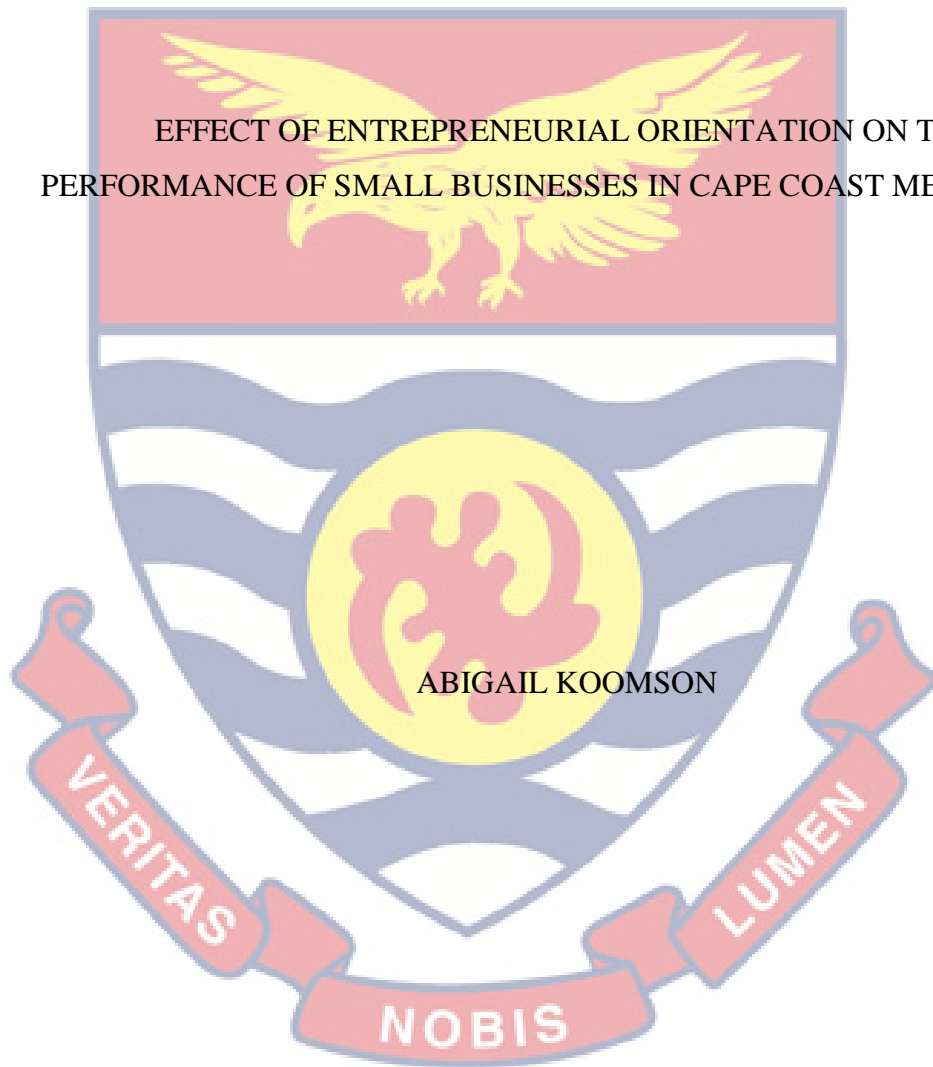


UNIVERSITY OF CAPE COAST

EFFECT OF ENTREPRENEURIAL ORIENTATION ON THE  
PERFORMANCE OF SMALL BUSINESSES IN CAPE COAST METROPOLIS



ABIGAIL KOOMSON

2022

UNIVERSITY OF CAPE COAST

EFFECT OF ENTREPRENEURIAL ORIENTATION ON THE  
PERFORMANCE OF SMALL BUSINESSES IN CAPE COAST METROPOLIS

BY

ABIGAIL KOOMSON

Dissertation submitted to the Centre for Entrepreneurship and Small Enterprise  
Development of School of Business, College of Humanities and Legal Studies,  
University of Cape Coast in partial fulfilment of the requirements for the award of  
Master of Administration (MBA) in Entrepreneurship and Small Enterprise  
Development

AUGUST 2022

## DECLARATION

### Candidate's Declaration

I therefore declare that this dissertation is the result of my own independent work and that no portion of it was submitted for another degree to this university or elsewhere.

Candidate's Signature ..... Date .....

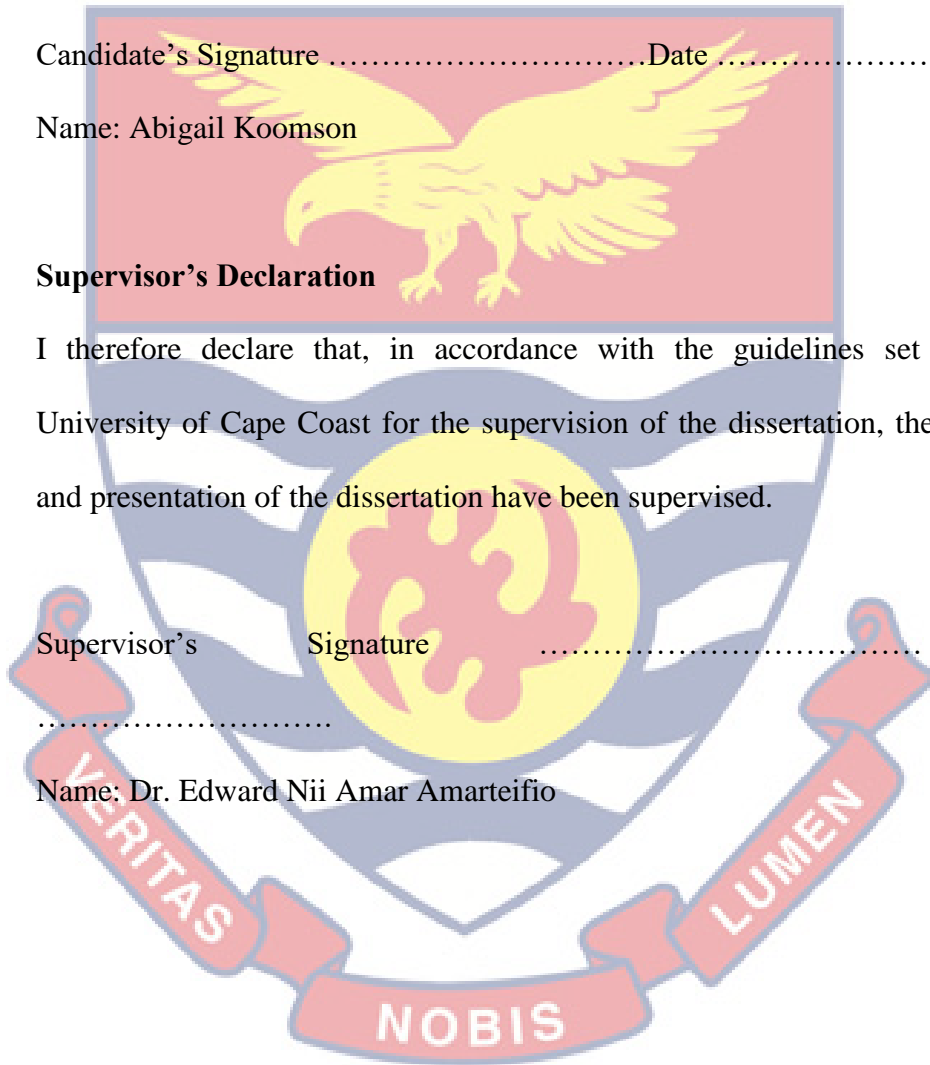
Name: Abigail Koomson

### Supervisor's Declaration

I therefore declare that, in accordance with the guidelines set out by the University of Cape Coast for the supervision of the dissertation, the preparation and presentation of the dissertation have been supervised.

Supervisor's Signature ..... Date

Name: Dr. Edward Nii Amar Amarteifio



## ABSTRACT

The study looked at the impact of creativity, pro-activeness and risk-taking on performance of small business in Cape Coast Metropolis. The study discussed the theory of firm development, resource-based theory, the principle of entrepreneurship orientation and small business performance evaluation as part of the theoretical and conceptual analysis. The thesis adopted the descriptive design discussed in a quantitative analysis. In all, 132 small businesses in the Cape Coast Metropolis were included in the study and the research employed a questionnaire to elicit the required data for the study. The study employed frequency tables and regression analysis to examine the level of entrepreneurial orientation between small businesses in Cape Coast Metropolis. The finding indicates that risk taking has an effect of the performance (profit growth) potential of sampled SMEs. the study found a significant relationship between age of business and firm performance. This finding indicates that the age of the sampled SMEs, whether young or old, has an effect on the performance of the business. The significant findings may be attributed to the fact that the more you stay in business the more you get experience to run the business effectively. Based on the results, it is suggested that managers of SMEs or entrepreneurs in Cape Coast Metropolis must be enrolled in effective entrepreneurial orientation programs to equip them with entrepreneurial knowledge, which will go a long way in helping them run their SMEs and other businesses effectively.

**KEYWORDS**

Entrepreneurial Orientation

Organisational Performance

Small and Medium Enterprises



## ACKNOWLEDGMENTS

My heartfelt gratitude goes to my supervisor Dr. Edward Nii Amar Amarteifio for his encouragement, directions and devoted supervision from the beginning of this dissertation to its logical conclusion. Finally, to anyone who has helped in the completion of this work in diverse ways. God Bless You Richly, I pray.



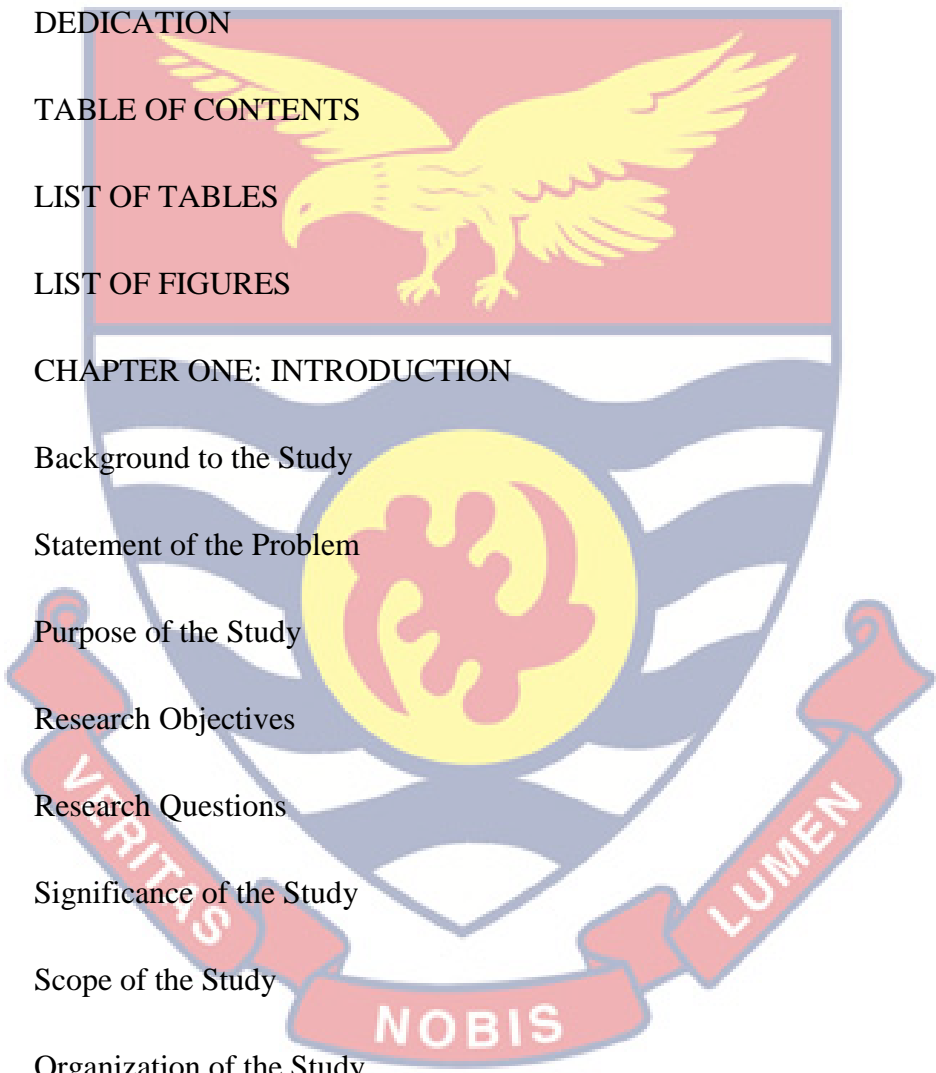
**DEDICATION**

To my family



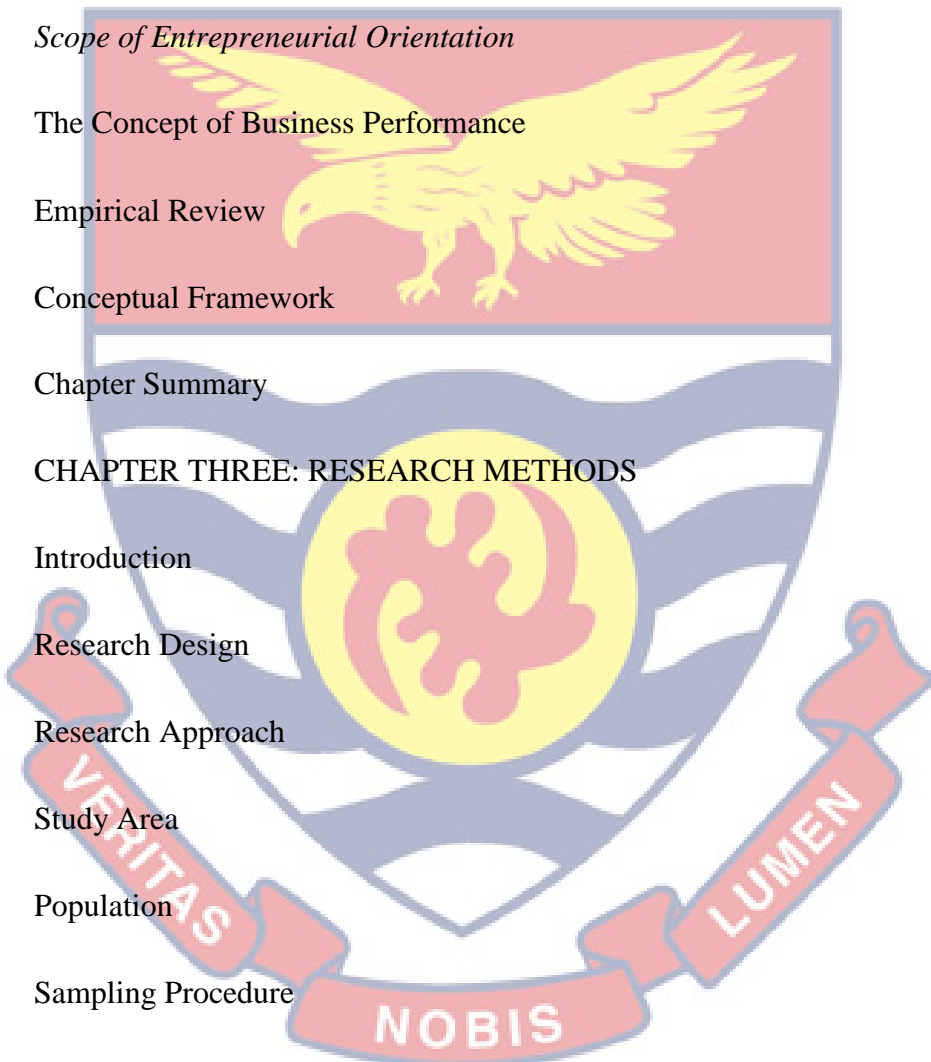
**TABLE OF CONTENTS**

DECLARATION	ii
ABSTRACT	iii
ACKNOWLEDGMENTS	v
DEDICATION	vi
TABLE OF CONTENTS	vii
LIST OF TABLES	xi
LIST OF FIGURES	xii
<b>CHAPTER ONE: INTRODUCTION</b>	
Background to the Study	1
Statement of the Problem	4
Purpose of the Study	6
Research Objectives	7
Research Questions	7
Significance of the Study	7
Scope of the Study	8
Organization of the Study	8
<b>CHAPTER TWO: LITERATURE REVIEW</b>	
Introduction	9
Theoretical Review	9

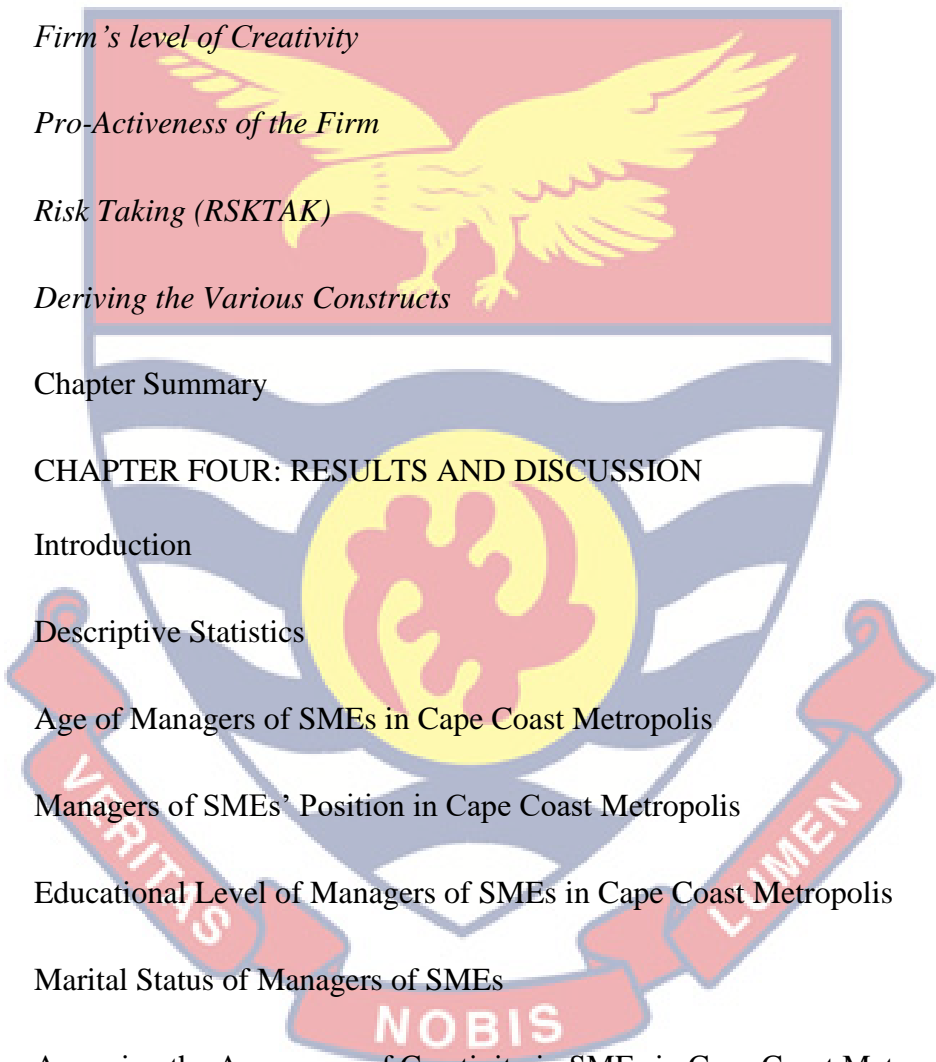




<i>Theory of Firm Growth</i>	9
<i>Resource Based Theory</i>	10
Small and Medium Scale Enterprises (SMEs) in Ghana	11
The Concept of Entrepreneurial Orientation	13
<i>Scope of Entrepreneurial Orientation</i>	14
The Concept of Business Performance	17
Empirical Review	18
Conceptual Framework	27
Chapter Summary	29
<b>CHAPTER THREE: RESEARCH METHODS</b>	
Introduction	30
Research Design	30
Research Approach	31
Study Area	32
Population	32
Sampling Procedure	33
Data Collection Instrument	34
Reliability and Validity of the Developed Questionnaire	35
Data Processing and Technique	35
Ethical Considerations	36



Model Specification	37
Measurement of Variables	38
<i>Firm Performance</i>	38
Measuring the Various Dimensions of Entrepreneurial Orientation	38
<i>Firm's level of Creativity</i>	38
<i>Pro-Activeness of the Firm</i>	39
<i>Risk Taking (RSKTAK)</i>	40
<i>Deriving the Various Constructs</i>	40
Chapter Summary	41
<b>CHAPTER FOUR: RESULTS AND DISCUSSION</b>	
Introduction	43
Descriptive Statistics	43
Age of Managers of SMEs in Cape Coast Metropolis	43
Managers of SMEs' Position in Cape Coast Metropolis	44
Educational Level of Managers of SMEs in Cape Coast Metropolis	45
Marital Status of Managers of SMEs	46
Assessing the Awareness of Creativity in SMEs in Cape Coast Metropolis	47
Assessing the Awareness of Risk-Taking in SMEs in Cape Coast Metropolis	



**Error! Bookmark not defined.**

Assessing the Awareness of Pro-Activeness in SMEs in Cape Coast Metropolis

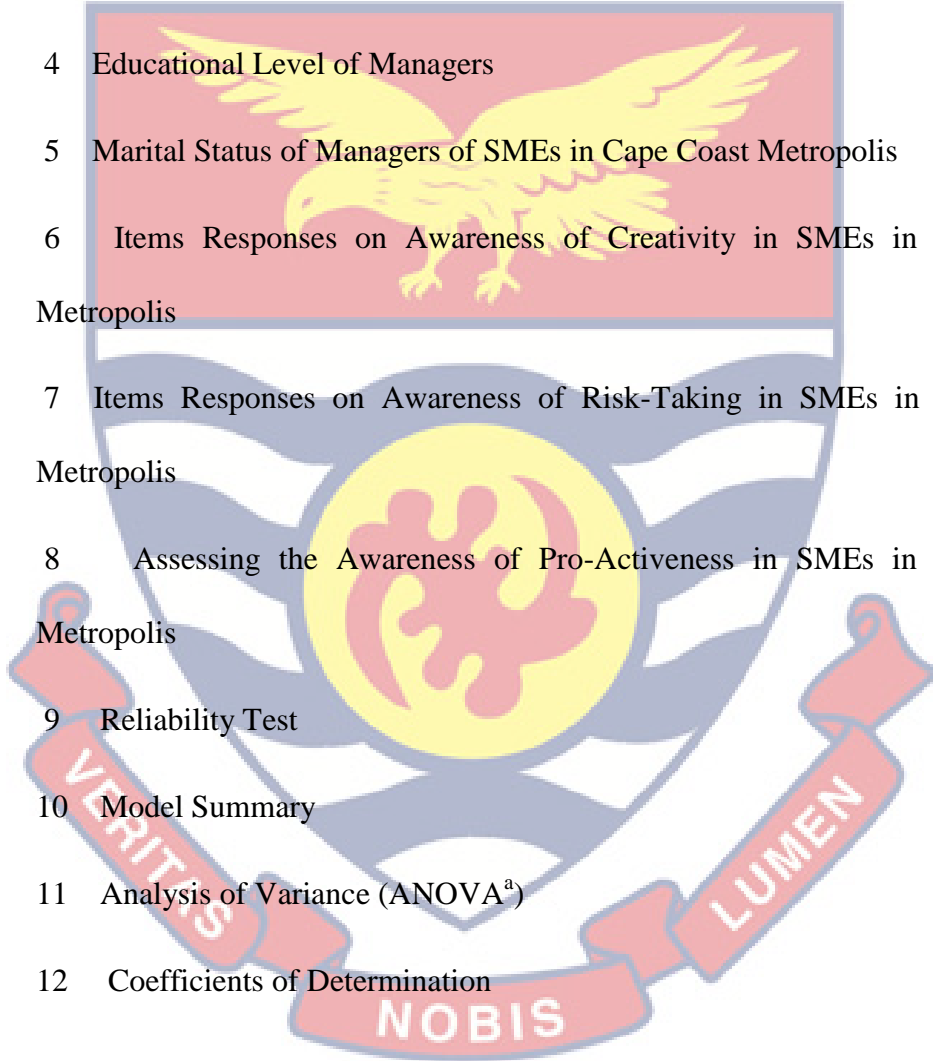
**Error! Bookmark not defined.**

Effect of Firm Creativity, Risk-Taking, and Pro-Activeness on Performance of SMEs in Cape Coast Metropolis	53
Reliability Test	53
Multiple Regression Analysis	53
Model Summary	54
Analysis of Variance	54
Coefficients of Determination	55
Discussion of the Findings	57
Chapter Summary	59
<b>CHAPTER FIVE:SUMMARY, CONCLUSIONS AND RECOMMENDATIONS</b>	
Introduction	60
Summary of the Study	60
Key Findings	61
Conclusions	62
Recommendations	64
Suggestions of Future Studies	65
REFERENCES	66
APPENDIX A	78



**LIST OF TABLES**

	Page
1 List of Variables and Expected Signs	38
2 Age Distribution of Managers	43
3 Managers' Position	44
4 Educational Level of Managers	45
5 Marital Status of Managers of SMEs in Cape Coast Metropolis	46
6 Items Responses on Awareness of Creativity in SMEs in Cape Coast Metropolis	47
7 Items Responses on Awareness of Risk-Taking in SMEs in Cape Coast Metropolis	49
8 Assessing the Awareness of Pro-Activeness in SMEs in Cape Coast Metropolis	51
9 Reliability Test	53
10 Model Summary	54
11 Analysis of Variance (ANOVA <sup>a</sup> )	54
12 Coefficients of Determination	55



## LIST OF FIGURES

	Page
1      Conceptual Framework	26

### LIST OF ACRONYMS

<b>ACCFIN</b>	Access to Finance
<b>AGEFM</b>	Age of Firm in years
<b>CRV</b>	Firm's Level of Creativity
<b>EO</b>	Entrepreneurial Orientation
<b>GSS</b>	Ghana Statistical Service
<b>NUMEMPLY</b>	Number of Employees in the company
<b>PFM</b>	Growth in Profit
<b>PRO</b>	Proactiveness
<b>ROS</b>	Return on Stocks
<b>RSK</b>	Risk Taking level of firm
<b>SMEs</b>	Small and Medium Enterprises
<b>SPSS</b>	Statistical Package for the Social Sciences
<b>ROA</b>	Return on Assets
<b>ANOVA</b>	Analysis of Variance

## CHAPTER ONE

### INTRODUCTION

This study aimed to identify the effect of entrepreneurial orientation on organizational performance of small businesses in Cape Coast Metropolis. Small businesses in Cape Coast Metropolis, Ghana was selected for this study. The contribution of small businesses on the economy and the private sector cannot be taken lightly because they provide employment to citizens and revenue to the government/state at large. However, small businesses over the years as an organisation underperform in terms of meeting their obligation to expand or continue in business in Ghana. One of the reasons accounting to this drawback is inadequate entrepreneurial orientation among managers of small businesses. It is from this assertion this study draws motivation to identify the the effect of entrepreneurial orientation on organizational performance of small businesses in Cape Coast Metropolis.

#### **Background to the Study**

For businesses in a variety of industries, the period of globalization has been a source of stress. Foreign goods and services can now easily flow into domestic industries as a result of globalization. Furthermore, domestic industries receive not only goods and services, but also human resources and other capital. Companies, particularly Small and Medium Enterprises (SMEs), are forced to compete in extremely tight markets as a result of globalization. SMEs in Ghana compete not just with Ghanaian-owned SMEs, but also with foreign-owned SMEs operating in the country. SMEs must also have a competitive advantage. Many



researches have been conducted to determine what competitive advantages businesses should have (Nuryakin & Retnawati, 2017). Having a large market share in comparison to competitors might be a competitive advantage. Entrepreneurial orientation, which includes creative products or services, price, cost, image, or transportation, can also provide a competitive advantage (Morgan, 2012). If a business has a competitive advantage, it will have an impact on both market and financial success (Nuryakin & Retnawati, 2016).

Companies with Entrepreneurial Orientation (EO) are defined as those engaged in technological innovation, risk-taking works, and proactively pursuit opportunities (Miller & Friesen, 2012). Entrepreneurial Orientation refers to processes, practices, and decision-making activities leading to new entries (Lumpkin & Dess, 2006). Entrepreneurial Orientation is a level of corporate phenomenon demonstrating processes, practices and decision-making activities that will lead the company to become a leader in new entry business. From a behavioural perspective, Covin and Slevin (2009) showed the conceptual model of Entrepreneurial Orientation based on entrepreneurial activity including innovative, proactive and risk-taking.

Business-oriented organizations will enhance Entrepreneurial Orientation behaviour in innovative forms, to be available in risk-taking work and always striving to produce new products through proactive behaviour to capture market opportunities (Covin & Slevin, 2009; Wiklund & Shepherd, 2005). Based on the above explanation, we can illustrate that firms must be consistently innovative, proactive and risk-taking to be labelled as "entrepreneurial".

Entrepreneurial orientation, described as the willingness of a business to innovate, take chances, and proactively seek market opportunities, has recently been recognized as one of the most significant rewards for the success of a company. Studies have found that higher growth and success correlate with the entrepreneurial orientation of a business (Amarteifio & Agbeblewu, 2020). Growth and success can also be related to the company's creative, pro-active and risk-taking behaviour, which refers to the entrepreneurial orientation component, especially the growth and sustainability of Small Medium Enterprises (Stam & Elfring, 2008).

Financial indicators and non-financial indicators are the two primary kinds of performance indicators. Financial indicators, also known as objective indicators, are used to assess the state of a business. These metrics include benefits, growth, profit margins, cash flow, and return on assets. Non-monetary or subjective performance measurements, on the other hand, frequently represent management or worker assessments of the firm's state. Customer satisfaction (Vij, & Bedi, 2016), employee participation (Moriarty, 2010), and increased self-sufficiency are some of the signs (Dzei, 2008). Although this method of evaluating performance has a lot of advantages, it also has a number of disadvantages.

Small and medium enterprises are the largest industry in Africa, accounting for almost 90 percent of all companies in rural and urban areas (Agyapong & Attram, 2019). Small and Medium Enterprises are a big avenue for people to work and accelerate the growth of countries by encouraging community

entrepreneurship and business skills (Maziriri & Chivandi, 2020). Small and Medium Enterprises are also seen as very critical determinants for achieving national development goals, such as reducing poverty and sub-regional economic growth (Veronica, Shlomo, Antonio & Victor, 2020). For example, in South Africa, SMEs account for approximately 46 percent of total economic activity and 84 percent of private employment. It is also reported that SMEs are considered to be around 80 percent of the formal business sector and 95 percent of the overall business sector (Axel Volkery & Klaus Jacob, 2004).

According to Kiyabo, and Isaga (2020), entrepreneurial orientation is a form of intangible means that can help a firm have competitive advantage since it leads to new products for customers, guaranteeing that firms continuously pursue new chances which allow businesses to make first-mover rewards (Rauch, Wiklund, Lumpkin & Frese, 2009). However, if SMEs are being innovative, they can stay and thereby increase growth. Again, by being proactive, SMEs can create first-mover advantage and consequently gain competitive advantage over their competitors. EO lets businesses collect and use information from multiple sources about future and current consumers, create a strategic strategy based on this data, and execute the plan in anticipation of new and unstated business developments ahead of their competition (Keh et al. 2007).

### **Statement of the Problem**

Chokesikarin (2014), Lee and Chu (2017), and Sun and Kim (2013) have all looked at the direct link between entrepreneurial orientation and business performance. Xie, Jia, Meng, and Li (2017) and Eren, Eren, Ayas, and Hacıoglu

(2013) found evidence of the mediating effect of customer satisfaction between firm performance and other variables other than entrepreneurial orientation, while Zehir, Gurol, Karaboga, and Kole (2016) look at entrepreneurial orientation as a mediator variable between strategic human resource management and business performance. Cui, Fan, Guo, and Fan (2018) discovered that characteristics including dynamic capabilities of absorptive capacity (ACAP) and boundary spanning mediate the favorable effect of entrepreneurial attitude on business performance. Zehir, Can, and Karaboga (2015) investigated the mediating effect of both differentiation strategy and innovation performance on the relationship between entrepreneurial approach and business performance in a similar way.

Kurtulmuş and Warner (2015), on the other hand, identified a vacuum in previous research by looking at the relationship between entrepreneurial orientation and the performance of small businesses (SMEs) in a developing country and discovering that it is ineffective. As a result, the research raises concerns regarding the nature of the link between entrepreneurial orientation and performance. Previous study has demonstrated that SMEs' ability to provide superior customer value and seek entrepreneurial opportunities influences their success (Buli, 2017), however in order to do so, SMEs must employ an integrated approach to entrepreneurial orientation.

Choi and Williams (2016) discovered that the association between entrepreneurial orientation and company performance on SMEs is mediated by market activity. Baker and Sinkula (2009) found that entrepreneurial and market orientation complement each other in small enterprises, resulting in improved

financial performance. The constructs of market orientation and market action were used in all of the research to account for various aspects of customer satisfaction.

The researcher determined the direct and indirect effects of entrepreneurial orientation on business performance through this study, which intend to provide empirical data in the context of SMEs in Ghana, a developing country. Studies by Yousif (2019), Kaizzer (2018) and Bossman (2017) identified a strong relation between entrepreneurial orientation and organisational performance. These studies raised concerned for further studies in different environments. However, because entrepreneurial orientation improve overtime, there is the need to examine if future improvements in entrepreneurial orientation still have effect on organisational performance in different jurisdiction.

As a result, the purpose of this research is to investigate and evaluate managers of small businesses in Cape Coast Metropolis' entrepreneurial orientation in order to see if improvement in entrepreneurial orientation still has any effect on small businesses' performance and to answer the question "To what extent have entrepreneurial orientation boosted organisational performance in Ghana (Small Business in Cape Coast Metropolis)?"

### **Purpose of the Study**

The aim of this research was to measure the effect of entrepreneurial orientation on the performance of SMEs in Cape Coast Metropolis.

### Research Objectives

1. Examine the rate of entrepreneurial orientation among SMEs in the Cape Coast Metropolis.
2. Evaluate the effects of creativity on the performance of SMEs in Cape Coast Metropolis.
3. Assess the effects of risk-taking on the performance of SMEs in Cape Coast Metropolis.
4. Determine the effects of pro-activity on the performance of SMEs in Cape Coast Metropolis.

### Research Hypothesis

H<sup>1</sup>: There is no entrepreneurial orientation among SMEs in the Cape Coast Metropolis.

H<sup>2</sup>: There is no influence of creativity on the performance of SMEs in Cape Coast Metropolis.

H<sup>3</sup>: Risk-taking do not have any influence on the performance of SMEs in Cape Coast Metropolis.

H<sup>4</sup>: Pro-activity do not have any influence on the performance of SMEs in Cape Coast Metropolis.

### Significance of the Study

From both theoretical and practical perspectives, this research is important. Initially, however, most academicians and researchers have dug deeper into the orientation and performance of entrepreneurship. The researcher accessed relevant literature on entrepreneurial orientation and performance which was skewed in favor of entrepreneurs in the Cape Coast Metropolis. It

would therefore also help bridge the gap in empirical literature, particularly in the context of SMEs, apart from the results of this study contributing to general knowledge on entrepreneurial orientation and success. Similarly, a comparison of results from similar studies as well as other studies from developing countries may encourage the outcome of this research.

### **Delimitation of the Study**

This research was restricted to SMEs such as barbing salons, carpenters, plumbers, etc. operating in the Cape Coast Metropolis. In addition, only three components of entrepreneurial orientation were discussed in the research, namely creativity, risk-taking and pro-activity. The study tests the degree of entrepreneurial orientation between barbing salons, carpenters, plumbers, etc. and the influence on their performance of the various dimensions of entrepreneurial orientation.

### **Organisation of the Study**

This research was structured into five sections. Section one, which is the introductory chapter, encompasses the study of the background, statement of the problem, objectives of the study, as well as the significance and scope of the study. The concept of entrepreneurial orientation started with Chapter Two and proceeded to review both theoretical and empirical literature applicable to the thesis. The methodology employed in conducting the analysis was presented in Chapter Three. Chapter Four described the conclusions and discussions with reference to related literature based on the study. Based on the study findings, the final chapter presents the review, conclusions and recommendations.

## CHAPTER TWO

### LITERATURE REVIEW

#### **Introduction**

This section presented the theoretical, empirical and conceptual review of literature pertinent to the study. As part of the theoretical and conceptual assessment, the study reviewed the theory of firm growth, resource-based theory, the notion of entrepreneurial orientation (EO), and measurement of business performance. The chapter also included an empirical review of works on entrepreneurial orientation (EO) and performance. Chapter Two ends with the chapter summary.

#### **Theoretical Review**

##### ***Theory of Firm Growth***

The theory of firm growth, proposed by Edith Penrose in 1959, led to the beginning of the Firm's Resource Based View, which is the prevailing view in today's tactical management study. According to the theory, firm growth or performance is a dynamic process resulting from the interaction between management and resources owned or accessible to the business. A company is defined by Penrose as 'a collection of physical and human resources (productive). It is 'an administrative planning unit, the activities of which are interrelated and



are coordinated by policies which are framed in the light of their effect on the enterprise as a whole”.

Penrose also distinguished two types of assets: physical and human resources. The physical assets are bundles of assertions that can be seen and potential services can be produced. Example is the size of a firm. Whereas human capital include managers' abilities and level of knowledge. As part of the human resources without which the continued growth of a company is precluded, she identified 'enterprising managers.' Alternatively, more generally speaking, the existing human resources of a company provide both an incentive to expand and a limit to the growth rate. From a knowledge point of view, the growth rate of a company is limited by the growth of knowledge within it, but the size of a company by the extent to which its expanding limits can continue to be reached by administrative efficiency.

### ***Resource Based Theory***

Expounded by Barney (1991) in his article titled “Firm Resources and Sustained Competitive Advantage”, the resource-based model sees strategic resources as key to superior firm performance. In other words, strategic resources are the main determinants of firm performance. The theory provides four metrics for differentiating strategic resource from ordinary resources. The first being value. Value refers to the power to create or leverage opportunity or minimize threat. Examples include an in-house manufacturing process that provide product specifications at less cost than competitors, strong brand that support premium pricing. The second metric is rarity.

Rarity refers to the uniqueness of the resources of a company, according to Barney (2001). The third metric is that the resource should be difficult to imitate. The final metric is sustainability. How long can the resource continue to support superior performance? The theory classifies resources into two categorized, namely: tangible and intangible. Tangible resources as the name connotes, refers to asserts that can readily be seen, touched, and measured. In comparison, impalpable resources are difficult to see, to hold, or to measure.

It involves employee knowledge and ability, the credibility of a business, and the culture of a company. The firm can own the resources directly or can be accessed by it from a third party (Platts & Bourne, 2003). Over the decades, several empirical works have examined how resources affect firm performance (Kiyabo, & Isaga, 2020; Omer & Shu, 2016; Keh & Na, 2007; Platts & Bourne, 2003). In this study were expand the concept of firm resources to include entrepreneurial orientation. According to Kiyabo and Isaga, (2020), entrepreneurial inclination is a form of intangible capital that can help a firm have competitive advantage since it leads to new entry.

### **Small and Medium Scale Enterprises (SMEs) in Ghana**

The criteria for classifying firms into small, medium and large-scale businesses varies from country to country, author to author and by institution. In some countries, classification of firms is based on total number of employees whiles other countries use the monetary value of total fixed asset. In Ghana, two definitions are prolific in empirical literature-one by the Ghana statistical service and the other by the National Board for Small Scale Industries.

Companies with fewer than 10 workers are categorized as small, according to the Ghana Statistical Service (GSS), while companies with 10 or more workers are considered medium and large-scale enterprises. However, the Ghana Enterprises Agency provides an alternate definition for SMEs. SMEs are classified as companies with no more than 9 (nine) workers and machinery and equipment with no more than 10 million Ghanaian employees. There is little doubt, irrespective of the concept adopted, that SMEs play a significant part in the economy of Ghana. According to the largest figures from the Ghana statistical service, close to 50 percent of companies in Ghana are SMEs.

These companies cut across all the sectors of the economy, from the manufacturing sector to the service industry and provide employment for Ghana's youthful population and urban and rural areas. In the urban areas, most SMEs are into retailing, with registered offices, others also operate in open spaces, and temporary wooden structures. In the rural areas, most SMEs are into manufacturing. According to Alliance for Action (2010), most of the SMEs in Ghana are owned by people with little heights of educational attainment where labour force of these firms consists of family members and apprentices who work for no or minimal pay. Other particular attribute of SMEs in Ghana is their affinity with women. Females own most of the SMEs in Ghana (Alliance for Action, 2016).

Despite their eminence importance to the country, SMEs in Ghana face several challenges that hamper their performance. The access to finance is among the problems facing SMEs in Ghana. Most SMEs operate as small informal

businesses and are in no position to meet the collateral requirements of the formal banks (Binks et al., 1992). Faced with no other alternative, SMEs are therefore forced to accept loans from informal institutions at very high interest rates.

In a study by Abor and Quartey, (2010) that examined the constraints faced by SMEs in Ghana, lack of adequate managerial competence was mentioned as the second largest problem facing SMEs. The majority of small and medium-sized businesses are owned and run by people with low levels of education and managerial experience. This affects their ability to properly manage their operations of the business. There is also the additional problem of restricted access to international markets. Synonymous with most SMEs in Africa, the produce/output of most SMEs do most not meet the strict requirements of developed countries thereby restricting their access to the market of developed countries (Abor, & Quartey, 2010).

### **Concept of Entrepreneurial Orientation**

Over the decades, a number of authors have expounded on what constitutes entrepreneurial orientation. Although writings on entrepreneurial orientation pre-dates the Miller's article on entrepreneurial orientation, He is widely acknowledged for laying the foundations of entrepreneurial orientation (Linton, 2016). In his widely cited article titled "The correlates of entrepreneurship in three types of firms", he described an entrepreneurial company as one that participates in innovation in the product market, undertakes rather risky projects, and is the first to come up with 'proactive' inventions, beating rivals to the punch. Entrepreneurial orientation can be split into three

board categories, according to Miller, namely creativity, risk-taking, and pro-activity. A major drawback in Millers conceptualization is his inability to perceive EO as a continuum rather than a binary value.

Building on the works of Miller, Covin and Selvin (1991) also conceptualized EO as a scale alternating from conformist to entrepreneurial and developed a nine-item scale to measure EO. The items capture the various dimensions highlighted by Miller. Lumpkin and Dess (2001) in an article further elucidated on the concept of entrepreneurial orientation by making a clear distinction between entrepreneurial orientation and entrepreneurship. According to them, fresh admission is the deed of initiating new ideas whiles Entrepreneurial orientation (EO) applies to the procedures that a fresh admission undergoes. In addition to distinguishing EO from entrepreneurship, they also expanded the dimensions of entrepreneurial orientation to include autonomy and competitiveness.

### ***Scope of Entrepreneurial Orientation***

As already highlighted in the paragraphs above, entrepreneurial orientation is widely acknowledged as a multidimensional concept. Over the decades several authors have expatiated on the various dimensions of EO. In the ensuing paragraphs below, we examine in detail the various magnitudes of entrepreneurial orientation.

### ***Proactiveness***

The Webster dictionary defines proactiveness as “acting in anticipation of future problems, needs and changes”. According to Lieberman and Montgomey

(1988), the importance of proactiveness aspect of entrepreneurial orientation cannot be overemphasized as it ensures capitalization of market opportunities. In other words, firms that have proactive in pursuing new opportunities and markets can apprehend unusual great profit and get a head start in launching and acknowledgement. Some of the early writers to who operationalized proactiveness was Miller and Friesen. According to Miller and Friesen, a company's proactivity is calculated by addressing the question, "Does it influence the environment by developing fresh products or services?" Whenever a business is proactive in its dealings and decision making, they perform greatly (Meyers, 20018).

#### *Competitive Aggressiveness*

Closely related to the concept of proactiveness is competitive aggressiveness. Indeed, authors such as argue that the two terms are the same and can be used interchangeably. However, authors such as Lumber and likes, argue the competitive aggressiveness is distinctly different from proactiveness. Competitive aggressiveness refers to the tendency of a business to challenge its competitors directly and intensively to gain entry or enhance position, that is, to outperform industry rivals in the marketplace. This dimension of EO is particularly important for new entrants, who need to so as to survive. New entrants usually face stiff competition from old established firms. According to Njae (2018), when managers of small business are able to enrol in training and developmental programs to enhance their knowledge in running their business, they tend to perform better which affect their firm's performance.

#### *Creativity*

Innovation was first emphasized by Schumpeter (1942) and widely acknowledged as a key aspect of EO. It relates to the affinity of a company for fresh ideas, innovation, experimentation and creative processes that can lead to new products and inventions or promote fresh ideas. Small businesses who took creativity in running their business seriously really saw improvement in their performance in Sweden (Carpenter, 2018). Modernization can take several forms; with perhaps the most noted being technological innovation.

### *Risk-Taking*

Another aspect of entrepreneurial orientation that has received a lot of empirical attention is risk-taking. Risk defies one universal understanding and varies by industry or sector of interest. In the context of the degree to which managers are prepared to make significant and risky commitments is seen as "EO." Therefore, those with fair chances of costly failure are (Miller, 1987). In the early stages of the development of the concept of EO, EO was equated to entrepreneurship and so risk was usually investigated at the personal level. According to Khan (2018), the higher, the higher the reward. However, if a business takes a well calculated risk, it performs well by reaping a lot of income.

However, as authors such as Lumber have distinguished between EO and entrepreneurship, risk is continually being investigated at the firm level. Indeed, Lumber argues that every enterprise in the world face some level of danger, however the levels of danger entrancing vary from low risks such as putting cash at the bank, buying T-Bills, refilling the tables to high risks (e.g., investing heavily in a new untested technology, bringing new products into the markets).

An area of contention is how to adequately measure risk. Brockhaus, for example used risk propensity to measure risk. However, according Kwame such definition and operationalization obscures related concepts such as risk propensity, risk preference and risk behaviour.

### *Autonomy*

Autonomy, according to Lumber (2019), refers to an individual or a team's independent action in general in bringing forward a thought or a vision and performing it through to finalization. In the context of organizations, autonomy refers to an environment that allows/promotes creativity and promising ideas of individual members or units of an organization to take actions and initiatives without stifling organizational constraints such as resource availability. According to Henssen, Voordeckers, Lambrechts and Koiranen (2014) the extent of autonomy within a firm is influenced by the size of the firm, management style, and ownership.

One-way companies can ensure autonomy, according to Carpenter (2020), is by instituting entrepreneurial heroes who encourage entrepreneurship development within companies by insulating new enterprise inventors from organizational standards. Lumber (2019) found out that, when a firm is autonomous, it had a positive influence on its performance.

### **Concept of Business Performance**

An examination of empirical literature indicates that measurement of performance defies one single uniform approach. The varied approaches in



measuring performance reflect the broad nature of the concept itself. Firm performance connotes the extent to which both monetary and non-monetary objectives of a firm are accomplished through the execution of tactics, marketing and strategy. The varied approaches in measuring performance are also in part from the difficulty in obtaining firm level data. One firm are either unwilling to voluntary give data about their financial firms whereas others, particularly SMEs are noted for poor data records.

Performance indicators can be grouped under two broad categories, namely financial indicators and non-financial indicators. The financial indicators also known as objective indicators measure the state of the company. Benefit, growth, profit margins, cash flow, and return on assets are among these indicators. The non-monetary or subjective measures of performance on the other hand usually reflect the perceptions of management or workers about the state of the firm. It includes indicators such as customer satisfaction (Vij, & Bedi, 2016) and employee participation (Moriarty, 2010), increase in self-sufficiency (Dzei, 2008). Although this mode of measuring performance has a number of advantages, they are several drawbacks to it.

### **Empirical Review**

This section covers the empirical section of the study. Back in 1986, observational research investigated the impact of EO on success dates. Molina-Azorín, Claver-Cortés, Pereira-Moliner and Tarí (2009) have investigated the determinants of entrepreneurship and its effect on the financial results of US firms. The sample frame for the study was the Fortune 500 list. In all, 59 US

companies covering 5 industries (i.e., 16 electronic producing companies, 11 food producing companies, 14 companies in the chemical industries, and 7 paper producing companies) were selected from the list. The research used ROI and the net-income-to-sales ratio as financial performance benchmarks. In three dimensions, entrepreneurial orientation was calculated. The study revealed the multidimensional existence of EO and its effect on the relationship between company efficiency.

Employing a larger sample size data from 111 manufacturing firms, McKenny, Short, Ketchen, Payne and Moss (2018) also examined the strategic configurations and performance stages of conformist and entrepreneurial businesses. Similar to Zahra et al study, this study adopted a cross sectional design. Due to the unavailability of public financial statements of the sampled small firms, the study adopted subjective self-reported measures of financial performance. The study used varied estimation techniques including discriminant analysis, and t-tests to achieve its objectives. Entrepreneurial orientation (captured in the study as strategic posture) was measured using a 9-item scale. The items consisted of questions that assessed a business's propensity concerning goods innovation, proactiveness and risk-taking. A cumulative mean rating from these questions was applied to decide the level of business orientation. Per the findings of the study, entrepreneurial firms have different strategic behaviour from conservative firms. Further to this, entrepreneurial firms outperformed conservative firms in terms of growth, financial and operational performance.

Building on his earlier work, Lumpkin and Dess (2001) examined whether environmental factors restrained the connection between entrepreneurial orientation and business revenue. Similar to earlier works, the design was cross-sectional in nature and mainly covered firms. However, unlike the work of Wang (2008), the study only concentrated on businesses in the industrial division. The findings indicated that hostile environmental factors restrained the connection between entrepreneurial orientation and business revenue.

Li, Huang and Tsai (2009) examined the longitudinal effect of entrepreneurial orientation on company performance, contrary to the earlier cross-sectional study by Zahra (2008), which focused on the short-term implications of entrepreneurial behavior. In addition, the study also analyzed the effect on the relationship between entrepreneurial orientation and firm performance of contextual factors. In doing so, the study used annual primary and secondary data covering a period of 7 years. The sample consisted of 24 medium-sized manufacturing companies representing 14 segments of the industry, 39 chemical companies and 59 Fortune 500 companies. Performance of the firms was assessed using return on stocks (ROS) and return on assets (ROA). The study results show that entrepreneurial orientation has a modest impact on company performance in the short term and increases over time. The outcome of the research also revealed that entrepreneurial orientation among companies operating in hostile business settings seems to be a particularly effective strategic practice.

Deutscher, Zapkau, Schwens, Baum and Kabst (2016) examined the predictive power of both the contingency and configurational approaches in

explaining the EO-performance connection. Longitudinal data, spanning a period of 5 years was sourced from 32 US companies was used for the study. The results indicated that configurational approach has greater predictive power than contingency approaches. Walter, Auer and Ritter (2006) also analysed the sustainability of the EO-performance connection. Akin to the research by Lumpkin and Dess, the study used longitudinal data spanning a period of 3 years covering a total of 132 small Swedish firms. Performance was measured using 7 item response scale; 3 financial and 4 growth measures. The results backed an optimistic EO-performance connection with availability to credit having the biggest effect. In 2001, Barrett, Reardon and Webb (2001) also examined whether market mix moderate the relationship EO-performance relationship. In all, 142 firms were used for the study. Firm's performance was measured by two judgmental questions. The results indicate that marketing mix factors restrained the connection among EO and business revenue for large firms.

Goosen et al (2002) also analysed the connection among entrepreneurial orientation and revenue of firms in South Africa. However, by employing a cross-sectional design, the research suffered similar boundaries with the studies of that also employed same research design. Some few experiments have explored how success is influenced by different aspects of entrepreneurial intention. For instance, Keisen and Davis (2010) in a conceptual paper examined how the various sub- magnitudes of entrepreneurial orientation affect revenue of firms. The research further explored whether organizational structure moderate the relationship. Wales et al., (2013) also examined the moderating role of

capabilities. The study used a total of 258 Swedish firms. The results suggest that EO returns to success are dictated by communication technologies and network capabilities.

In the quest to add more understanding to literature, Rezaei and Ort (2018) also examined how the three magnitudes of EO (innovation, proactiveness, risk-taking) affect the practical performance of businesses. The study focused on high tech small-to-medium-scale firms and collected cross-sectional data from a total of 279 firms. To estimate the target, the study used structural equation modelling. The results of the study showed that EO dimensions are related to the output of company functions in various ways.

A few studies have also focused on the African continent. For instance, Okangi (2019) estimated the impact of entrepreneurial orientation on productivity progress of production businesses in Tanzania. The Contractors Registration Board of Tanzania database was used as the sample frame from which a total of 338 firms spanning six regions was selected using the systematic sampling technique. Systematic sampling method was used in selecting 132 construction firms covering 6 regions. In order to account for any confounding effect in our model, the study in addition to the focus variables included a number of control variables (including employees, firm size, and location) in the research. The study findings show that creativity and risk-taking have a positive impact on profitability growth for local firms in Tanzania, while proactivity has a substantial negative effect.

Similarly, Ngek and Zyl (2017) also examined the impact of entrepreneurial orientation and its dimensional variables on business growth among SMEs in South Africa. Firm growth was captured by three variables, namely; employment, sales, and asset growth). A two-stage sampling technique was used in arriving at the final sample for the research. The first phase entails the use of the technique of stratified sampling to select three study locations. Subsequently, the snowball sampling technique was used in identifying 285 SMEs for the study. The results indicated that most SMEs had moderate entrepreneurial orientation. The findings also showed that entrepreneurial orientation had a beneficial impact on SME development (employment and sales). Often, the results established the emergence of proactive innovation, following the SME dimensions. The only variable that reported a positive impact on employment and claims growth was risk taking.

In Ghana, Boohene, Marfo-Yiadom and Yeboah (2012) also analysed the consequence of EO on accomplishment of Auto Artisans in the Cape Coast Metropolis. Using stratified sampling technique, a total of firms was identified for the study. Data was obtained via self-administered questionnaires. The findings revealed that the dimensions of entrepreneurial orientation have a significant and optimistic personal and composite impact on performance.

The effects of individual EO dimensions were found to vary independently with firm growth, according to Hughes and Morgan (2007) and Rauch et al. (2009). In those studies, the dimensions of pro-activity and innovation were found to be positively related to the performance and growth of the company, while the

risk-taking dimension was negatively related to the performance and growth of companies. Another contradictory finding on the effects of EO on business growth is from a study by Naldi et al. (2007) in which a negative relationship with business growth was shown by the risk-taking variable.

Other studies have also examined the moderating effect of other variables such as managerial power, commitment to long term objective, contextual factors, and other key institutional variables. For instance, Davis, Bell, Payne and Kreser (2010) examined the curbing consequence of executive supremacy on the relationship among entrepreneurial power and business accomplishment. The sample population for the research contained of present and previous executive and expert MBA students. In his research, the primary variables and concepts considered include: (1) entrepreneurial orientation, (2) bragging rights power, (3) systemic power, (4) formal authority, (5) company performance (measured using net profit). Using previous works which examined these variables, the prestige, structural and expert power constructs were developed. Prestige and expert power appear to have a positive impact on company performance, according to the results of the study.

Similarly, Zahra and Covin (1995) also explored the influence of contextual factors on the relationship between entrepreneurial factors and firm output. The study employed three constructs considered in all, 69 US manufacturing firms, 50 chemicals companies, 59 Fortune 500 corporations' Annual secondary data covering a period of 7 years was used for the study. The use of longitudinal data firm performance was assessed using return on stocks

(ROS) and return on asset (ROA). The findings indicate that corporate entrepreneurship has modest impact above the first rare years, but rises over time. Lumpkin and Dess (1996) examined the predictive power of both the contingency and configuration approaches in explaining the EO-performance relationship. Longitudinal data, spanning a period of 5 years was sourced from 32 US companies was used for the study. The results indicated that configuration approach has better prognostic supremacy than likelihood methodologies.

In like manner, Simon, Stanchel and Covin (2011) also examined whether commitment to long-term objective moderates the connection among entrepreneurial orientation and business accomplishment. The research focused on small, high-technology businesses. In all, the research used a sample 126 firms selected through simple random sampling. The survey suggests that adherence to targets was correlated with a higher increase in sales growth of firms with a high entrepreneurial orientation relative to those with a low EO. Some of the boundaries of the research comprise the inability to specify the sampling procedure and also the use of cross-sectional data, which is able to analysis only the short-term effects.

Zehir, Can and Karaboga (2015) also explored the role of differentiation strategy and innovation efficiency. The survey was carried out in 2014 on 991 middle and senior managers of 331 medium and large-scale manufacturing companies in Turkey. In line with previous empirical literature, entrepreneurial orientation was measured under 5 dimensions, namely, proactiveness, competitive aggressiveness, innovation, risk propensity, and autonomy. The results of the



study showed that the relationship between EO and firm performance is influenced by both differentiation strategy and innovation performance. Moreover, the findings suggest that the relationship between EO and innovation success is mediated by the differentiation strategy.

Keh, Nguyen, and Ngi (2007) also examined among other objectives, whether marketing information mediate the connection among marketing information and business accomplishment. Cross-sectional data of Singaporean firms were used for the research. The findings show that the use of marketing mix decisions partly facilitates the link among entrepreneurial orientation and corporate results. The findings also show that entrepreneurial orientation plays an important role in the collection and use of consumer knowledge for marketing information.

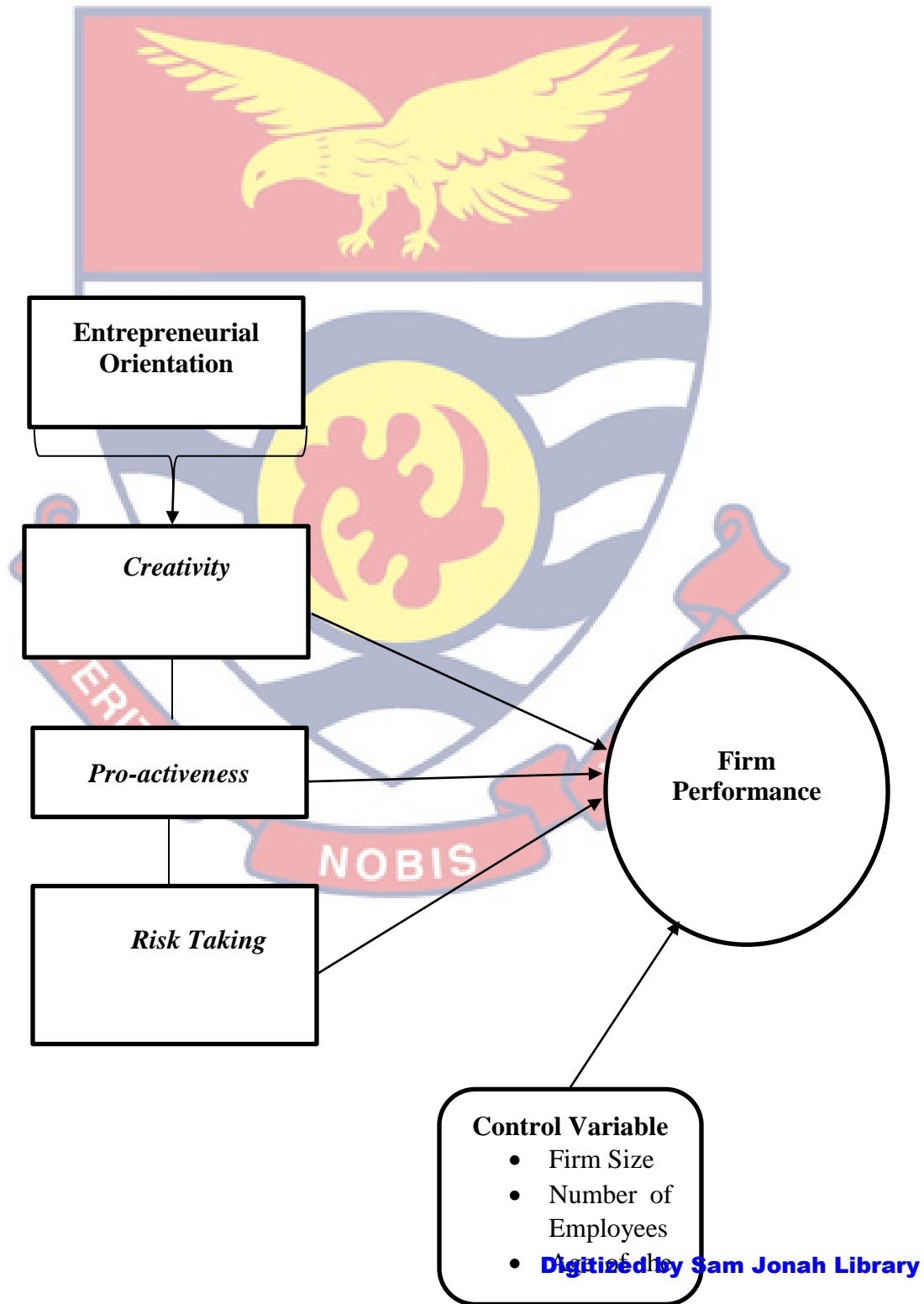
A few studies have also given different conceptualizations of EO. For instance, Freiling and Schelhowe (2020) broadened the concept of EO to include an exploitative dimension. According to them, innovation, proactiveness and risk-taking only capture the explorative aspect of EO. The study therefore argues for a broader definition of EO to include exploitative activities. Consequently, the study explores the effect of both explorative and exploitative magnitudes of entrepreneurial orientation on business accomplishment.

Explorative activities were measured by proactiveness and risk-taking, whereas exploitative activities was dignified with two constructs, namely; internal coordination and arbitrage function. All German manufacturing companies with a turnover of between EUR 50 million and EUR 3 billion were part of the sample

system for the report. Out of the total 3997 firms identified in the sample frame, 346 manufacturing firms representing a response rate of 8.7 answered the questionnaire. Using structural equation modelling, the causal effect between all latent variables in the model and the dependent variable was explored. The results of the structure model show that all aspects of the construction of entrepreneurship have a positive effect on the success of the business. The findings also revealed that as an aggregate construct, entrepreneurial orientation has a clear and positive impact on

### **Conceptual Framework**

The conceptual model of Swierczek and Ha (2003) was adopted by this analysis. There are three parts to the model. The first part offers the independent variable, which is, the entrepreneurial orientation measurements made up of creativity, risk-taking and proactivity. Whereas the second section of the model offers the control variables used in this study. Adding control variables to our model is crucial, as it will help correct for any confounding effect that may be inherent in the model. The third component of the model is the SME performance indicators (i.e., return on asset and return on equality) which makes up the dependent variable. The framework shows how the variables of entrepreneurial orientation directly affect the variables of SMES performance. In addition, how the control variables have an effect on the performance of SMEs.

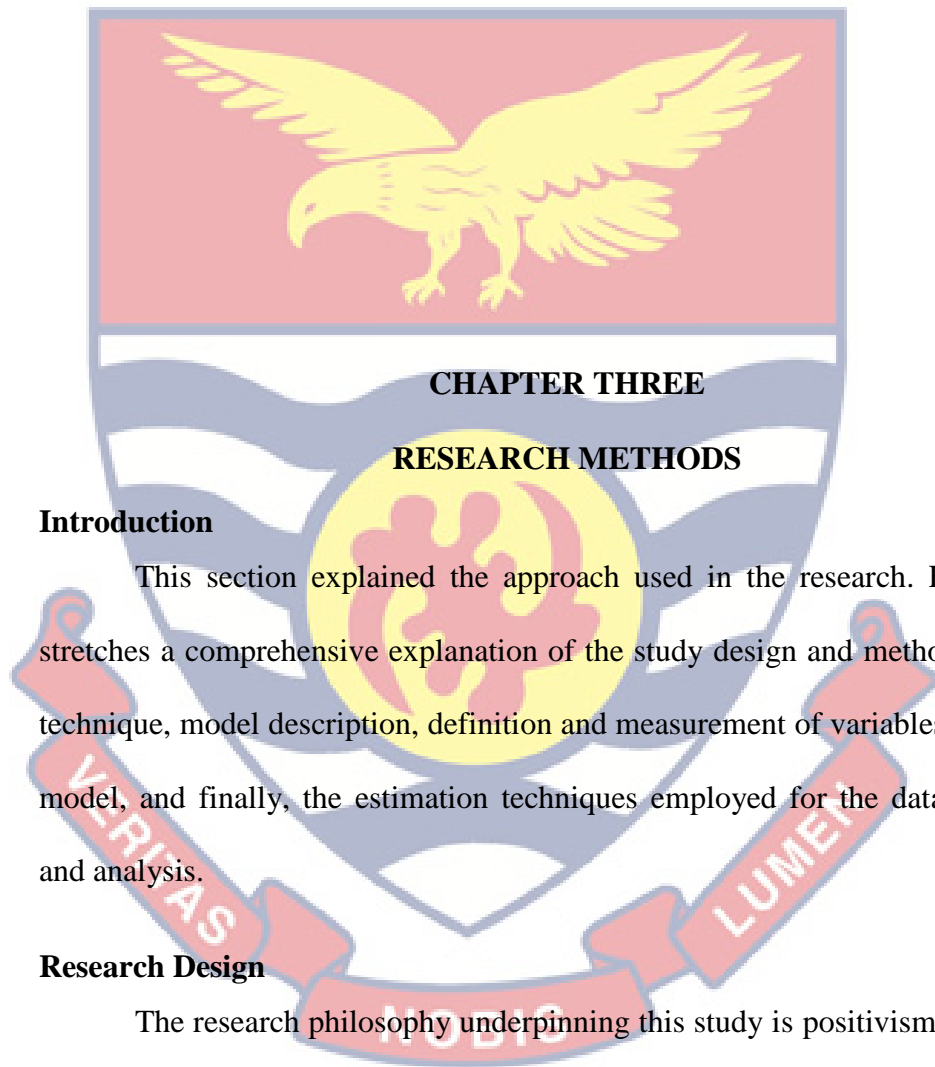


*Figure 1: Conceptual Framework*

Source: Adapted from Swierczek and Ha (2003)

### **Chapter Summary**

This section offered the literature review of this research. This study's literature review was structured under four headings, namely theoretical review, conceptual review, empirical review, and conceptual framework. Theoretical review explained the theoretical foundation of this study. This included Penrose's theory of firm development, and the resource-based theory. The conceptual review defined and explained the various used in the context of this study. This chapter reviewed literature on entrepreneurial orientation and firm performance. It also presents an overview of the SME sector in Ghana, theories, and conceptual issues. The chapter further delineate the proxies chosen in respect of the dependent, independent and control variables. The chapter finally presented and discussed the conceptual framework, which explains how the various variables used in this study are linked.



### **Introduction**

This section explained the approach used in the research. Explicitly, it stretches a comprehensive explanation of the study design and method, sampling technique, model description, definition and measurement of variables used in the model, and finally, the estimation techniques employed for the data processing and analysis.

### **Research Design**

The research philosophy underpinning this study is positivism philosophy. The positivists hold the view that authenticity is steady and can be detected, described and measured objectively without prying with the spectacles being premeditated (Saunders, Lewis & Thornhill, 2016). In doing so, the positivist school rules out the fact that knowledge and theories can be developed from

multiple sources, including personal experiences and beliefs (Rubin & Rubin, 2012). Instead of focusing on these philosophies, with pragmatism, investigators highlighted the study problem and use all tactics available to comprehend the problematic (Creswell & Creswell, 2018). Pragmatists argue for the use of quantitative techniques in studying a phenomenon instead of adhering to just one way (Creswell, 2009; Moon & Blackman, 2014).

A study design agreeing to Plonsky (2017), is the general approach that the researcher uses to answer and elicit responses to the study's research questions. The success of any study would depend on the type of research design adopted, so it is exactly vital to determine the type of data, the method of collection of data and the type of sampling to be used in a study. In an attempt to estimate these sizes in the general population, the researchers adopted an explanatory research design to discuss the consequence of entrepreneurial orientation on performance of SMEs.

According to Leedy and Ormrod (2010), the decision to use explanatory research design can rely on the way explanatory research design establishes the relationship between two or more variables. That is, a researcher is able to identify certain aspects of the population with an explanatory research design by using the sample of respondents inquired to partake in the research.

### **Research Approach**

In the conduct of scientific research, one of the critical components to consider is the research approach. This research adopts the approach of quantitative research. According to Bell and Bryman (2007), comparative

research involves collecting absolute data, such as numerical data, in order to be examined as unbiased as possible (Mason & Bramble, 1997). Quantitative research eliminates the investigator's bias, thus ensuring that assumptions can be made in relation to the study's conclusions. In addition, because of the way information is collected and analysed, quantitative analysis will be used. Almost all the data that will be used in this study are quantitative hence, the quantitative method is employed.

### **Study Area**

The research was performed in the Cape Coast Metropolis, Central Region, Ghana. The populace is 169,894, which makes up 7.7 percent of the total population of the city, according to the 2021 population and housing census (GSS,2021). Not only is Cape Coast Metro numbered among the few (six) Metropolis in Ghana but is also the only Metropolis in Cape Coast. The dominant form of employment within the region is the service industry. It employs over 35 percent of the total population (Ghana Job Statistics, 2021). This is followed by the craft and trade industry which also employees over 13 percent of the total work force in the district.

### **Population**

A study population has been described as “including all elements within the reach of this survey and from which the study selects a representative sample (Cooper & Schindler, 2011; Dadi-Klutse, 2016; Kazerooni, 2001). In terms of some combination of geography and demography, a research population is sometimes specified (Babin & Anderson, 2010; Kumar, 2008; Saunders et al,

2007). The population is the community of individuals, activities, or things of interest for which the researcher wants to draw inferences, according to Sekaran and Bougie (2016). The study population consists of all SMEs registered under the Ghana Enterprises Agency and some other known SMEs yet to gain formal registration with the Ghana Enterprises Agency: barbing and hair salons, carpentry, plumbing, artisan etc. in the Cape Coast metropolis. The total number of SMEs with the Ghana Enterprises Agency in Cape Coast metropolis was 200. This population was chosen because the researcher believes that most of these firms are in the informal area, which constitute a major part of the Ghanaian economy.

### **Sampling Procedure**

According to Merriam et al., (2009), the method used in selecting a sample for a study is known as the sampling procedure. On behalf of this research, the researcher adopted a non-probability sampling method known as the convenience sampling technique. Convenience sampling technique is a sampling procedure where researchers use the subjects that are nearest and available to participate in the study, hence, proprietors and directors of SMEs that were willing to be interviewed were contacted for the study. Again, this technique was used in the study because of time and cost involved in reaching these SMEs since no accurate number was given by the Ghana Enterprises Agency. However, the study included a reasonable stratum to reflect even participation of the various craft SMEs in the metropolis. In all, the analysis included 132 SMEs in the Cape Coast Metropolis.



$$n = \frac{N}{1+N(e)^2}$$

Where:

n = sample size

N = Population size

e = Allowable errors

Therefore:

$$N = 200$$

$$1 + 200 (0.05)^2 = 1 + 200 (0.0025) = 1 + 0.5$$

$$= 1.5$$

$$n = \frac{200}{1.5} = 132.3333333333$$

Based on above calculation, the sample size is 132. This implies that the study was based on one hundred and thirty-two (132) respondents derived as the research sample size.

### **Data Collection Instrument**

The research utilized questionnaires to elicit the required data for the study. The decision to use a questionnaire for the current study because of the fact that it can be used, self-administered, or delivered in an interview format to produce both qualitative and quantitative data from respondents. Since it is a formalized set of questions for obtaining sensitive information from respondents, the questionnaire included both open and close-ended questions. The questionnaire was made up of three modules. Each module captures key concepts of the whole project from which this study draws data. The questionnaire

consisted of both open and closed-ended questions to ensure that respondents gathered adequate answers. Open-ended questions consisted of dummy variables, categorical variables and variables set on a Likert scale.

### **Reliability and Validity of the Developed Questionnaire**

Reliability and validity are two key components that are examined when evaluating quality of a research instrument. According to, reliability of a measuring instrument states to the degree that the instrument provides stable, steady results whereas validity exams the extent that an instrument measures what it was planned to measure. To this end, the researcher did a detailed empirical review of the various constructs used in the questionnaire. In addition, the Cronbach's alpha coefficient and Reliability composite index were estimated to ascertain the validity of the measuring instrument. The condition for the Cronbach's alpha coefficient test is that the coefficient must at least be 0.7.

### **Data Processing and Technique**

Data collected from the field were processed prior to analysis, data were reviewed and incorrect data were corrected in order to ensure successful processing and analysis of data. The statistical Package for Social Sciences (SPSS) version 24 was utilized in data coding, entry, and cleaning which lasted for 14 days after which the researcher continues with the other data management activities in order to ensure that the variables to be used both dependent and independent are well captured and entered correctly.

Data analysis ensures that data elicited over the study period was interpreted sequentially to achieve the study objectives. The study ensured high

retrieval rate and data cleaning before proceeding to actual analysis. The study made time to check for precision of responses to the questionnaire items. It was used as a means of screening data to elicit results from the field to identify missing values and outliers.

The estimation techniques that are used in this study are the frequencies and percentages, mean, standard deviation analysis, and the regression analysis. The study employed frequency tables, mean and standard to scrutinize the level of entrepreneurial orientation among SMEs in Cape Coast Metropolis. The regression model was used in scrutinizing the outcome of the various dimensions of EO on performance. The data processing software used was the SPSS (Version 24.0)

### **Ethical Considerations**

The main ethical question that needs to be considered in any research was disclosed in a study by Patten and Newhart (2017). Voluntary involvement, the right to privacy, anonymity and security of information are these main ethical problems. As such, all efforts are aimed at ensuring that the questionnaire design solves all these ethical problems. With regard to voluntary participation, every respondent shall, on his/her own free will, be permitted to participate in the data collection exercise. In addition, the potential concerns of the right to privacy will be resolved by encouraging respondents to answer the questionnaires on their own and an acceptable medium will be communicated in order to resolve unanswered questions.

In addition, the issue of anonymity is resolved by preventing respondents from supplying the questionnaire with specific details about themselves in relation to names, contact numbers and personal addresses. Respondents shall also be guaranteed that none of their identities will be leaked to or used for any reason other than this analysis in the public domain. Finally, by assuring respondents that all information given will be kept confidential, the study would ensure the confidentiality of information.

**Model Specification**

Following the conceptual model adapted from Swierczek and Ha (2000), the economic model to be estimated is specified as:

$$PEF = f(CRV, PRO, RSK, SZFM, AGEFR, NUMBEMPL) \dots\dots\dots (1)$$

Where *PER* is the dummy variable capturing the performance of the firm,

*CRV* represents the firm’s level of creativity

*RSK* is risk taking

*SZFM* is the size of the firm

*AGEFR* represents the age of the firm in years

*NUMBEMPL* represents the number of employees in the firm.

Based on the above function, we specify the model to be estimated as equation 2. Per the model, the variables are assumed to have a linear, non-dynamic relationship with firm performance.

$$PEF = \beta_0 + \beta_1CRV + \beta_2PRO + \beta_3RSK + \sum_{i=3}^n \beta_iZ + \mu \dots\dots\dots (2)$$

Where;

$Z$  represents the natural all control variables

$\beta$  denotes the regression coefficient

$\mu$  also denotes the error term

## Measurement of Variables

### *Firm Performance*

As already alluded in the theoretical and empirical review, measures of performance are usually grouped under two broad categorizes, namely; subjective measures and objective measures of performance. However, given the known difficulties in obtaining data on objective measures of performance from small and medium scale enterprises, subjective measures of performance were used in this study. The subjective measure of performance use in this study was adopted from Kastrati (2015). The study used growth in profit as a proxy for measuring performance.

### Measuring the Various Dimensions of Entrepreneurial Orientation

#### *Firm's level of Creativity*

Creativity refers to the affinity of an organization for new concepts, innovation, experimentation and innovative processes that may lead to new goods and new ideas being developed or funded. Measurement of innovation among SMEs has taken varied approaches, which includes a firm's total expenditure on research and development (R&D), the total number of patent rights secured by the firm (Hall et al., 2005), and resource intangibility (Campbell et al., 2012). Other studies such as Calantone et al., (2002). Other researches have used subjective measures of innovation (Boahene, Yiadom, & Yeboah 2012; Hughes et al., 2006;

Calantone et al., 2002). In this research, firms' level of innovation was accessed using 4 questions.

These questions were mostly sourced from the work of Hughes et al., (2006) and Calantone et al., (2002) and altered to suit the study. On a Likert-type scale, all items were calculated and it is the prior expectation of this study that creativity has a positive impact on company results. A Likert scale has an ordinal distribution, theoretically speaking. However, treating a Likert scale as though the data were distributed on an interval scale is standard practice in academic research. Hence, it is a constant variable. This means that it is possible to apply most statistical techniques (Jamieson, 2004).

#### ***Pro-Activeness of the Firm***

Another dimension of EO hypothesized in most literature to influence performance is pro-activeness. Thus far, the findings on pro-activeness and firm performance are mixed. Similar to Kraus, Rigtering, Hughes, and Hosman, (2012), questions used in measuring this dimension were founded from the empirical works of Calantone et al., (2002). Some of the questions asked include “We always try to take the initiative in every situation (e.g., against competitors, in projects and when working with others)”, “My organization initiates action to which competitors respond”, “Staff in my organization are encouraged to proactively monitor changes in the environment”. On a Likert-type scale, all items were calculated and it is the prior expectation of this study that creativity has a positive impact on company results.

### ***Risk Taking (RSKTAK)***

Questions to assess the risk-taking magnitudes of EO were adopted from and modified to suit local environmental context of SMEs. Some of the questions asked to assess the risk-taking appetite of SMEs include “whether individuals are encouraged to take risk take calculated risk”, and “Whether the business emphasizes exploration and experimentation of opportunities”. “My firm has a number of strategies that help us to manage and reduce risks”. The a-priori expectation is that firms that are risk lovers will have better performance.

### ***Deriving the Various Constructs***

On these questions, the Principal Component Analysis (PCA) is then performed to analyze which questions best capture the different indicators. PCA is a technique for variable reduction. It is used when we get data from a wide range of variables (questions) and think that the variables are redundant (questions). Redundancy implies that any of the variables may be associated with one another since the same construct is evaluated.

For each subject or predictor, scores can be determined while conducting a PCA. The scores obtained from the questions will then be optimally weighted and summarized to determine the scores on a given element or variable. Four steps were taken to complete the PCA: In the first step, the extraction of the components to be used for interpretation was concerned; in the second step, the number of meaningful components (questions) to be retained for interpretation was calculated using four parameters, namely the engine value-one criterion, the screen test, the percentage of variance provided for and the criterion of usability. Rotation to a final solution was involved in the third step, while step four had to

do with understanding the rotated solution. The PCA findings were summarized in table form in step five factor score or factor-based scores and finally in step six to provide the composite values for each predictor of the indicators.

**Table 1: List of Variables and Expected Signs**

<i>Variables</i>	<i>Measurement</i>	<i>Expected Sign</i>
PFM	Growth in Profit	N/A
CRV	Firm's Level of Creativity	+
PRO	Proactiveness	+
RSK	Risk Taking level of firm	+
AGEFM	Age of Firm in years	+/-
NUMEMPLY	Number of Employees in the company	+/-
ACCFIN	Access to Finance	+

Source: Field survey, (2022)

### **Chapter Summary**

This section developed and offered the various methods used in the collection and data analysis. The chapter, therefore, discussed key elements of research methods concerning approach, design, population, sampling technique, data gathering mechanism, among others used in the research. The method of convenience sampling was used in the collection of the study sample. This was followed by the measurement of variable and data description.





## CHAPTER FOUR

### RESULTS AND DISCUSSION

#### Introduction

This section showed and discussed the outcomes of the analysis. Beginning with the descriptive statistical outcomes, the chapter presented and discussed further, the results of the correlation analysis. The regression estimation was carried out to explain the connection between entrepreneurial orientation and the performance of SMEs in Cape Coast Metropolis. The chapter ends with the summary.

#### Descriptive Statistics

In this chapter, we presented the results of descriptive statistics on managers of SMEs in the Cape Coast metropolis. Specifically, the section presented the results on the respondents' age distribution, manager position, education level and the number of decades that the business has worked.

#### Age of Managers of SMEs in Cape Coast Metropolis

The respondents were also asked to select the age bracket they fall within. The study's findings were summarized in Table 2.

**Table 2: Age Distribution of Managers**

Age	Frequency	Percent
Less than 20 years	12	9.1
20-29 years	92	69.7
30-39 years	28	21.2
Others	-	-

<b>Total</b>	<b>132</b>	<b>100</b>
--------------	------------	------------

Source: Field survey, (2022)

The age distribution of directors of sampled SMEs in the Cape Coast Metropolis was shown in Table 2. According to the findings, the bulk of the managers (69.7%, or 92/132) were between the ages of 20 and 29, while 21.2 percent (28/132) were between the ages of 30 and 39. The remaining 12 managers, accounting for 9.1% of the total, had less than 20 years of experience. None of the managers belonged to the other age groups. According to Njage (2012), this means that all SMEs' managers are in their twenties and have more life and energy to invest in their businesses.

#### **Managers of SMEs' Position in Cape Coast Metropolis**

The respondents were also asked to list the position they held in their respective firms. The study's findings are summarized in Table 3.

**Table 3: Managers' Position**

<b>Position</b>	<b>Frequency</b>	<b>Percent</b>
Owner	98	73.97
Others	34	26.03
<b>Total</b>	<b>132</b>	<b>100</b>

Source: Field survey, (2022)

Table 3 shows the distribution of managerial positions inside the company. It is clear that more than half of SMEs (73.97 percent) are run by the firm's owner(s), whereas 34 (26.03 percent) are managed by others (employee or relatives). One probable explanation is that because the majority of SMEs are

small businesses, their owners choose to manage them rather than spending the additional cost of hiring a manager. This finding is supported by research by Mbae (2015) and Uche (2017), which found that their owners due to trust concerns and the small size of the company control most SMEs in Africa.

### Educational Level of Managers of SMEs in Cape Coast Metropolis

This component of the questionnaire was to assess the educational and knowledge level of the respondent in terms of formal education. Table 4 presents the analysis.

**Table 4: Educational Level of Managers**

Educational Level	Frequency	Percent
No Education	18	13.6
Primary Education	33	25
Junior High School	40	30.3
Senior High School	34	25.8
Tertiary Education	7	5.3
Others	-	-
<b>Total</b>	<b>132</b>	<b>100</b>

Source: Field survey, (2022)

Table 4 shows the educational attainment of SMEs in the metropolis's managers. A total number of 18 (13.6 percent) of the managers in the study's sampled SMEs lacked formal education. Furthermore, 33 (25.0 percent) of the managers have completed primary school, 40 (30.3 percent) have completed junior high school, and 34 (25.8%) have completed senior high school. Only 7

managers, or 5.3 percent of the respondents, had completed tertiary education. The majority of the respondents had received formal education and could read and write to a considerable extent, as can be observed. When it came to filling out the questionnaire, their level of education was crucial.

**Marital Status of Managers of SMEs**

The respondents were also asked to select their marital status. The study's findings are summarized in table 5.

**Table 5: Marital Status of Managers of SMEs in Cape Coast Metropolis**

Marital Status	Frequency	Percent
Married	97	73.5
Single	33	25
Divorced	2	1.5
Widowed	-	-
<b>Total</b>	<b>132</b>	<b>100</b>

Source: Field survey, (2022)

Table 5 shows the marital status of directors of SMEs in the Cape Coast city. A total number of 97 (73.5%) of the total number of SMEs managers who responded to the survey were single, 33 (25%) were married, and two (1.5%) were divorced. None of the people who took part in the survey had been widowed.

**Objective One**

This section of the study captured the first objective of the study by identifying the rate of entrepreneurial orientation in small businesses in Cape Coast Metropolis. This is summarized in Table 6 to Table 8.

**Table 6: Items Responses on the Level of Creativity in SMEs in Cape Coast**

Items	S	D	I	A	S A	Mean	SD
We actively introduce improvements and innovations in our business	37	54	19	13	9	2.246	1.17
	(28.4)	(40.9)	(14.3)	(9.6)	(6.8)		
Our business is creative in its methods of operation	9	56	24	34	9	2.43	1.11
	(6.8)	(42.5)	(17.8)	(26.1)	(6.8)		
Our business seeks out new ways to delivering service	21	65	18	20	8	2.43	1.09
	(16.1)	(49.2)	(13.6)	(15.1)	(6.0)		
My organization makes improvements to the operational processes	26	55	24	16	11	2.46	1.19
	(19.7)	(41.7)	(18.1)	(12.1)	(8.3)		
<b>Overall Mean</b>						<b>2.39</b>	

Source: Field survey, (2022)

Table 6 contains the analysis on the level of creativity in SMEs in Cape Coast Metropolis. For the item (Question) “We actively introduce improvements and innovations in our business” 6.8% (9/132) responded strongly agree, 9.6% (13/132) agree, 14.3% (19/132) indifferent, 40.9% (54/132) disagree, and 28.4% (37/132) strongly disagree. The low mean (2.246) for this item further confirms that majority of the sampled SMEs do not make improvements to their business.

For the item “Our business is creative in its methods of operation”, 6.8% (9/132) responded strongly agree, 26.1% (34/132) agree, 17.8% (24/132) indifferent, 42.5% (56/132) disagree, and 6.8% (9/132) strongly disagree. In addition, the mean value for this item, which is 2.43, is below the 2.5 threshold thus indicating that majority of the sampled SMEs are not creative. For the item “Our business seeks out new ways to do things”, 6.0% (8/132) responded strongly agree, 15.1% (20/132) agree, 13.6% (18/132) indifferent, 49.2% (65/132) disagree, and 16.1% (21/132) strongly disagree. The mean for this item is 2.43 and it indicates that less than half of the sampled SMEs in the metropolis seek out new ways of delivering service.

For the item “My organization makes improvements to the operational processes”, 8.3% responded strongly agree, 12.1% agree, 18.1% indifferent, 41.7% disagree and 19.7% strongly disagree. The mean for this item is 2.46, which suggest that about half of the sampled SMEs make changes to their operation. The entire disclosure mean for innovation is 2.39, which is below the 2.5 threshold. This suggests that sampled SMEs in cape coast do not introduce innovation in the business.

**Table 7: Items Responses on Level of Risk-Taking in SMEs in Cape Coast Metropolis**

Items	S	D	I	A	S A	Mean	SD
The term 'risk taker' is considered a positive attribute for people in our firm	30 (22.7)	53 (40.2)	20 (15.2)	23 (17.4)	6 (4.5)	2.39	1.15
People in our business are encouraged to take calculated risks with new ideas	33 (25.0)	54 (40.9)	23 (17.4)	13 (9.9)	9 (6.8)	2.32	1.155
Our business emphasizes both exploration and experimentation for opportunities	27 (20.5)	58 (43.9)	29 (22.0)	16 (12.1)	2 (1.5)	2.301	0.981
In my firm, if a manager takes a	15 (11.4)	62 (46.9)	22 (16.7)	18 (13.6)	15 (11.4)	2.24	.968



---

risk and fails, he or							
she is not							
penalized							
My firm has a	16	51	47	18	0	2.50	.883
number of	(12.2)	(38.6)	(35.6)	(13.6)	(0)		
strategies that help							
us to manage and							
reduce risks							
Overall Mean						<b>2.35</b>	

---

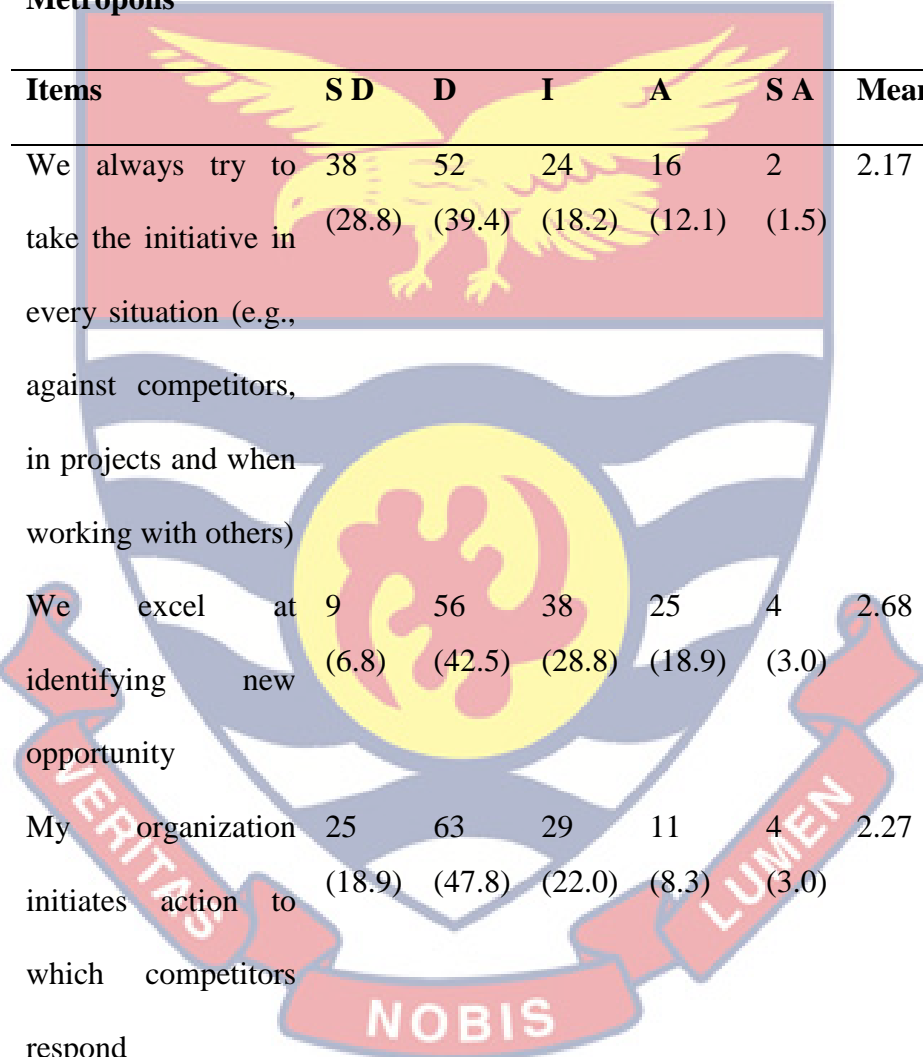
Source: Field survey, (2022)

Table 7 contains the analysis on item responses on the level of risk-taking in SMEs in Cape Coast Metropolis. For the item “The term ‘risk taker’ is considered a positive attribute for people in our business” (Mean=2.39, SD=1.15), 4.5 percent (6/132) responded strongly agree, 17.4percent (23/132) agree, 15.2percent (20/132) indifferent, 40.2percent (53/132) disagree, and 22.7 percent (30/132) strongly disagree.

For the item “People in our business are encouraged to take calculated risks with new ideas”, 6.8percent (9/132) responded strongly agree, 9.9percent (13/132) agree, 17.4percent (23/132) indifferent, 40.9 percent (54/132) disagree and 25.0percent (33/132) strongly disagree. For the item “Our business emphasizes both exploration and experimentation for opportunities” 1.5percent (2/132) responded strongly agree, 12.1percent (16/132) agree, 22.0percent (29/132) indifferent, 43.9 percent (58/132) disagree and 20.5percent (27/132)

strongly disagree. According to the Table 7, the entire disclosures mean for risk-taking is 2.35 which shows that sampled Micro small and medium-size enterprises have low level of risk taking.

**Table 8: Assessing the Level of Pro-Activeness in SMEs in Cape Coast Metropolis**



Items	S	D	I	A	S A	Mean	SD
We always try to take the initiative in every situation (e.g., against competitors, in projects and when working with others)	38 (28.8)	52 (39.4)	24 (18.2)	16 (12.1)	2 (1.5)	2.17	1.03
We excel at identifying new opportunity	9 (6.8)	56 (42.5)	38 (28.8)	25 (18.9)	4 (3.0)	2.68	.957
My organization initiates action to which competitors respond	25 (18.9)	63 (47.8)	29 (22.0)	11 (8.3)	4 (3.0)	2.27	0.96
Staff in my organization are encouraged to	29 (22.0)	54 (40.9)	25 (18.9)	11 (8.3)	13 (9.9)	2.42	1.20

---

proactively monitor	
changes in the	
environment	
<b>Overall Mean</b>	2.38

---

Source: Field survey, (2022)

Table 8 shows the analysis about the level of pro-activeness in SMEs in Cape Coast Metropolis. For the item “We always try to take the initiative in every situation (e.g., against competitors, in projects and when working with others)” (Mean=2.71; SD=1.03) 1.5% (2/132) responded strongly agree, 12.1% (16/132) responded agree, 18.2% (24/132) indifferent, 39.4% (52/132) disagree, 28.8% (38/132) strongly disagree. For the item, “We excel at identifying new opportunity” (Mean=2.68, SD=0.957), 3.0% (4/132) responded strongly agree, 18.9% (25/132) agree, 28.8% (38/132) indifferent, 42.5% (56/132) disagree, and 6.8% (9/132) strongly disagree.

In addition, for the item “Staff in my organization are encouraged to proactively monitor changes in the environment” (Mean=2.42, SD=1.20) 9.9% (13/132) responded strongly agree, 8.3% (11/132) responded agree, 18.9% (25/132) indifferent, 40.9% (54/132) disagree, 22.0% (29/132) strongly disagree. According to Table 8, the entire discloses mean (2.38) on firm pro-activeness shows a low level of pro-activeness among sampled SMEs.

**Objective Two to Four**

**Effect of Firm Creativity, Risk-Taking, and Pro-Activeness on Performance of SMEs in Cape Coast Metropolis**

**Reliability Test**

In order to assess if the number of items (4, 4 and 5) used to respectively define creativity (*CRV*), proactivity (*PRO*) and risk taking (*RSK*) represented an internally consistent metric, that is, the extent to which they constitute a clear measure of a term, the researcher calculated an average Cronbach alpha ( $\alpha$ ) coefficient. The result as shown in Table 9 indicates high coefficients of 0.8012, 0.7782 and 0.7596, implying that the items have shared covariance and therefore measure the same underlying concept.

**Table 9: Reliability Test**

Variables	Number of Items	Cronbach's Alpha
CRV	4	0.8012
PRO	4	0.7782
RSK	5	0.7596

Source: Field survey, (2022)

**Multiple Regression Analysis**

The study's purpose was to explore how entrepreneurial orientation influence the performance of sampled SMEs. Entrepreneurial orientation looked at creativity, risk-taking, pro-activeness. Moreover, the control variables were the number of years the business had been in existence, and the number employees. SPSS Version 25 was used to conduct the regression analysis. The regression analysis findings are listed in subsequent tables.

**Model Summary**

The purpose of the study was to determine the strength of the links between entrepreneurial orientation and the performance of sampled SMEs in Cape Coast Metropolis. The results were discussed in Tables 10.

**Table 10: Model Summary**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error
1	.723 <sup>a</sup>	.523	.475	.31381

a. Predictors: (Constant), creativity, risk-taking, pro-activeness, business years and number of employees.

Source: Field survey, (2022)

The model summary results show a strong relationship between entrepreneurial orientation and performance (R= 0.723). The corrected R-Square value for entrepreneurial orientation in the study was 0.475, meaning that it could explain 47.5 percent of a firm's total financial performance variance.

**Analysis of Variance**

ANOVA was used to determine the regression model's goodness of fit. According to an ANOVA with a 0.2 percent level of significance, the analytical model has a strong fit and is thus reliable in revealing the relationships between entrepreneurial orientation and financial performance of sampled SMEs in Cape Coast Metropolis. The results were summarized in Table 11.

**Table 11: Analysis of Variance (ANOVA<sup>a</sup>)**

ANOVA<sup>a</sup>

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.254	5	.451	4.553	0.002 <sup>b</sup>
Residual	3.076	51	.099		
Total	5.730	56			

a. Dependent Variable: Firm Performance

Source: Field survey, (2022)

**Coefficients of Determination**

Entrepreneurial orientation (Creativity, Risk-Taking and Pro-Activeness) and the control variables (Business Years and Number of Employees) have a cumulative beneficial effect on the financial performance of sampled SMEs, according to the regression coefficients. As seen in table 12, the outcomes are as follows.

**Table 12: Coefficients of Determination**

Model	Unstandardized Coefficients	Std. Error	Standardized Beta	T	(p-value)
(Constant)	.063	.012		5.250	.000
Creativity	.106	.033	.086	3.212	.002

Risk-Taking	.264	.087	.142	3.034	.004
Pro-Activeness	.207	.072	.163	2.875	.006
Business Years	.304	.117	.245	2.598	.012
Number of Employees	.429	.122	.290	3.516	.001

Source: Field survey, (2022)

Creativity (t= 3.212, p= 0.002), Risk-Taking (t= 3.034, p= 0.004), Pro-Activeness (t= 2.875, p= 0.006), Business Years (t= 2.598, p= 0.012), and Number of Employees (t= 3.516, p= 0.001) were all statistically significant at (high t-values,  $p < 0.05$ ) at a confidence level of 95%. This shows that adequate entrepreneurial orientation has a positive impact on financial performance.

The regression model's equation is as follows:

$$Y = 0.063 + 0.106X_1 + 0.264X_2 + 0.207X_3 + 0.304X_4 + 0.429X_5$$

Where:

Y – Financial Performance (the dependent variable)

X<sub>1</sub>- Creativity

X<sub>2</sub>- Risk-Taking

X<sub>3</sub>- Pro-Activeness

X<sub>4</sub>- Business Years

X<sub>5</sub>- Number of Employees

Constant = 0.063 shows that the sampled SMEs' performance would be 0.063 without entrepreneurial orientation, which is a poor result. If creativity,

risk-taking, and pro-activeness were all increased by one-unit, firm performance would improve by 0.106, 0.264, and 0.207, respectively. A unit increase in business years and number of employees would boost the firm's performance by 0.304 and 0.429, respectively. While calculating the regression equation, the researcher estimated the stochastic error term of the model to be zero.

### **Discussion of the Findings**

Based on the findings on the degree to which various entrepreneurial orientation practices and control variables affect the performance of selected SMEs, all five factors were determined to affect the firm's performance. Most of the sampled SMEs were not actively introducing improvements, creativity and innovations into their business. This was indicated by a low mean (2.246) which further confirmed that majority of the sampled SMEs do not make improvements to their business.

In addition, most SMEs were creative in their methods of operation. With a mean value of 2.43, which was below the 2.5 threshold, it was revealed that majority of the sampled SMEs are not creative. Because of the managers of the SMEs were used to the traditional ways of running affairs, most of them never seek out new ways of doing things. This was demonstrated with a mean value of 2.43 and it indicates that less than half of the sampled SMEs in the metropolis seek out new ways of delivering goods and service.

The respondents disagreed that they make improvements to the operational processes of the business. This was confirmed by the mean value of 2.46, which suggested that less than half of the sampled SMEs make changes to



their operation. The entire disclosure mean for creativity was 2.39, which is below the 2.5 threshold. This suggests that sampled SMEs in Cape Coast do not implement creative policies in the running of their business.

Most of the respondents disagreed that “The term ‘risk taker’ was considered a positive attribute for people in their business, as indicated by Mean=2.39 and SD=1.15. In addition, managers of SMEs were not encouraged to take calculated risks with new ideas. Most of the respondents were of the view that, should they take risk and failed, how will they be indemnified for their loss. Lastly, the respondents disagreed that their business emphasizes both exploration and experimentation for opportunities, with a mean and standard deviation of 2.3 and 0.98 respectively. According to the Table 7, the entire disclosures mean for risk-taking was 2.35, which showed that the sampled SMEs have low level of risk taking.

It could be seen that most of the SMEs always try to take the initiative in every situation (e.g., against competitors, in projects and when working with others). This was supported with a mean value of 2.71, which was above the 2.5 threshold, and a standard deviation of 1.03. Most of the respondents revealed that they excel at identifying new opportunity, which was indicated by Mean=2.68 and SD=0.957.

In addition, majority of the respondents disagreed that the staffs in their organization were encouraged to proactively monitor changes in the environment. This assertion was confirmed emphatically with a mean value of 2.42 and a standard deviation of 1.20. According to Table 8, the entire disclosures mean

(2.38) on firm pro-activeness showed a low level of pro-activeness among sampled SMEs in Cape Coast Metropolis.

The regression model's significance level had a P value of 0.002 from the ANOVA statics, showing that the data was suitable for making fair deductions about the population parameters. This suggests that the creativity, risk-taking, pro-activeness, business years, and number of employees of the selected SMEs have a significant impact on their performance. The model was significant because the significance value was less than 0.05. According to the model summary, there is a strong relationship between entrepreneurial orientation and financial performance ( $R= 0.723$ ). The corrected R-Square value of the study was 0.475, meaning that entrepreneurial orientation may account for 47.5 percent of the variance in financial performance, with the remaining percentage explained by factors not studied.

### **Chapter Summary**

This section presented the discussion of the results. It began with the explanation of the demographic features of managers of the sampled SMEs used in the study, followed by the discussion of objectives one using frequencies, means and standard deviation. The chapter then followed with the presentation and discussion of objective two to four with the multiple regression results. However, this was preceded with the discussion of the entire findings.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### Introduction

In this final section, the summary and conclusions of the research were provided. In addition, the chapter proffered to policy makers and managers of SMEs, some recommendations based on the findings. The chapter finally made submissions for additional researches.

#### Summary of the Study

The research assessed the effect of entrepreneurial orientation on performance (profit growth) of SMEs in the Cape Coast Metropolis. To achieve this overall objective, four specific objectives were formulated; the first objective was to quantify the extent of creativity, risk-taking, and pro-activeness among sampled SMEs in the Cape Coast Metropolis. The remaining three objectives also examined to effect of creativity, risk-taking, and pro-activeness on the performance of SMEs.

In addressing the above objectives, the research reviewed relevant theoretical and empirical literature to the research. The theoretical literature revised in the study included the theory of firm growth, and the resource-based theory. The empirical literature also included measures of performance, and various empirical; educations on the effect of entrepreneurial orientation on

business performance. In addition, the study designed the appropriate conceptual framework, which pictured, for further understanding, the connection between entrepreneurial orientation and performance.

The research approved the quantitative research method and using both the descriptive and regression analysis, the study measured the effect of entrepreneurial orientation on the performance of SMEs. The study population consisted of all SMEs in the Cape Coast Metropolis. In all a sample of 132 SMEs were used for the study and cross-sectional data was solicited from them using a structured questionnaire. The data was subsequently inputted and analysed using the SPSS and STATA software.

### **Key Findings**

- The level of awareness of innovation among managers of small businesses in the Metropolis was very low. The entire disclosure mean for innovation is 2.39, which is below the 2.5 threshold. This suggests that sampled managers of small businesses in Cape Coast do not introduce innovation in the business. The level of awareness of risk taking among managers is similar to that of innovation. The entire disclosures mean for risk-taking is 2.35 which shows that sampled managers of small businesses have low level of risk taking. This prevents managers from taking well calculated risk to improve their business. The results for pro-activeness followed suit with a very low disclosure mean (2.38). This assertion brings to light the low level of awareness of entrepreneurial orientation among managers of small businesses in Cape Coast Metropolis.

- The research's findings show a strong correlation between SMEs in Cape Coast Metropolis that were sampled and their business performance, which is defined as being entrepreneurial in nature. The entrepreneurial focus of the selected SMEs accounted for 52.3% of their overall performance. Additionally, it is concluded that the performance of particular SMEs is significantly and positively impacted by entrepreneurial orientation and control variable elements (creativity, risk-taking, proactiveness, number of employees, and business years).

### Conclusions

- Beginning with the effect of innovation, the sign of the coefficient shows that creativity has optimistic connection with the performance of the sampled SMEs and the magnitude of the coefficient of creativity shows that a unit upsurge in innovation leads to a growth in the profit of sampled SMEs of about 0.184 percent point. Again, the research established a significant optimistic connection among pro-activeness and achievement of sampled SMEs. The outcomes designate that a unit upsurge in pro-activeness results in an increase profit growth by 0.493 percent point.
- The research also established a positive relation between the number of employees, and the performance of sampled SMEs. Specifically, compared with SMEs with only one employee, businesses with between 3 to 5 workers have 0.7 more increase in profit growth. Perhaps a likely reason for this result is the increase in efficiency that arises from having more workers. Confirming to prior expectations, the coefficient of risk-

taking was positive and significant. The finding indicates that risk taking has an effect of the performance (profit growth) potential of sampled SMEs.

- In addition, the study found a significant relationship between age of business and firm performance. This finding indicates that the age of the sampled SMEs, whether young or old, has an effect on the performance of the business. The significant findings may be attributed to the fact that the more you stay in business the more you get experience to run the business effectively.
- According to the findings, there is a robust link between entrepreneurial orientation and the firm performance of sampled SMEs in Cape Coast Metropolis. The sampled SMEs' entrepreneurial orientation accounts for 52.3 percent of their overall performance. It also comes to the conclusion that entrepreneurial orientation and control variable components (creativity, risk-taking, pro-activeness, business years, and number of employees) have a positive and significant impact on the performance of selected SMEs.
- Grounded on the outcomes of the research, we can settle that sampled SMEs in Cape Coast Metropolis have low levels of creativity, risk taking and pro-activeness. In addition, innovation and pro-activeness have important optimistic consequence on the profit growth of sampled SMEs in the metropolis.

## Recommendations

According to the findings, it is advised that managers of SMEs or entrepreneurs in Cape Coast Metropolis participate in efficient entrepreneurial orientation programmes to give them the knowledge necessary to successfully run their SMEs and other firms. Furthermore, rather than waiting for events to occur before responding to them, managers of SMEs or entrepreneurs should always learn how to be proactive in their approach to situations. In order to grow their company, they should also have the guts to take calculated risks. Because the benefit increases as the danger does. Last but not least, managers of SMEs should use innovative policies in the management of their company. Last but not least, the Ghanaian government should offer stimulus packages to small business owners and entrepreneurs to inspire them to be innovative, take reasonable risks, and engage in proactive business practises.

## Limitations of the Study

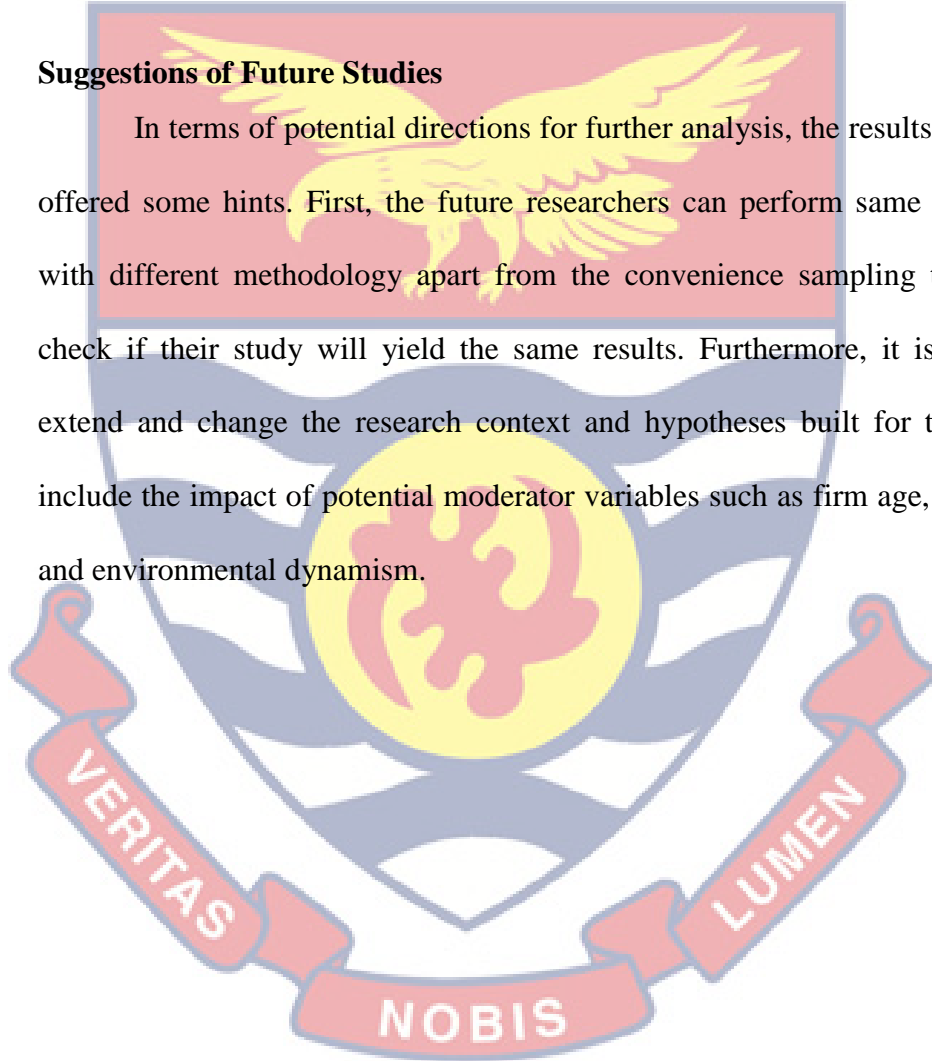
Research limits are often those elements of methodology or design that have an impact on or influence how the research's findings should be interpreted. These limitations on generalizability, applicability to practise, and/or effectiveness of findings are the outcome of the researcher's initial decision to design the study in this manner. The technique used to verify internal and external validity is also included. The limitations of the study design that were encountered is listed in the next paragraph.

The methodology limitation to this study was the convenience sampling technique. The only issue with convenience sampling is that it heavily relies on the investigator's judgement rather than objective standards (Bless, Higson-Smith

& Sithole, 2013:172). Participants who were only closer and willing to fill the questionnaires were carefully chosen from a variety of backgrounds who could provide data for the study as part of the sample selection process. For instance, barbers, hairdressers and fashion designers were used to choose the owners, personnel, and managers of small businesses in the metropolis.

### **Suggestions of Future Studies**

In terms of potential directions for further analysis, the results of the study offered some hints. First, the future researchers can perform same research but with different methodology apart from the convenience sampling technique to check if their study will yield the same results. Furthermore, it is possible to extend and change the research context and hypotheses built for this study to include the impact of potential moderator variables such as firm age, money, size and environmental dynamism.





## REFERENCES

- Abor, E., & Quartey, D. (2010). "Entrepreneurial orientation, uncertainty avoidance and firm performance: an analysis of Thai and Vietnamese SMEs." *The International Journal of Entrepreneurship and Innovation*, 4.1: 46-58.
- Agyapong, F., & Attram, Z. (2019). "Strategic process effects on the entrepreneurial orientation–sales growth rate relationship." *Entrepreneurship theory and practice* 30, no. 1 57-81.
- Alliance for Action. (2010). Entrepreneurial orientation and business performance: An assessment of past research and suggestions for the future. *Entrepreneurship Theory and Practice*, 33(3), 761-787.
- Alliance for Action. (2016). Entrepreneurial orientation and firm performance: the mediating role of functional performances. *Management Research Review*.
- Axel, C., Volkery, L., & Klaus, J. (2004). Key factor intrapreneurship: The development of a systems model to facilitate the perpetuation of entrepreneurship in the larger South African Organisation (Doctoral dissertation, Stellenbosch: Stellenbosch University).
- Babin, O., & Anderson, D. (2010). The impacts of entrepreneurial orientation on the profitability growth of construction firms in Tanzania. *Journal of Global Entrepreneurship Research*, 9(1), 14.

- Baker, P., & Sinkula, P. (2009). *Qualitative Research in Practice: Examples for discussion and analysis*. John Wiley & Sons.
- Barney, G. (1991). Applying resource-based theory. *International Journal of Operations & Production Management*.
- Barrett, S., Reardon, D., & Webb, E. (2001). Nonfarm income diversification and household livelihood strategies in rural Africa: concepts, dynamics, and policy implications. *Food policy*, 26(4), 315-331.
- Bell, E., & Bryman, U. (2007). The structural and environmental correlates of business strategy. *Strategic Management Journal*, 8(1), 55-76.
- Binks, S., & Sanchez, E. (1992). Entrepreneurial orientation and new venture performance: The moderating role of intra-and extraindustry social capital. *Academy of Management Journal*, 51(1), 97-111.
- Boohene, F., Marfo-Yiadom, E., & Yeboah, U. (2012). Key factor intrapreneurship: The development of a systems model to facilitate the perpetuation of entrepreneurship in the larger South African Organisation (Doctoral dissertation, Stellenbosch: Stellenbosch University).
- Buli, Y. (2017). Strategic entrepreneurial orientation: Configurations, performance, and the effects of industry and time. *Strategic Entrepreneurship Journal*, 12(4), 504-521.
- Calantone, O., & Barrett, S. (2002). Are subjective business performance measures justified? *International Journal of Productivity and Performance Management*.

- Carpenter, S. (2020). Entrepreneurial orientation, learning orientation, and firm performance. *Entrepreneurship theory and practice*, 32(4), 635-657.
- Choi, A., & Williams, E. (2016). Entrepreneurship Development and New Business Challenges and Prospects for Ghanaian Entrepreneurs'.
- Chokesikarin, S. (2014). The effects of entrepreneurial orientation and marketing information on the performance of SMEs. *Journal of business venturing*, 22(4), 592-611.
- Cooper, I., & Schindler, W. (2011). Environmental practices and firm performance: an empirical analysis in the Spanish hotel industry. *Journal of Cleaner production*, 17(5), 516-524.
- Covin, A., & Slevin, U. (2009). Entrepreneurial orientation dimensions and profitability nexus: evidence from micro enterprises in the retail sector in a developing country. *International Journal of Small Business and Entrepreneurship Research*, 3(7), 79-87.
- Covin, G., & Slevin, S. (2009). Economic reforms in Ghana: The miracle and the mirage. Africa World Press.
- Creswell, O., & Creswell, S. (2018). Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle. *Journal of business venturing*, 16(5), 429-451.
- Cui, G., Fan, D., Guo, X., & Fan, O. (2018). Entrepreneurial orientation and firm performance: The role of knowledge creation process. *Industrial marketing management*, 38(4), 440-449.

- Dadi-Klutse, Y. (2016). Participation in the workplace: Are employees special? *Journal of Business Ethics*, 92(3), 373-384.
- Davis, S., Bell, E., Payne, Y., & Kreser, F. (2010). Are nonfinancial measures leading indicators of financial performance? An analysis of customer satisfaction. *Journal of accounting research*, 36, 1-35.
- Deutscher, F., Zapkau, S., Schwens, R., Baum, S., & Kabst, M. (2016). Linking entrepreneurial orientation to firm performance: the role of differentiation strategy and innovation performance. *Procedia-Social and Behavioural Sciences*, 210, 358-367.
- Dzei, G. (2008). *The Forging of Bureaucratic Autonomy: Reputations, networks, and policy innovation in executive agencies, 1862-1928* (Vol. 173). Princeton University Press.
- Eren, S., Eren, B., Ayas, Q., & Hacioglu, I. (2013). Entrepreneurial orientation and the business performance of SMEs: a quantitative study from the Netherlands. *Review of Managerial Science*, 6(2), 161-182.
- Freiling, P., & Schelhowe, P. (2020). Entrepreneurial orientation, competitive advantage, and SMEs' performance: application of firm growth and personal wealth measures. *Journal of Innovation and Entrepreneurship*, 9(1), 1-15.
- Goosen, E., & Barrett, S. (2002). Ninety-two Percent of companies in Ghana are SMEs. Retrieved October 21, 2020, from <http://www.myjoyonline.com/business/2014/october-19th/92-of-companies-in-ghana-are-smes-bastiat-ghanareport.php>.

- Hall, K., & Barrett, S. (2005). International social SMEs in emerging countries: Do governments support their international growth? *Journal of World Business*, 55(5), 1009-95.
- Henssen, S., Voordeckers, F., Lambrechts, U., & Koiranen, O. (2014). The impact of network capabilities and entrepreneurial orientation on university spin-off performance. *Journal of business venturing*, 21(4), 541-567.
- Hughes, O., & Morgan, D. (2007). The CEO autonomy–stewardship behaviour relationship in family firms: The mediating role of psychological ownership. *Journal of Family Business Strategy*, 5(3), 312-322.
- Idun, E., & Agbeblewu, R. (2020). SMEs capital structure determinants during severe economic crisis: The case of Greece. *Cogent Economics & Finance*, 4(1), 1145535.
- Kastrati, D. (2015). Energy consumption and economic growth: Evidence from Ghana.
- Kazerooni, S. (2001). Entrepreneurial orientation and its impact on firm growth amongst SMEs in South Africa. *Problems and Perspectives in Management*, (15, Iss. 3), 166-178.
- Keh, H. T., Nguyen, T. T. M., & Ng, H. P. (2007). The effects of entrepreneurial orientation and marketing information on the performance of SMEs. *Journal of business venturing*, 22(4), 592-611.
- Keh, O., & Na, D. (2007). The impacts of entrepreneurial orientation on the profitability growth of construction firms in Tanzania. *Journal of Global Entrepreneurship Research*, 9(1), 14.

- Keisen, F., & Davis, O. (2010). *The Forging of Bureaucratic Autonomy: Reputations, networks, and policy innovation in executive agencies, 1862-1928* (Vol. 173). Princeton University Press.
- Kiyabo, D., & Isaga, K. (2020). Participation in the workplace: Are employees special? *Journal of Business Ethics*, 92(3), 373-384.
- Kiyabo, F., & Isaga, Y. (2020). The CEO autonomy–stewardship behavior relationship in family firms: The mediating role of psychological ownership. *Journal of Family Business Strategy*, 5(3), 312-322.
- Kraus, M., Rigtering, B., Hughes, S., & Hosman, A. (2012). The impact of network capabilities and entrepreneurial orientation on university spin-off performance. *Journal of business venturing*, 21(4), 541-567.
- Kumar, L. (2008). Social capital and firm performance: moderating effect of environmental turbulence. *Asian Social Science*, 10(19).
- Kurtulmuş, Y., & Warner, S. (2015). Modelling key predictors that stimulate the entrepreneurial performance of small and medium-sized enterprises (SMEs) and poverty reduction: Perspectives from SME managers in an emerging economy. *Acta Commercii*, 20(1), 1-15.
- Leedy, I., & Ormrod, P. (2010). *Entrepreneurship Development and New Business Challenges and Prospects for Ghanaian Entrepreneurs*.
- Li, F., Huang, N., & Tsai, C. (2009). The sustainability of the entrepreneurial orientation performance relationship. *Entrepreneurship theory and practice*, 24(1), 37-48.

- Lieberman, G., & Montgomey, K. (1988). Are subjective business performance measures justified? *International Journal of Productivity and Performance Management*.
- Linton, G. (2016). Energy consumption and economic growth: Evidence from Ghana.
- Mason, S., & Bramble, E. (1997). Applying resource-based theory. *International Journal of Operations & Production Management*.
- Maziriri, K., & Chivandi, A. (2020). The policy environment for promoting small and medium-sized enterprises in Ghana and Malawi. University of Manchester.
- Mbae, O. (2015). The sustainability of the entrepreneurial orientation—performance relationship. *Entrepreneurship theory and practice*, 24(1), 37-48.
- Merriam, E., & Barrett, S. (2009). Entrepreneurial orientation and new venture performance: The moderating role of intra-and extraindustry social capital. *Academy of Management Journal*, 51(1), 97-111.
- Miller, D., Covin, M., & Selvin, I. (1991). International social SMEs in emerging countries: Do governments support their international growth? *Journal of World Business*, 55(5), 100995.
- Miller, O., & Friesen, W. (2012). Effect of owner-manager's financial literacy on the performance of SMEs in the Cape Coast Metropolis in Ghana. *Journal of Global Entrepreneurship Research*, 9(1), 1-13.

- Moon, S., & Blackman, D. (2014). Modelling key predictors that stimulate the entrepreneurial performance of small and medium-sized enterprises (SMEs) and poverty reduction: Perspectives from SME managers in an emerging economy. *Acta Commercii*, 20(1), 1-15.
- Morgan, J. (2012). An examination of the impact of microfinancing on the growth of small-scale industry. *A study of kente weavers at Bonwire, Ashanti Region* (Doctoral dissertation, University of Education, Winneba).
- Moriarty, D. (2010). Ninety-two Percent of companies in Ghana are SMEs. Retrieved October 21, 2020, from <http://www.myjoyonline.com/business/2014/october-19th/92-of-companies-in-ghana-are-smes-bastiat-ghanareport.php>.
- Ngek, I., & Zyl, X. (2017). Strategic orientations and performance: A configurational perspective. *Journal of Business Research*, 69(2), 849-861.
- Njage, C. (2012). Entrepreneurial orientation, learning orientation, and firm performance. *Entrepreneurship theory and practice*, 32(4), 635-657.
- Nuryakin, K., & Retnawati, I. (2017). Issues in SME development in Ghana and South Africa. *International research journal of finance and economics*, 39(6), 215-228.
- Okangi, R. (2019). The policy environment for promoting small and medium-sized enterprises in Ghana and Malawi. University of Manchester.



- Omer, U., & Shu, F. (2016). Entrepreneurial orientation and its impact on firm growth amongst SMEs in South Africa. *Problems and Perspectives in Management*, (15, Iss. 3), 166-178.
- Patten, J., & Newhart, J. (2017). "Entrepreneurial orientation, uncertainty avoidance and firm performance: an analysis of Thai and Vietnamese SMEs." *The International Journal of Entrepreneurship and Innovation*, 4.1: 46-58.
- Penrose, C. (1959). The structural and environmental correlates of business strategy. *Strategic Management Journal*, 8(1), 55-76.
- Platts, H., & Bourne, E. (2003). Environmental practices and firm performance: an empirical analysis in the Spanish hotel industry. *Journal of Cleaner production*, 17(5), 516-524.
- Platts, P., & Bourne, E. (2003). Social capital and firm performance: moderating effect of environmental turbulence. *Asian Social Science*, 10(19).
- Plonsky, H. (2017). Strategic entrepreneurial orientation: Configurations, performance, and the effects of industry and time. *Strategic Entrepreneurship Journal*, 12(4), 504-521.
- Rauch, E., Wiklund, D., Lumpkin, S., & Frese, E. (2009). Are nonfinancial measures leading indicators of financial performance? An analysis of customer satisfaction. *Journal of accounting research*, 36, 1-35.
- Rezaei, C., & Ortt, I. (2018). "Strategic process effects on the entrepreneurial orientation–sales growth rate relationship." *Entrepreneurship theory and practice* 30, no. 1 57-81.

- Rubin, G., & Rubin, D. (2012). Entrepreneurial orientation and firm performance: The role of knowledge creation process. *Industrial marketing management*, 38(4), 440-449.
- Saunders, D., Lewis, I., & Thornhill, D. (2016). Exploring the factors that hinder the growth and survival of small businesses in Ghana (a case study of small businesses within Kumasi metropolitan area). *American Journal of Industrial and Business Management*, 5(11), 705.
- Saunders, O., & Barrett, S. (2007). Entrepreneurial orientation and business performance: An assessment of past research and suggestions for the future. *Entrepreneurship Theory and Practice*, 33(3), 761-787.
- Sekaran, K., & Bougie, K. (2016). Entrepreneurial orientation and firm performance: the mediating role of functional performances. *Management Research Review*.
- Simon, W., Stanchel, F., & Covin, O. (2011). The effects of entrepreneurial orientation and marketing information on the performance of SMEs. *Journal of business venturing*, 22(4), 592-611.
- Stam, C., & Elfring, W. (2008). "Resource-based theories of competitive advantage: A ten-year retrospective on the resource-based view." *Journal of management* 27.6: 643-650.
- Swierczek, H., & Ha, L. (2003). Entrepreneurial orientation and the business performance of SMEs: a quantitative study from the Netherlands. *Review of Managerial Science*, 6(2), 161-182.

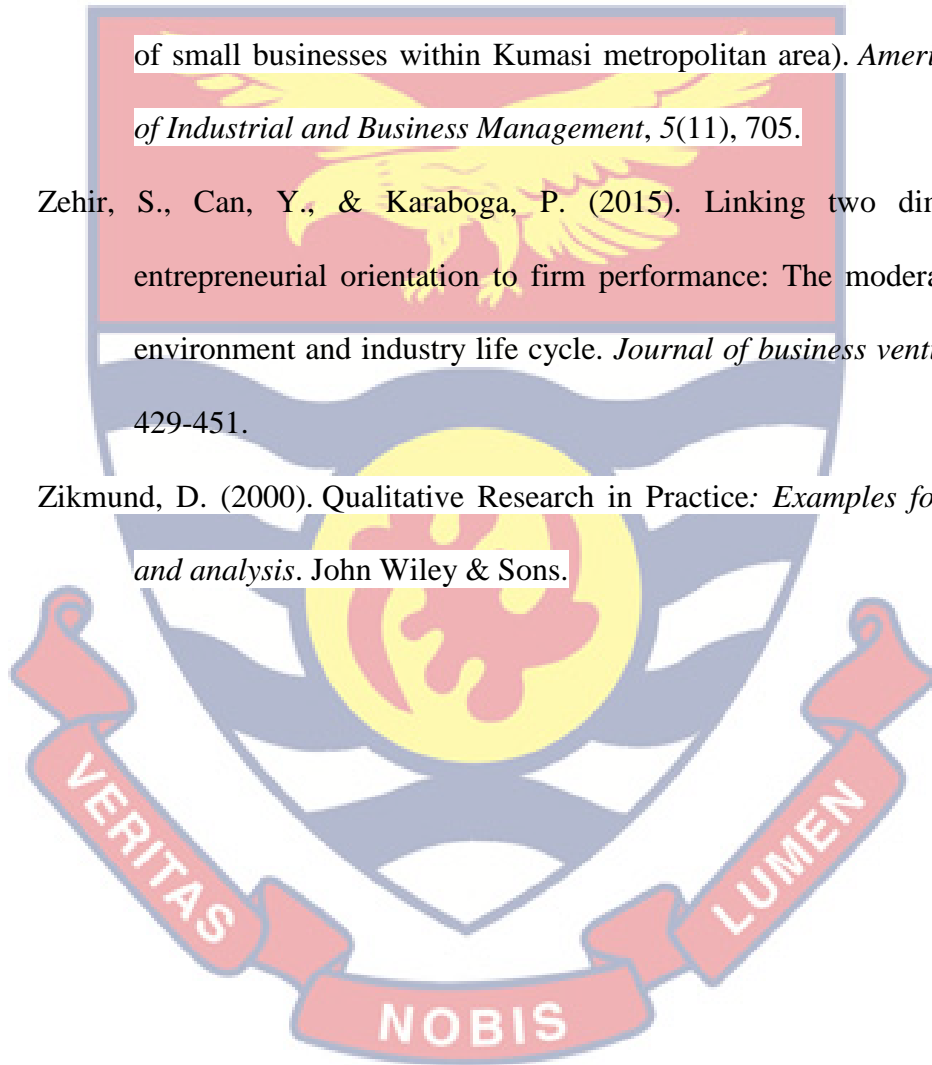
- Uche, L. (2017). An empirical Analysis of the Effect of Entrepreneurial Orientation on Firm Performance of Auto Artisans in the Cape Coast Metropolis.
- Veronica, D., Shlomo, C., Antonio, X., & Victor, R. (2020). Strategic orientations and performance: A configurational perspective. *Journal of Business Research*, 69(2), 849-861.
- Vij, Q., & Bedi, A. (2016). Nonfarm income diversification and household livelihood strategies in rural Africa: concepts, dynamics, and policy implications. *Food policy*, 26(4), 315-331.
- Xie, D., Jia, L., Meng, S., & Li, E. (2017). Entrepreneurial orientation, competitive advantage, and SMEs' performance: application of firm growth and personal wealth measures. *Journal of Innovation and Entrepreneurship*, 9(1), 1-15.
- Yeboah, E. (2011). An empirical Analysis of the Effect of Entrepreneurial Orientation on Firm Performance of Auto Artisans in the Cape Coast Metropolis.
- Zahra, S. A. (2008). The virtuous cycle of discovery and creation of entrepreneurial opportunities. *Strategic Entrepreneurship Journal*, 2(3), 243-257.
- Zahra, S. A., & Covin, J. G. (1995). Contextual influences on the corporate entrepreneurship-performance relationship: A longitudinal analysis. *Journal of business venturing*, 10(1), 43-58.

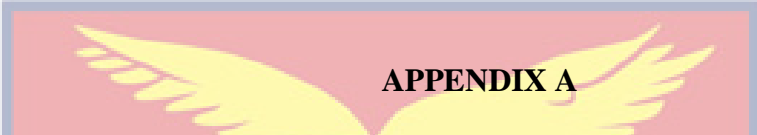
Zehir, D., Can, G., & Karaboga, T. (2015). The effects of entrepreneurial orientation and marketing information on the performance of SMEs. *Journal of business venturing*, 22(4), 592-611.

Zehir, E., Gurol, K., Karaboga, O., & Kole, P. (2016). Exploring the factors that hinder the growth and survival of small businesses in Ghana (a case study of small businesses within Kumasi metropolitan area). *American Journal of Industrial and Business Management*, 5(11), 705.

Zehir, S., Can, Y., & Karaboga, P. (2015). Linking two dimensions of entrepreneurial orientation to firm performance: The moderating role of environment and industry life cycle. *Journal of business venturing*, 16(5), 429-451.

Zikmund, D. (2000). *Qualitative Research in Practice: Examples for discussion and analysis*. John Wiley & Sons.





**APPENDIX A**

**UNIVERSITY OF CAPE COAST  
SCHOOL OF FINANCE AND MANAGEMENT STUDIES  
STRUCTURED INTERVIEW SCHEDULE FOR FIRM'S MANAGEMENT  
(OWNERS)**

Hello, my name is \_\_\_\_\_ and I am a student at the University of Cape Coast (UCC), and as part of my MBA studies, I am conducting a research on “entrepreneurial orientation and firm performance. The survey usually will take about 20 minutes to complete. The purpose of this research is purely academic and it is aimed at collecting data on the effect of entrepreneurial orientation on firm performance. Your utmost confidentiality is assured, and because of this please Do NOT write your name or the name of your entity on the questionnaire.

Now, do you want to ask anything about the survey? Yes [  ] No [  ]

Date : 

				2	0	2	1
--	--	--	--	---	---	---	---

**SECTION A: BACKGROUND INFORMATION OF MANAGER**

A1.	Respondents ID:	
-----	-----------------	--

A2.	Respondents portfolio (Position) (Please tick the one that applies)	Owner [ ] Employee [ ] Relative of owner [ ]
A3.	Educational Level of Manager (Please tick the one that applies)	No Formal Education [ ] Primary Education [ ] Junior High School [ ] Secondary School [ ] Tertiary Education [ ]
A4.	Marital Status of Manager (Please tick the one that applies)	Married [ ] Single [ ] Cohabitation [ ] Divorced [ ]

**SECTION B: IDENTIFICATION OF FIRM**

B1.	Name of the Firm	
B2.	Town/Community	
B3.	How many employees to you have in this enterprise	
B4.	In which year was your firm established?	

**SECTION C: ENTREPRENEURIAL ORIENTATION**

**I. Innovation**

Kindly indicate your *agreement* or *disagreement* to each of the following statements that relate to the presence of innovation in your firm, by **ticking** the appropriate number, on the scale: **1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree**

C1.	We actively introduce improvements and innovations in our business	1	2	3	4	5
C2.	Our business is creative in its methods of operation					
C3.	Our business seeks out new ways to delivering service					

C4.	My organization makes improvements to the operational processes					
C6.	The frequency of product and/ or service improvements in my organization has been higher over the last two years					

## II. Risk Taking

Kindly indicate your *agreement* or *disagreement* to each of the following statements that relate to the presence of risk-taking in your firm, by **ticking** the appropriate number, on the scale: **1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree**

D1.	The term 'risk taker' is considered a positive attribute for people in our firm	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
D2.	People in our business are encouraged to take calculated risks with new ideas					
D3.	Our business emphasizes both exploration and experimentation for opportunities					
D4.	In my firm, if a manager takes a risk and fails, he or she is not penalized					
D5.	My firm has a number of strategies that help us to manage and reduce risks					
D6.	The term 'risk taker' is considered a positive attribute for people in our firm					

## III. Pro-activeness

Kindly indicate your *agreement* or *disagreement* to each of the following statements that relate to the presence of innovation in your firm, by **ticking** the

appropriate number, on the scale: **1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree**

E1.	We always try to take the initiative in every situation (e.g., against competitors, in projects and when working with others)	1	2	3	4	5
E2.	We excel at identifying new opportunities					
E3.	My organization initiates action to which competitors respond					
E4.	My organization participates in strategic alliances/partnership/joint ventures with outside companies					
E5.	Staff in my organization are encouraged to proactively monitor changes in the environment					

**SECTION D: FIRM PERFORMANCE**

Please indicate the financial performance of your firm over the past three (3) years based on the listed financial indicators using the following 5-point scale.

Where:

1=lowest performance (Lo)

2=Low performance (LP)

3=Average performance (AP)

4=High performance (Ho)

5=Highest performance (HP)

Indicators of financial performance		Lo	LP	AP	Ho	HP
A.	Profit growth					