

Entrepreneurial Orientation and Business Performance: An Assessment of Start-up Companies

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ABSTRACT

The purpose of the present research is to analyse from the core constructive influence of entrepreneurial orientation (EO) (risk taking, innovativeness, and proactiveness) on the business performance (BP) of start-up enterprises. Various related literature aspects discussed for to embrace entrepreneurial orientation to increase business performance. Profitability index, size, age, return on sales, technological advancement, profit and sales among others used to relate EO with BP. Linear regression models, descriptive statistics, Pearson's correlation, Cronbach's Alpha for reliability test etc., among many used to relate statistically EO with BP. Sample of 53 start-up firms from Addis Ababa, Ethiopia, chosen for data interpretation. It is found out that there is a positive relationship exists between Entrepreneurial Orientation (EO) and Business performance (BP). This study wants to create awareness and knowledge among startup entrepreneurs to adopt entrepreneurship. In the global competitive and dynamic environment to outperform rivals, start-up companies expected to become entrepreneurial to meet long-term goals of superior performance by discovering new and better entrepreneurial opportunities. To focus more on entrepreneurial opportunity, attention be given on knowledge creation and understanding towards EO process, practices, and decisions making, which will help to have more competitive advantage for higher performances and as a whole develop countries economy.

Keywords-- Entrepreneurial Orientation (EO), Business Performance (BP), Innovativeness, Proactiveness, Risk-Taking

I. INTRODUCTION

Entrepreneurship considered as driver for economic development (Canina, Palacios, and Devece, 2012), has significant strategic importance for sustainable growth, competitive advantage and excellence (Zahra 1991; Collins 2001; Wiklund and Shepherd 2005; Balkenende 2007; Dalmeijer, 2009; Rauch, Wiklund, Lumpkin, and Frese, 2009), catalyst for job creation, living standard improvement and large-scale impact on economy (Uzochukwu, Lilian, and Chidiebere, 2015) among many. Entrepreneurship concept goes back to Richard Cantillon,

1755 (Hamilton and Harper, 1994). Entrepreneurship as defined, a value creating process, brings together unique resources for to exploit and maximise opportunity (Stevenson and Jarillo-Mossi, 1986). In the entrepreneurship definitions most commonly used themes included as creator of wealth, change, innovation, enterprise, employment, growth and value (Morris, Kuratko, and Covin, 2008). As per (Williams, Round, and Rodgers, 2010) there is little consensus about definition of Entrepreneurship. Specifically for Ethiopia, entrepreneurial orientation (EO) is more required as it is the major solution provider for main developmental challenges which include as per World Bank in Ethiopia, promoting rapid economic growth, accelerating poverty reduction, significant progress in job creation, improvement in living standards, etc.

The entrepreneurial orientation (EO) is one of the most crucial factors in the success of a business (Azlin, Amran, Afiza, and Zahariah, 2014). The concept of EO is relevant worldwide and several empirical studies conducted on it in the national contexts in different countries (Thorsten, Tina and Sascha, 2016). Again, several other studies conducted with the help of EO to estimate the performances of the firms (Hoq and Chauhan, 2011; Fauzul, Takenouchi and Yukiko, 2010; Tajeddini 2010; Schindehutte, Morris and Kocak, 2008; Wang, 2008). Quite a few meta-studies have indicated the positive relationship between EO and firm performance where EO uses the entrepreneurial practices of the firms from the perspectives of risk taking ability, pro-activity and innovativeness (Javalgi and Todd, 2011; Miller, 1983). EO viewed as the strategy development process that offer the companies a foundation for entrepreneurial decision-making process as also related other methods (Lumpkin and Dess, 1996; Wiklund and Shepherd, 2005).

These days, EO has become an important element of global strategy making process which can relate several aspects of management – especially strategy and entrepreneurship (Miller and Friesen, 1982). Modern EO models conjoined three key aspects of start-ups, viz. proactiveness, innovativeness, and risk taking (Covin and Slevin, 1989). The amount of risk taken by the entrepreneurs in general or the amount of risk they can take as far as the business growth is

concerned appreciably effects performance of the global organizations and business segments of the concerned organizations (Rauch et al., 2009).

EO is actually an advanced corporate strategy making system; it has several aspects like the organizational framework (Covin and Slevin, 1989) or the behaviour of management (Begley and Boyd, 1987). So, EO considered as a very suitable and effective process that helps to understand corporate entrepreneurship very closely. The corporate culture of modern times expects an organization be very much entrepreneurial for developing and surviving in the market. It is especially relevant for the start-ups that are new in the business and constantly under huge market pressure. So, EO is relevant for running a business successfully. The rationale behind adaptation of EO is that it is directly associated with the trend to gain opportunities in business which has a positive influence on performance of the organization (Wiklund, 1999).

The purpose of the present research is to analyse the real influence of entrepreneurial orientation on organizational productivity and profitability. This research will analyse the models of EO for examining its effects on the performance in the start-up firms in Addis Ababa, Ethiopia. The present research will check whether entrepreneurial orientation that have an impact on the business performance be reinforced during the phased of development of a start-up company.

II. LITERATURE REVIEW

2.1 Entrepreneurial Orientation (EO)

EO is usually accepted as a strategy for the top management on innovativeness, risk taking ability, and proactivity (Covin and Slevin, 1986; Lumpkin and Dess, 1996; Miller, 1983). Miller opined (1983), that the firm involved in product marketing and related innovations, at first work with utmost uncertainty in several aspects and then arise with all positive aspects in the market leaving their competitors behind. He further said that an organization could be entrepreneurial if it had the risk-taking capability regardless of their structural features. Covin and Slevin (1989), regarded EO as a single dimensional element and claimed that the three structural aspects, viz. innovativeness, proactivity, and risk taking of EO be merged into one dimension.

Initially, innovativeness is the foremost urgency in an entrepreneurship. It is the tendency to connect with modern approach and inventive measures that leads to new products and services (Miller, 1983). Innovation is adoption of new idea and / or behaviour (Zaltman, Duncan, and Holbek, 1973). Higher the innovation abilities more successful to dynamic conditions, new capabilities, to changes, and for better performance (Montes, Moreno, and Fernandez, 2004). Focus, cost leadership, and

differentiation are Porter's strategies related to innovation for performance (Porter, 1985). Then comes proactivity. It denotes an extension of the organizational leadership closely linked with market competence (Wiklund, 1999), outperform industry rivals (Lumpkin and Dess, 2001), offensive tactics continuously (Davidson, 1987), forcibly acting for to make changes not merely anticipating (Bateman and Crant, 1993). At the end, risk-taking is the amount to which an organization can take risk in terms of productivity and output (Covin and Slevin, 1991), failing and missing opportunity (Dickson and Giglierano, 1986), willingness for to commit resources, to carry out projects, activities, and solutions with high level of uncertainty for outcomes (Lumpkin and Dess, 1996). Constructive risk taking generates exploration and exploitation (Baird and Thomas, 1990), and prevents from inertia and inaction (Busenitz and Barney, 1997; Miller and Friesen, 1982).

Moreover, Lumpkin, and Dess (1996) purported that constructs of EO can separately differ from one another. Furthermore, Kreiser, Marino, and Weaver, (2002), purported that the alternatives to choose the dimension is dependent on goals to decide whether acuteness is more significant to ease, and whether a differential association anticipated between prime variables and sub-dimension.

Going against this uni-dimensional concept of EO, some researchers emphasized that EO be a multi-dimensional element and the above-mentioned three constructs can separately be focused (Lumpkin and Dess, 1996; Kreiser et al., 2002). Lumpkin and Dess (1996) opines that the constructs of EO have different features and different necessities. Kreiser et al., (2002) opined that all the constructs may not necessary at the same time.

2.2 Impacts of Entrepreneurial Performance

Theoretically, it's assumed that there could be a strong association between entrepreneurial orientation and organizational performance and the available real-world data confirmed the impact of EO.

The research of Mathew and Robert, (2007) showed that the effect of EO may make varied consequences in a managerial life-cycle. So, it is necessary to recognize the impacts of entrepreneurial orientation during the developmental stage of EO. Right now, no proven data is available on the correct implementation of EO, so it might be useful to show the characteristics of entrepreneurship development. This study will deconstruct the constituents of EO and investigate the performance impact of each during the developmental stage and then access models of EO. This will help to understand the EO from different perspectives.

2.3 Aspects of EO

The crucial facets of EO could be excavated from judgement of planning of small-scale business researches (Covin and Slevin, 1991; Miller, 1983; Miller and Friesen, 1978; Venkatraman, 1989a). According to the substructure

proposed by Miller (1983), there are three points of EO identified and recruited constantly in the sphere of analytical studies. Those three aspects are new strategies, taking challenges as well as positive way-out. Invention of new planning and the ability to involvement in novel trading operations along with testing with unused item and utilities. Additionally, the capacity to lead from the front by utilizing updated techniques and performing R&D as well as technical improvement is important. Taking challenges covers risky works for companies and personnel's by introducing new and inexperienced merchandising operations in novel spheres, high amount of lend activities as well as involving expansive capitals in works where results are unsure. Positive and active way and mentality means asking a chance to prove ability, while it also incorporates novel concepts, utilities by anticipating futuristic needs.

As per Lumpkin and Dess (1996), there are two vital points to direct small and new business ventures. These two aspects point the race and competition as well as free regulations etc. for EO. To stay in the market, competing with rivals at the forefront is important. The characteristics of strong competitive mentality lies in expansive condition of company as well as powerful actions against competition's operations. Freedom from any upper chairs is one such crucial point for autonomy of business ventures which has developmental targets. Several analysts have proposed that direction of business ventures has no specific point but amalgamation of different features of EO might be integrated to meet similar outcomes (Covin and Slevin, 1989; Knight, 1997). Recent academicians have propounded that different approaches could be grouped into various methods. Every single aspect dissipates a different approach as well as the autonomy of EO is also reflected here. Consequently, the outcomes of EO might be engaged in separate ways for producing company's output (George, 2006). Specifically, the developmental rationalizes about Entrepreneurial Orientation is possibly to occur in such a way so that analysts can separate the merits as well as demerits of replacement models of Entrepreneurial Orientation. Furthermore, the condition where replacement prototypes might be proper is also judged (Covin, Green, and Slevin, 2006). On the other hand, the different prototype ideas could be recruited, so with respect to positive or negative feedback thinking Entrepreneurial Orientation as singular or pluralistic idea. Differential approximation and analysis (before and after) can prove the ways of research work when the multi-aspects of Entrepreneurial Orientation were associated with execution in similar and different spheres.

2.4 Performance Relationship

The hypothetical construction of previous researches rests on the facts that companies make profits from innovation and new approaches along with faith and

trust upon themselves (Lumpkin and Dess, 1996). Living in an era of speedy changes and small items and entrepreneurial prototypes makes it mandatory to search for new initiatives and approaches for possible incomes. Henceforth, companies may meet profits by recruitment of Entrepreneurial Orientation. Furthermore, these kinds of companies produce new initiatives constantly at the time of taking risks in commodity-merchandising methods (Miller and Friesen, 1982). On a different note, trials to comprehend needs and specifically put item and utility result expansive production (Ireland, Hitt, and Sirmon, 2003). As a result, hypothetical arguments ensured that entrepreneurial orientation results in better execution.

2.5 Performance Assessment

Execution is a multi-scalar idea and it links between Entrepreneurial Orientation and execution of results that relied upon the differences which recruited to judgement such results (Lumpkin and Dess, 1996). As per assessment of these researches, good variation of execution signals which is a global distinguishing feature among the financial as well as non-financial works. Non-financial works cover targets such as satisfaction or fulfilment along with global manufacturing hierarchies, created by administration. Whereas financial works cover estimation of points such as sales tallies and funding-returns (Venkatraman and Ramanujam, 1986).

Regarding monetary outcomes, very less differences are there among different signals or exponents (Combs, 1986). Conceptually, variation between growth and infrastructural works and evidence of advantages be analysed without much difficulties. On the other hand, most of the points connected to each other hypothetically and analytically (Murphy, Trailer, and Hill, 1996). For example, companies might invest with great vigour on longer duration development, so there might be some compromises for small-scale profit structure. The idea of argument on the Entrepreneurial Orientation-executive association concentrated on financial aspects on largest amount. Business firms with greater EO can target more helpful scopes for achieving speedier development (Zahra and Covin, 1995). When it comes to the association between the Entrepreneurial Orientation along with non-financial targets, providing contentment of administration isn't the only stressed target. Previous works on financial execution have demonstrated the greater dependencies on primitive analysis or existing auxiliary information. On a different way, the primitive studies might cater good chances to estimate several points of execution such as analytical study of competitive companies. These spheres of researches might have some degree of partial attributes due to sociological demands as well as for few bindings of the technique.

III. RESEARCH ISSUES AND OBJECTIVES

As far as the current aim concerned, representation of analytical improvements to comprehend business and trade operations as well as rise of Entrepreneurial Orientation (EO) is the major aims.

In earlier analytical studies, a solid connection between Entrepreneurial Orientation (EO) and Business Performance (BP) in medium and smaller trading has established (Covin and Slevin, 1989; Wiklund and Shepherd, 2005). Although several empirical works claimed more elaborating work about company sizes because of its impact on the EO as well as its executive-connection (Lumpkin and Dess, 1996; Rauch et al., 2009; Wales, Wiklund, and McKelvie, 2015). Many literature studies suggested size of the firm affects firms performance (Poon, Ainuddin, and Junit, 2006; Covin et al., 2006; Wiklund and Shepherd, 2005) and its innovation capability (Herrera and Sánchez-González, 2012). Many earlier studies of EO and BP used often firm size as the controlling tool for to measure relationships (Fernández-Mesa, Alegre-Vidal, and Chiva-Gómez, 2012; Wales et al., 2015). Hence the analyst determined to apply different control systems in the empirical work to strengthen the analytical study. Such control systems are company size or measure / number of

human assets, duration or existence of business works and technical soundness to regulate the technologies and industrial designs.

Particular aims are as follows:

1. Inventing a connection between business direction and trade execution
2. Researching the ancestry of execution impacts of Entrepreneurial Orientation of booming start-ups.
3. Estimating the personal effects of EO on trade execution

IV. RESEARCH METHODOLOGY

Miller/Covin and Slevin (1989) EO estimation tool used. Business direction is usually evaluated utilizing nine-product psychometric tool created by Miller/Covin and Slevin 1989 (Covin, and Slevin, 1989). Apart from commonly used estimation standards, this tool can generate likewise outcomes in contrary of other standards, for developing Entrepreneurial orientation (EO). There are three parts inside this scale, those are, Innovativeness, proactiveness and risk-taking items. Empirical literature studies on Entrepreneurial Orientation (EO) reviews of Wales, Gupta, and Mousa (2013) observed around 80 percentage earlier studies used this conceptualization.

The Miller/Covin and Slevin (1989) EO Scale

| | | |
|---|---------------|--|
| Innovativeness items | | |
| In general, the top managers of my firm favor . . . | | |
| A strong emphasis on the marketing of tried-and-true products or services | 1 2 3 4 5 6 7 | A strong emphasis on R&D, technological leadership, and innovations |
| How many new lines of products or services has your firm marketed in the past five years (or since its establishment)? | | |
| No new lines of products or services | 1 2 3 4 5 6 7 | Very many new lines of products or services |
| Changes in product or service lines have been mostly of a minor nature | 1 2 3 4 5 6 7 | Changes in product or service lines have usually been quite dramatic |
| Proactiveness items | | |
| In dealing with its competitors, my firm . . . | | |
| Typically responds to actions which competitors initiate | 1 2 3 4 5 6 7 | Typically initiates actions to which competitors then respond |
| Is very seldom the first business to introduce new products/services, administrative techniques, operating technologies, etc. | 1 2 3 4 5 6 7 | Is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc. |
| Typically seeks to avoid competitive clashes, preferring a "live-and-let-live" posture | 1 2 3 4 5 6 7 | Typically adopts a very competitive, "undo-the-competitors" posture |
| Risk-taking items | | |
| In general, the top managers of my firm have . . . | | |
| A strong proclivity for low-risk projects (with normal and certain rates of return) | 1 2 3 4 5 6 7 | A strong proclivity for high-risk projects (with chances of very high returns) |
| In general, the top managers of my firm believe that . . . | | |
| Owing to the nature of the environment, it is best to explore it gradually via cautious, incremental behavior | 1 2 3 4 5 6 7 | Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's objectives |
| When confronted with decision-making situations involving uncertainty, my firm . . . | | |
| Typically adopts a cautious, "wait-and-see" posture in order to minimize the probability of making costly decisions | 1 2 3 4 5 6 7 | Typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities |

Every sale made by a company and their profitability index is the yardstick through which the business performance measured. There are other factors as well like the size of the firm, their age, and return on sales,

technological advancement, profit and sales among other things. For the analysis, 53 firms are used for the data interpretation and gathering the Intel on how the business performance was to measure. Reliability tested and tried

using the Cronbach's Alpha. This is a familiar and often used coefficient of reliability. EO and business performance (BP) have a deep relationship and the Pearson's correlation analysis was one such scale used to find significance of this relationship.

Entrepreneurial Orientation (EO) is known to have a constructive impact on business performance. Any external or internal situations or conditions that might lead significant or ingenious to the firm itself will also be ignored in this hypothesis.

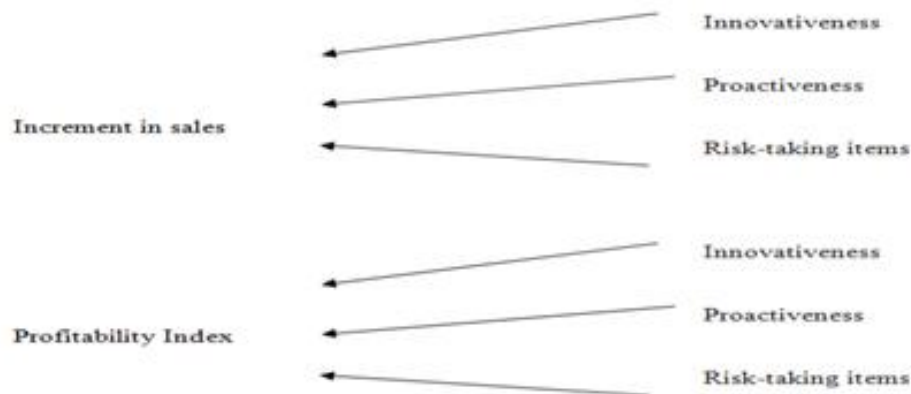
1. H₁: Innovativeness has a positive and significant impact on business performance.

2. H₂: Proactiveness has a positive and significant impact on business performance.

3. H₃: Risk-taking items have a positive and significant impact on business performance.

In order to find the relationship between EO and business performance, there were plenty of linear regression models used. The models that have illustrated below used sales and profitability index as their variables and then tested for the needed relationship between the factors.

Conceptual Frameworks



Some studies found that entrepreneurial orientation enables small firms or new ventures, which defined as firms newly built or less than ten years old (Lussier, 1995), to do better than competitors and enhance firm performance (Ireland et al., 2003; Lumpkin and Dess, 2001; Wiklund and Shepherd, 2005; Zahra and Garvis, 2000). Based on Lussier, (1995), current study considered start-up forms as firms newly built or less than ten years old taken into consideration.

Now, let us have a look at the tables and their respective data. In the table 1, the demographics of each firm have analysed. Here, the firms with sizes 6-10 were 47.2% and the remaining ones were 26%. Most of the firms were 3-4 years old which means they were a new start-up. However, most of these start-ups were of a technologically non-advanced category.

Table 3. Demographic profile of responding firms (n = 53)

| | Frequency | Percentage (%) |
|------------------|-----------|----------------|
| Firm size | | |
| 1-5 | 14 | 26.4 |
| 6-10 | 25 | 47.2 |
| 11-16 | 14 | 26.4 |
| Firm age | | |
| 1-2 | 7 | 13.2 |

| | | | |
|--|------|----|------|
| | 3-4 | 19 | 35.8 |
| | 5-6 | 17 | 32.1 |
| | 7-8 | 4 | 7.5 |
| Start-up | 9-10 | 6 | 11.3 |
| | Yes | 33 | 62.3 |
| | No | 20 | 37.7 |
| Technologically advanced industry | | | |
| | Yes | 8 | 15.1 |
| | No | 45 | 84.9 |

Table 3 focuses on another important measure the descriptive statistics of each firm. The firm age was around 4.8 years and the firm sizes were around 8. The average

profitability index and return on sales have also been found out through this equation. The average return on sales was 0.27 and profitability index was 1.48.

Table 4. Descriptive Statistics

| | Firm size | Firm age | Return on Sales | Profitability Index | Increment in sales | Profit | Investment |
|----------------|-----------|----------|-----------------|---------------------|--------------------|----------|------------|
| Mean | 8.1132 | 4.8491 | 0.27 | 1.476 | 69.09 | 83013.21 | 422458.113 |
| Std. Deviation | 3.69334 | 2.43687 | 0.15506 | 0.18797 | 44.162 | 41937.13 | 128770.527 |
| Variance | 13.641 | 5.938 | 0.024 | 0.035 | 1950.241 | 1.76E+09 | 1.66E+10 |
| Range | 15 | 10 | 0.63 | 0.66 | 140 | 142800 | 578000 |
| Minimum | 1 | 1 | 0.02 | 1.2 | 12 | 10200 | 52000 |
| Maximum | 16 | 11 | 0.65 | 1.86 | 152 | 153000 | 630000 |

Table 4 has gathered information about the reliability statistics. Here, the Cronbach's Alpha has found

out 0.875, which means that the internal reliability of this company is very high and the EO is also consistent.

Table 5. Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|------------------|--|------------|
| .875 | .879 | 9 |

The last column of the table 5 shows what the value of Cronbach's Alpha would be for when in case a specific variable item has deleted from the entire table. This

shows that removing any specific variable would always result in a lower Cronbach's Alpha value.

Table 6. Item-Total Statistics

| | Scale Mean if Item Deleted | Scale Variance if Item Deleted | Corrected Item-Total Correlation | Squared Multiple Correlation | Cronbach's Alpha if Item Deleted |
|--------|----------------------------|--------------------------------|----------------------------------|------------------------------|----------------------------------|
| Inn-1 | 37.6415 | 89.504 | .451 | .328 | .879 |
| Inn-2 | 38.4528 | 89.253 | .581 | .523 | .864 |
| Inn-3 | 37.7925 | 88.052 | .671 | .569 | .857 |
| Pro-1 | 37.1321 | 84.001 | .804 | .761 | .845 |
| Pro-2 | 37.6415 | 88.465 | .633 | .571 | .860 |
| Pro-3 | 36.9057 | 91.202 | .554 | .437 | .866 |
| Risk-1 | 36.6604 | 83.921 | .639 | .623 | .860 |
| Risk-2 | 37.4151 | 88.209 | .645 | .570 | .859 |
| Risk-3 | 37.5660 | 91.135 | .618 | .531 | .862 |

The correlation coefficients of EO and business performance measured in table 3. The performance related variables like sales, profitability index, profit and investments were positive and on the rise. This done with the factors of EO like innovativeness, risk taking and others. On the other hand, these variables were positive and

much correlated with the components of entrepreneurial orientation viz., Innovativeness, proactiveness and risk-taking items. Apart from estimating Cronbach's alpha coefficient of reliability, to investigate dimensionality of the scale, factor analysis was also performed.

Table 7. Communalities

| | Initial | Extraction |
|----|---------|------------|
| Q1 | 1.000 | .296 |
| Q2 | 1.000 | .478 |
| Q3 | 1.000 | .581 |
| Q4 | 1.000 | .731 |
| Q5 | 1.000 | .521 |
| Q6 | 1.000 | .434 |
| Q7 | 1.000 | .534 |
| Q8 | 1.000 | .537 |
| Q9 | 1.000 | .515 |

Extraction Method: Principal Component Analysis

Kaiser – Meyer – Olkin’s measure of sampling adequacy 0.815, Bartlett's test of sphericity Approx, Chi-Square 225.229 (p value <0.001).

Results in the table 7 shows that Kaiser – Meyer – Olkin’s measure of sampling adequacy was 0.815 (greater than 0.50 is considered acceptable). Bartlett’s test of Sphericity was significant (p <0.001).

Table 8. Total Variance Explained

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
|-----------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|
| | Total | % of Variance | Cumulative % | Total | % of Variance | Cumulative % |
| 1 | 4.627 | 51.410 | 51.410 | 4.627 | 51.410 | 51.410 |
| 2 | .976 | 10.839 | 62.249 | | | |
| 3 | .931 | 10.348 | 72.597 | | | |
| 4 | .750 | 8.330 | 80.927 | | | |
| 5 | .584 | 6.489 | 87.415 | | | |
| 6 | .420 | 4.672 | 92.087 | | | |
| 7 | .316 | 3.509 | 95.596 | | | |
| 8 | .232 | 2.579 | 98.175 | | | |
| 9 | .164 | 1.825 | 100.000 | | | |

Extraction Method: Principal Component Analysis.

From the Table 8, it’s observed that the Eigen value for the first part is 4.63, which is higher than the next part (0.976). First component accounts for 51.41% of the

total variance. This indicates that the scale items are uni-dimensional.

Table 9. Component Matrix^a

| | Component |
|----|-----------|
| | 1 |
| Q1 | .544 |
| Q2 | .691 |
| Q3 | .762 |
| Q4 | .855 |
| Q5 | .722 |
| Q6 | .659 |
| Q7 | .730 |

| | |
|----|------|
| Q8 | .733 |
| Q9 | .718 |

Extraction Method: Principal Component Analysis.

a. 1 component extracted.

Table 10. Correlation coefficients

| | | Innovativeness | Proactiveness | Risk-taking items |
|---------------------|---------------------|----------------|---------------|-------------------|
| Firm size | Pearson Correlation | -.516** | -.562** | -.339* |
| | Sig. (2-tailed) | 0 | 0 | 0.013 |
| | N | 53 | 53 | 53 |
| Firm age | Pearson Correlation | -0.06 | 0.14 | .292* |
| | Sig. (2-tailed) | 0.669 | 0.316 | 0.034 |
| | N | 53 | 53 | 53 |
| Return on Sales | Pearson Correlation | .805** | .643** | .597** |
| | Sig. (2-tailed) | 0 | 0 | 0 |
| | N | 53 | 53 | 53 |
| Profitability Index | Pearson Correlation | .708** | .549** | .542** |
| | Sig. (2-tailed) | 0 | 0 | 0 |
| | N | 53 | 53 | 53 |
| Increment in sales | Pearson Correlation | .621** | .515** | .397** |
| | Sig. (2-tailed) | 0 | 0 | 0.003 |
| | N | 53 | 53 | 53 |
| Profit | Pearson Correlation | .647** | .373** | .397** |
| | Sig. (2-tailed) | 0 | 0.006 | 0.003 |
| | N | 53 | 53 | 53 |
| Investment | Pearson Correlation | .411** | .320* | .358** |
| | Sig. (2-tailed) | 0.002 | 0.02 | 0.009 |
| | N | 53 | 53 | 53 |
| Innovativeness | Pearson Correlation | 1 | .761** | .644** |
| | Sig. (2-tailed) | | 0 | 0 |
| | N | 53 | 53 | 53 |
| Proactiveness | Pearson Correlation | .761** | 1 | .730** |
| | Sig. (2-tailed) | 0 | | 0 |
| | N | 53 | 53 | 53 |
| Risk-taking items | Pearson Correlation | .644** | .730** | 1 |
| | Sig. (2-tailed) | 0 | 0 | |

| | | | | |
|--|---|----|----|----|
| | N | 53 | 53 | 53 |
|--|---|----|----|----|

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

To understand the relationship between entrepreneurial orientation (EO) and business performance (BP), multiple regression analysis performed with business performance as the dependent variable and Innovativeness, proactiveness and risk-taking items as the independent variables. Two models built to analyse the relationship, in the model 1, dependent variable was Increment in sales and in the model 2, dependent variable was profitability index.

These two dependent variables used as these were not dependent on size of the responding firm.

In the following table, results of the model 1 have presented. Results indicated that Innovativeness had a positive and significant impact on the business performance of the firm. The overall model was significant as indicated by significant F value.

Table 11. Regression coefficients (Model 1)

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------------------|-----------------------------|------------|---------------------------|--------|-------|
| | B | Std. Error | Beta | | |
| (Constant) | -24.634 | 20.761 | | -1.187 | 0.241 |
| Innovativeness | 19.191 | 6.035 | 0.558 | 3.18 | 0.003 |
| Proactiveness | 4.656 | 6.884 | 0.133 | 0.676 | 0.502 |
| Risk-taking items | -1.945 | 5.494 | -0.059 | -0.354 | 0.725 |

Note: R Square 0.391, Adjusted R Square 0.354, F value 10.51, Sig <0.001

Results of the model 2 have depicted in the table. The overall model was statistically significant. Regression coefficients indicated that innovativeness had a positive and

significant impact on the business performance as measured by the profitability index.

Table 12. Regression coefficients (Model 2)

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|-------------------|-----------------------------|------------|---------------------------|--------|--------|
| | B | Std. Error | Beta | | |
| (Constant) | 1.009 | 0.079 | | 12.813 | <.0001 |
| Innovativeness | 0.096 | 0.023 | 0.653 | 4.175 | <0.001 |
| Proactiveness | -0.012 | 0.026 | -0.079 | -0.453 | 0.653 |
| Risk-taking items | 0.025 | 0.021 | 0.18 | 1.212 | 0.231 |

Note: R Square 0.516, Adjusted R Square 0.487, F value 17.44, Sig <0.001

V. RESULTS DISCUSSION

Present hypothesis suggested that the Entrepreneurial Orientation (EO) dimensions (risk, innovation and proactiveness) have the direct relationship with Business Performance (BP) for start-up companies. Consistent with similar results found in earlier research conducted by Kraus, Rigtering, Hughes, and Hosman, (2012); Karaoglu, Bayrakdaroglu, and San (2013); Muthee-

Mwangi and Ngugi (2014); Fatoki (2014); Matchaba - Hove and Vambe (2014).

Some other results were found inconsistent with current study such as Kaya and Agca (2009); and Coulthard (2007), who found out that entrepreneurial risk-taking behavior, has a negative relationship with firm's profitability. It also contradicted the finding of Boohene, Marfo-Yiadom, and Yeboah (2012), which found no significant relationship exists between risk-taking and

profitability. Swierczek and Ha (2003) found only positive partial relationship. Walter, Auer, and Ritter (2006) found EO is not directly related with BP. Slater and Narver (2000) did not find a significant relationship between EO and BP at all. Studies conducted by Wiklund and Shepherd (2005) found and concluded that EO not always but sometimes contributed to the improved performance.

Implications for Practice, Policy and Research

1. The above studies are important for to develop and promote small business enterprises.
2. This study may help the development agencies, state sponsors responsible for entrepreneurship development in Ethiopia and other developing countries.
3. Those who interested in their effort to promote their success, sustained growth and overall contribution to sustainable economic development goals in developing countries.

These research findings be interpreted in the light of the following limitations:

1. This study focused only on small and Start-up enterprises that operated in Addis Ababa Ethiopia. This may not applicable to large or medium scale enterprises.
2. Compatibility study in other urban areas in different communities may yield different and interesting insights. These could be addressed and be considered in future studies.

VI. CONCLUSION

This study wants to create awareness and knowledge among start-up entrepreneurs to adopt entrepreneurship. It was clear from both the correlation analysis and multiple linear regression models that EO had a positive and significant impact on the business performance. In both the regression models the relationship between business performance as measured by increment in sales and profitability index and with EO (Innovativeness, Proactiveness and Risk-taking items) were positive and significant.

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