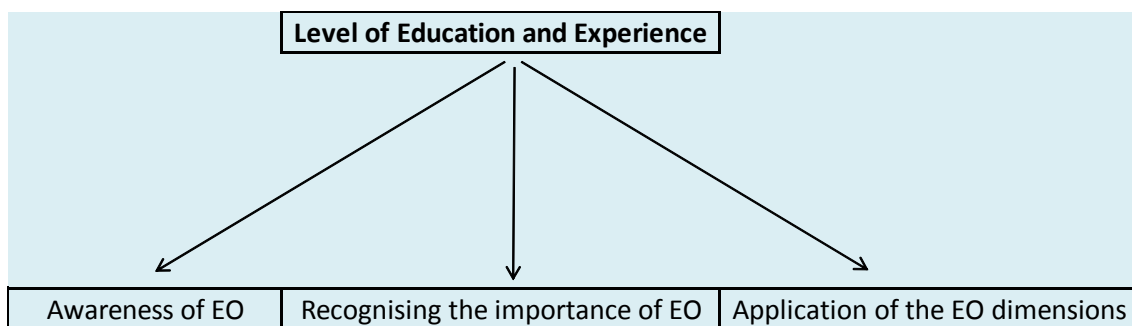
4.2.3 The current levels of knowledge on entrepreneurial orientation in SMME's

The empirical research supports the statement that most of the SMME's in South Africa has managed to overcome the recent economic dilemmas. The age of many SMME's indicate an existence of more than 5 years which indicates that they have survived the economic recession in 2008/2009. Although the South African currency has weakened against the dollar currency it can be mentioned that the country's economy still

continues to grow and that every day, for most of the businesses, has been a fairly good business day.

With the aid of statistical analysis it is now proven that there is also a relationship between the level of education of the entrepreneur, and his knowledge of EO as well as his/her ability to apply the dimensions of EO in a business. Figure 4.1 is an attempt to explain the statement made above.

Figure 4.1: The effect of knowledge on entrepreneurial orientation.

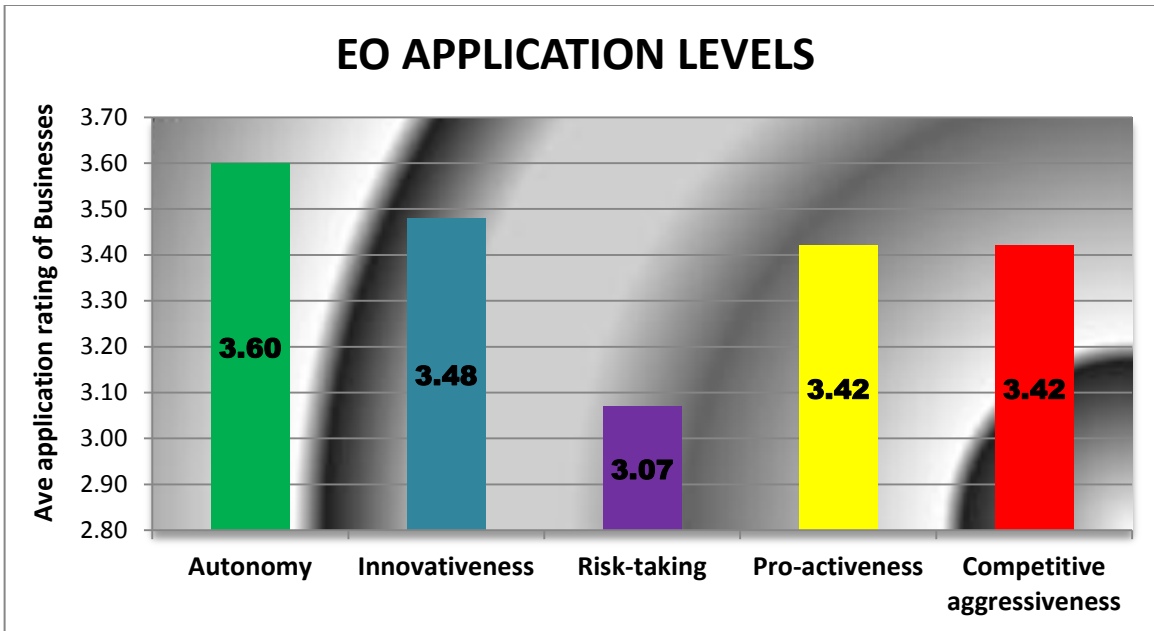


The results in chapter 3 indicate that 53.6% of entrepreneurs obtained a qualification that is considered higher than matric. It is true that these entrepreneurs are managing the most successful participating businesses.

The results recorded indicated reasonable high levels of entrepreneurial orientation in the businesses which contributed to high level of success in the businesses. The two basic histograms are used to display the levels of entrepreneurial orientation in the businesses and the perceived business success of the businesses. The perceived business success construct is measured in this study by measuring business growth and business development and improvement.

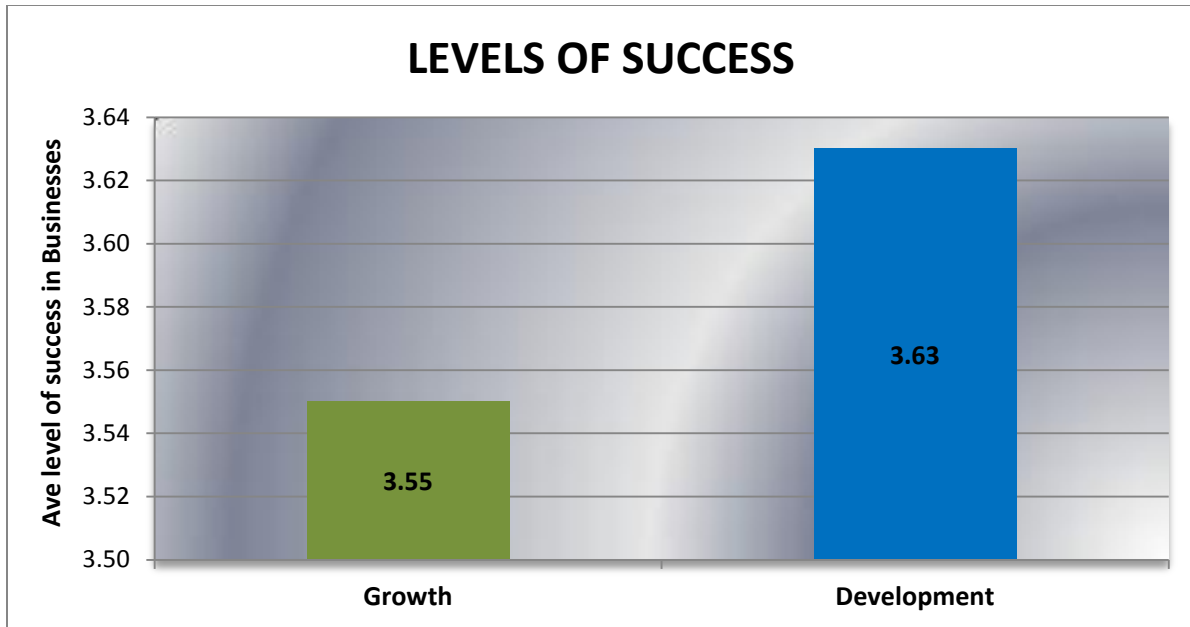
The results indicate that the dimensions of entrepreneurial orientation have a significant influence on the perceived success of a business.

Figure 4.2: Levels of entrepreneurial orientation in the businesses.



The lowest performing dimension, risk-taking, explains that entrepreneurs are not recognising and acting on opportunities. Many entrepreneurs have a negative perception towards the dimension risk-taking while the literature study indicated this dimension as one of the most important dimensions in the entrepreneurial orientation construct.

Figure 4.3: Perceived success in the businesses



Although it seems that business success entirely depend on the dimensions of entrepreneurial orientation, the multiple regression analysis proved that there is only significant relationships between *Innovativeness* and *business development and improvement* and *Pro-activeness* and *business development and improvement*. It is further established that a significant number of the variation in business growth and in business development and improvement can be explained by the dimensions of entrepreneurial orientation.

4.3 RECOMMENDATIONS

From the results obtained through the literature and the empirical study some important recommendations can now be made to various parties on improving the current situation in general.

The recommendations include the following:

- All current and future entrepreneurs and managers are encouraged to improve their current levels of education and to always seek to learn something new with

regard to the business environment. Entrepreneurial Orientation should be considered an important aspect for managing a successful business.

- It is advisable for government to provide more effective training programmes in entrepreneurship before entrusting funds to ensure that upcoming entrepreneurs consist of the necessary skills and education to be successful. Funding should further rather be provided to entrepreneurs that consist of the necessary qualifications in order to improve the success rates of businesses in South Africa and to prevent fly-by-night entities.

All tertiary academic institutions providing training and education on the subject field of entrepreneurship should be encouraged to include entrepreneurial orientation and its dimensions in their curriculums.

- Entrepreneurs should constantly seek for opportunities and act on good opportunities to maximise value for the enterprise. Taking the necessary risks should then strongly be considered, even if the same risks do not seem to be worth the effort to other entrepreneurs.
- Businesses older than five years are advised to start competing with each other rather than to still be focused on the existence and sustainability of it. By competing with other businesses creates an opportunity to become a market leader and to outperform competitors.
- Future South African entrepreneurs are further encouraged to do the necessary planning and organising and to obtain the reasonable skills before starting up a business, so effectively as to ensure sustainability and creation of wealth of the business. This effect will ultimately create value for the entrepreneur and a value contribution will be made to the South African GDP.

- In improving the current levels of entrepreneurial orientation in a business means for the entrepreneur to improve on the application of the dimensions of entrepreneurial orientation and also allowing employees appointed in positions of authority to improve on the application of these dimensions. It is proven that the dimensions of entrepreneurial orientation contribute to the success of a business.

4.4 ACHIEVEMENT OF THE STUDY OBJECTIVES

The success of this study is based on the realising of the primary and secondary objectives as defined in section 1.3 of chapter 1 of this study.

The primary objective of this study was to investigate the dimensions of entrepreneurial orientation in SMME's in South Africa as to the effect that these dimensions have on the perceived success of a business and to make recommendations to enhance business success and to promote entrepreneurial orientation.

To assist in achieving the primary objective, the following secondary objectives were formulated:

1. To define entrepreneurship and entrepreneurial orientation.
2. To obtain insight into corporate entrepreneurship and entrepreneurial orientation by means of a literature study.
3. To assess the entrepreneurial orientation within small and medium-sized businesses by means of a questionnaire.
4. To validate the reliability of the questionnaire by means of a statistical analysis.
5. To determine if any relationship exists between entrepreneurial orientation and the perceived success of the business.
6. To give suggestions and recommendations to small and medium-sized businesses to foster entrepreneurial orientation and innovation within the business.

The first secondary objective was to define entrepreneurial orientation and to gain insight into the five dimensions. This objective was achieved through the definition of entrepreneurial orientation and the five dimensions were discussed in detail in the literature review.

The second secondary objective namely, to obtain insight into corporate entrepreneurship and entrepreneurial orientation, was achieved through both the literature review and the empirical study. Aspects related to entrepreneurship and entrepreneurial orientation, such as the effect of knowledge and experience on business success were also discussed.

The third secondary objective was to assess the entrepreneurial orientation within small and medium-sized businesses. This was done by means of the empirical research process and the results were communicated in chapter 3 of this study.

The fourth secondary objective namely, to validate the reliability of the questionnaire by means of a statistical analysis, was achieved with Cronbach Alfa analysis. The result to this objective was presented with a discussion in chapter 3.

The fifth secondary objective namely, to determine if any relationship exists between entrepreneurial orientation and perceived business success, was achieved in chapter 3 of this study. Multiple linear regression analysis was used to determine this relationship. The findings from the research enabled the researcher to draw conclusions and to make relevant recommendations with regard to this objective.

The sixth secondary objective namely, to give suggestions and recommendations to small and medium-sized businesses and other role players to foster entrepreneurial orientation and innovation within the business, was achieved in section 4.3 of this chapter.

Through the achievement of all the secondary objectives it can therefore be concluded that the primary objective namely, to investigate the influence of the dimensions of entrepreneurial orientation on the perceived success of the participating small and medium-sized businesses and to make recommendations to enhance business success and to promote entrepreneurial orientation, was achieved.

4.5 SUGGESTION FOR FURTHER RESEARCH

This study on entrepreneurial orientation and its influence on business success was concluded with 43 participating businesses in the two provinces, North-West and Gauteng. The ideal would be to do a similar study including all the South African provinces with a sampling method other than a convenience sampling method to determine to an even more accurate extent the exact influence of entrepreneurial orientation on business success.

When similar studies are conducted on this subject matter care should be taken in the design of the questionnaire. The questionnaire developed by Lotz and Van der Merwe (2013) proved to be successful, but some entrepreneurs find it difficult to understand the statements and to respond to the questions, and they eventually require the assistance of the researcher.

In future measurements of business success, researchers can now consider including also the dimensions of entrepreneurial orientation as measures to success since both the empirical study and the literature review have proven it to be true. Other KPI's (key performance indicators) to success will include the financial performance of a business, the growth and development of a business and the sustainability of a business. Alternatively, a study can be conducted to prove that the dimensions of entrepreneurial orientation determine the levels of the KPI's.

With a reasonable amount of collected data on this subject matter a researcher can also establish if it is true for some dimensions in the EO-construct to influence and contribute

to each other. If this suspected phenomenon can be proved to be true the result will eventually lead to a reduced number of EO-dimensions.

4.6 CHAPTER SUMMARY

This chapter concluded this study on the influence of entrepreneurial orientation on perceived business success and this statement was found to be true. It is also clear that education has an influence on the way entrepreneurs think and it also contributes to entrepreneurial success. The study objectives were conclusive with accurate and interesting results. Entrepreneurs and managers should now look forward into a brighter business future.

From the conclusions a set of recommendation were made to various parties involved in order to improve on the general current situation, these recommendations include educating entrepreneurs towards entrepreneurial orientation and for entrepreneurs and managers to improve on applying the dimensions of entrepreneurial orientation in the business environment.

Suggestions for future research are then discussed with the idea of conducting a more comprehensive study on the same subject matter and including a larger population group. The subject of entrepreneurial orientation proved to be much more than a basic construct that meets the eye and deserves much more attention by researchers and entrepreneurs around the world.

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**APPENDIX A:
QUESTIONNAIRE**

Code number:

ENTREPRENEURIAL ORIENTATION

CONFIDENTIAL

**Researcher: Anton Venter
071 889 7845**

NWU
POTCHEFSTROOM
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NORTH-WEST UNIVERSITY ®
YUNIBESITI YA BOKONE-BOPHIRIMA
NOORDWES-UNIVERSITEIT
POTCHEFSTROOM CAMPUS

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

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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: ENTREPRENEURIAL ORIENTATION

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				
		1	2	3	4	5
A1	My employees have enough autonomy in their job to do their work without continual supervision.	1	2	3	4	5
A2	My business allows me and my employees to be creative and try different methods to do our 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	Employees seldom have to follow the same work methods or steps while performing 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.	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.	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

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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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
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.	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/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: PERCEIVED BUSINESS SUCCESS

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 = Strongly disagree	2 = Disagree	3 = Neutral	4 = Agree	5 = Strongly agree
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	STATEMENT	SCALE				
		1	2	3	4	5
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 operate?				
	Automotive	Agriculture	Clothing	Construction	Food
	Real estate	Retail	Wholesale	Manufacturing	Services
	Other: (Specify):				

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

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):			

THANK YOU FOR YOUR TIME.

Appendix B: Items measuring the variables

<i>ENTREPRENEURIAL ORIENTATION</i>
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).

PERCEIVED BUSINESS SUCCESS

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.