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Entrepreneurial Orientation and Effects on Small and Micro Enterprise Business Performance: The Case of East Guji Zone Gelana Woreda Small and Micro Enterprises

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ABSTRACT

The objective of this research was to investigate the impact of entrepreneurial orientation on the business performance of small and micro enterprises in low-income countries, specifically focusing on the case of Ethiopia. In order to achieve this objective, a combination of qualitative and cross-sectional survey methods was utilized. Both descriptive and explanatory designs were implemented in the study. A total of 107 participants were selected as the sample for this research, and 100 questionnaires were successfully collected. The sampling techniques employed included both probability and non-probability methods, with a combination of stratified random and purposive sampling. The collected data was analyzed using descriptive and inferential statistics, including measures such as mean, standard deviation, correlation, ANOVA, and linear regression. The results of the study indicated that the selected area demonstrated a moderate level of implementation of the variables under investigation. Furthermore, the findings revealed statistically significant correlations and effects between the explanatory and predicted variables of the study. Based on these findings, recommendations were made for administrators to consider the various dimensions of entrepreneurial orientation when designing strategies for small and micro enterprises.

Keywords: Business performance; Entrepreneurial orientation; innovation practices; proactive decision; risk-taking

1. INTRODUCTION

Micro and small businesses play a crucial role in the economic development and transformation of a nation (Stel, Carree, & Thurik, 2005). The presence, growth, and sustainability of these enterprises are of utmost importance for the overall economic growth and development of a country (Bruce, Deskins, Hill, & Rork, 2009). However, empirical evidence and the ground reality reveal that small and medium-sized enterprises (SMEs) in sub-Saharan African countries contribute minimally to national economic growth (Abera & John, 2022; Ferejo et al., 2022). Scholars have identified several key problems that hinder the performance of SMEs, including a lack of entrepreneurial orientation, the absence of a strong work culture, and fear of business risks (Beshir, 2022; Rajamani, Jan, Subramani, & Raj, 2022). Additionally, limited access to finance, inadequate infrastructure, inconsistent government policies, restricted market access, multiple taxation, and

outdated technologies are leading factors contributing to the high failure rate of SMEs in sub-Saharan countries like Ethiopia (AL-Maamari, Vedava, & Alrefaei, 2023; Mhlongo & Daya, 2023). The sluggish growth of SMEs in Ethiopia cannot solely be attributed to the aforementioned challenges but is primarily due to issues with entrepreneurial orientation (Ayinaddis, 2023). In an effort to address these issues, Ethiopia has made significant attempts to increase the contribution of small and medium-sized enterprises to the country's economy (Gebrehiwot & Wolday, 2006; Yonis, Woldehanna, & Amha, 2018). The establishment of the Small and Medium Enterprise Development Agency of Ethiopia (SMEDAE) as the sole agency responsible for promoting and developing this sector (Ageba & Amha, 2004; Seyoum, Aragie, & Tadesse, 2016) and the implementation of the National Business Development Program (NEDEP) are some of the initiatives taken. Other measures include the creation of the National and State Councils of MSMEs, the Youth Enterprise with Innovation in Ethiopia (Gebreeyesus, 2011), the revised National MSMEs Policy, and improved access to finance through the Central Bank of Ethiopia and other development banks.

The efforts made in the past to improve the performance of the SME sector have not been successful. According to Alemayehu & Bekele (2023), Ethiopian private entrepreneurs often face obstacles in exercising control rights. This is supported by the fact that Ethiopian entrepreneurs in the manufacturing sector experience business stagnation. The low value-added of Ethiopia SME shares and the shortage of companies with 20 to 49 employees and 50 or more employees further validate this (Abebe & Gebremariam, 2021). In order to survive and succeed in a changing business environment, SMEs develop and implement strategies. The concept of entrepreneurial orientation (EO) plays a crucial role in shaping the strategic decisions of SMEs. Previous studies have highlighted the impact of EO on SME operations (Fikadu, Kebede, & Kant, 2023). EO refers to the overall approach of firms in terms of taking risks, embracing innovation, and being proactive (Buli, 2017). The relationship between EO and firm performance has been extensively studied in recent years (Alvarez-Torres, Lopez-Torres, & Schiuma, 2019; Asemokha, Musona, Torkkeli, & Saarenketo, 2019; Donbesuur, Boso, & Hultman, 2020; Wahyuni & Sara, 2020).

The concept of EO emerged and has since sparked numerous studies (Meekaewkunchorn, Szczepańska-Woszczyna, Muangmee, Kassakorn, & Khalid, 2021) as it closely aligns with actual entrepreneurial behavior (Aloulou & Fayolle, 2005). It is generally observed that a positive relationship exists between EO and firm performance (Aftab, Veneziani, Sarwar, & Ishaq, 2022b).

Several research studies have focused on specific internal aspects within firms that contribute to the relationship between entrepreneurial orientation (EO) and firm performance. These studies have delved into various internal factors such as market orientation, leadership behavior, knowledge sharing, absorptive capacity, and cross-functional behavior within firms. However, despite highlighting the relevance of these internal aspects to the EO-firm performance relationship, these studies have examined different types of firm aspects, making it difficult to compare or combine their results to enhance our understanding of this relationship. In light of this gap in knowledge, this study aims to contribute to the existing empirical literature by investigating how EO influences the business performance of small and medium-sized enterprises (SMEs) in low-income countries. It is expected that adopting an entrepreneurial orientation can significantly enhance the performance of SMEs. Although there are various factors that influence SME business performance, researchers have emphasized the crucial and underutilized role of EO in economically underdeveloped countries like Ethiopia. While previous studies have explored different factors

impacting SME performance in Ethiopia, there is a lack of research examining the relationship between EO and performance specifically within the context of small and micro enterprises. Therefore, this study seeks to fill this research gap and expand the literature on the EO-performance relationship in least-developed countries. To achieve this objective, the study will investigate the effects of entrepreneurial orientation on business performance using the case of small and micro enterprises in Gelana Woreda, located in the West Guji Zone.

2. LITERATURE REVIEW

2.1 Concept of Entrepreneurial Orientation (EO)

Entrepreneurial Orientation (EO) refers to the strategic approach adopted by a company, encompassing specific entrepreneurial elements of decision-making styles, methods, and practices. Rather than focusing on the activities carried out by the firm, EO reflects how the firm operates as a whole (Basso, Fayolle, & Bouchard, 2009). According to Covin and Miller (2014), an entrepreneurial firm can be characterized by its engagement in innovative product market initiatives, willingness to undertake moderately risky ventures, and ability to pioneer "proactive" innovations, thereby gaining a competitive edge over rivals. Entrepreneurial Orientation is a widely recognized concept in the fields of entrepreneurship and business strategy (W. J. Wales, Covin, & Monsen, 2020). As a characteristic at the firm level, it pertains to the process of strategic decision-making, which involves various entrepreneurial practices, activities, and choices that contribute to the creation of value and overall organizational performance (Robinson & Stubberud, 2014). Although the concept of entrepreneurial orientation can be traced back to Mintzberg (1973), it gained significant scholarly attention through the seminal work of Miller and Friesen (1982). An entrepreneurial firm is one that actively engages in product market innovation, takes calculated risks, and takes the lead in introducing proactive innovations ahead of competitors (Fels & Richter, 1957). In their meta-analyses of fifty-one research articles, Rauch et al. found that many researchers in the fields of entrepreneurship and strategy have adopted Miller's conceptualization, focusing on three key dimensions: innovativeness, risk-taking, and pro-activeness (Le Roux & Bengesi, 2014). Aligning with Miller's unidimensional concept, they argue that for a firm to be considered entrepreneurial, it must exhibit high levels of innovativeness, risk-taking, and pro-activeness simultaneously.

In contrast, G Thomas Lumpkin, Cogliser, and Schneider (2009) provided an alternative definition of entrepreneurial orientation (EO). They described EO as a combination of processes, practices, and decision-making styles that ultimately lead to innovative outcomes. Additionally, they introduced two additional dimensions to EO - "Autonomy" and "Competitive Aggressiveness" - and emphasized that EO should be seen as a multidimensional concept. According to their perspective, an entrepreneurial firm may not possess all dimensions of EO simultaneously, and these dimensions may not necessarily be interrelated. This fresh outlook on the EO concept diverged from Miller's viewpoint, marking the inception of a new and distinct conceptualization of the construct.

2.2 Theoretical Review

Various theories exist regarding entrepreneurs and their performances. Nonetheless, this study is primarily grounded in two theories: Schumpeter's Innovation Theory and Entrepreneurial Orientation Theory. These theories were examined to establish a foundation for the research (W.

Wales, Monsen, & McKelvie, 2011; W. J. Wales, Covin, Schüler, & Baum, 2023; W. J. Wales, Kraus, Filser, Stöckmann, & Covin, 2021).

Schumpeter's Innovation Theory, developed by Schumpeter (Śledzik, 2013), elucidates a process referred to as "creative destruction." According to this theory, wealth is generated by disrupting existing market structures through the introduction of novel goods and services. This introduction stimulates the growth of new firms while reallocating resources from established companies. Innovativeness, as defined by Schumpeter, represents the exploitation of change as an opportunity for entrepreneurs to provide distinct services or undertake new ventures. Mehmood, Alzoubi, Alshurideh, Al-Gasaymeh, and Ahmed (2019) emphasized the significance of Schumpeter's theory, highlighting the importance for entrepreneurs to seek innovative approaches that foster change and recognize indicators of innovation opportunities. Furthermore, they underscored the necessity of comprehending and effectively utilizing the principles of innovation. Schumpeter also stressed the pivotal role played by entrepreneurs as agents of creative destruction.

Drucker (1985) and Langlois (2007) share the same perspective as Schumpeter regarding entrepreneurship. They believe that entrepreneurs are constantly seeking meaningful innovation by identifying opportunities for change and fully exploiting them. Ling, Simsek, Lubatkin, and Veiga (2008) also emphasize the importance of innovation in entrepreneurship, as it plays a crucial role in a country's economic growth. They connect innovation to a country's economic development, stating that countries with strong economies are highly committed to innovation and research. Currie et al. (2008) argue that an organization's sustainability and success depend on its ability to adapt to the ever-changing external environment and embrace innovation. For this reason, the researchers adopt the Schumpeterian innovation theory, as it is one of the variables under investigation. Innovation is identified as a key variable that positively impacts a firm's performance. Covin and Lumpkin (2011) propose the Entrepreneurial Orientation Theory, which characterizes an entrepreneurial organization as one that actively engages in product and market innovation. Such organizations strive to introduce proactive innovations before their competitors and are willing to take on risky ventures. Khandwalla (1977) attempts to clarify the concept of entrepreneurial-oriented management, describing it as a decision-making style that is aggressive, bold, and risk-oriented, in contrast to a cautious and stability-oriented approach. The concept of Entrepreneurial Orientation (EO) was initially developed to differentiate between managers and business owners on a psychological level. However, it was later abandoned in a quasi-psychological state, even before analyzing the relationship between individual Entrepreneurial Orientation and success. Harbert and Berg (1978) propose one of the strategy-making modes, which involves actively seeking entrepreneurial opportunities and focusing on performance. Considering that Entrepreneurial Orientation Theory encompasses an organization's strategic models, managerial thinking, and entrepreneurial culture, it was deemed suitable for this research.

2.3 Empirical Literature Review and hypothesis development

2.3.1. Entrepreneurial Orientation and Firm Performance Relationship

The association between entrepreneurship and the performance of firms has garnered significant attention in the field of strategy and entrepreneurship over the past few decades (Aftab, Veneziani, Sarwar, & Ishaq, 2022; Alam et al., 2022). Scholars have postulated that the presence of entrepreneurial behaviors at the firm level, specifically the inclination towards engaging in daring, innovative, and proactive actions, is positively linked to organizational profitability and growth

(Al-Shami, Alsuwaidi, & Akmal, 2022; Cannavale, Zohoorian Nadali, & Esempio, 2020). However, the strength of this relationship appears to vary across different studies. Some studies have discovered that firms embracing entrepreneurial orientation (EO) outperformed those that did not (Adam et al., 2022; Yang & Aumeboonsuke, 2022). On the contrary, another set of studies failed to establish a significant association between EO and performance (Mozumdar et al., 2022; Ringo, Tegambwage, & Kazungu, 2022), indicating that an excessively high level of EO may not always be desirable in certain market and structural conditions. This body of literature reveals significant diversity in the reported relationships between EO and firm performance. The discrepancies in findings can be attributed to factors such as variations in the measurement scales of entrepreneurial orientation, differences in the methodologies employed, considerations of moderating variables, and the utilization of distinct performance indicators.

H1: Entrepreneurial Orientation has significant and positive effects on business performance

2.3.2 Innovation and Performance

Creative destruction generates wealth when the existing market is disrupted by a novel service or product, thereby reallocating resources, as proposed by Schumpeter (Ferreira, Reis, & Pinto, 2017). This concept is further emphasized by Lumpkin and Dess (1996), who highlight the importance of pursuing and supporting the development of innovative ideas and processes. In a study conducted by Makanyeza, Mabenge, and Ngorora-Madzimure (2023), the impact of innovativeness on the success of small businesses was examined. The researchers discovered that firms that incorporated innovation in their operations achieved better outcomes in terms of turnover, growth, employment opportunities, and profits, in comparison to firms that neglected investment in innovation. It is worth noting that even if firms are not currently engaging in innovative activities but still maintain high profit margins, it is possible that they have previously innovated, thus rendering present innovative activities unnecessary. The level of innovation significantly influences the overall performance of small and medium enterprises (SMEs), as supported by various empirical studies (Castillo-Vergara & García-Pérez-de-Lema, 2021). Purwati, Budiyanto, Suhermin, and Hamzah (2021) found a positive correlation between the level of innovation and enhanced financial performance, emphasizing the importance of innovation for gaining a competitive advantage. DP Tran, Vo TN, and Thai NB (2023) also confirmed the positive association between innovation and product quality performance.

However, it is important to note that higher productivity is not always directly linked to innovation, as stated by Singh, Del Giudice, Chiappetta Jabbour, Latan, and Sohal (2022).

H2: Innovativeness has significant and positive effects on business performance

2.3.3 Risk-taking and Performance

Entrepreneurial behavior refers to the act of investing significant resources into a project that is uncertain and prone to failure. This resource commitment is usually a calculated risk rather than an uncontrolled allocation of resources (García-Lopera, Santos-Jaén, Palacios-Manzano, & Ruiz-Palomo, 2022). According to Thi Pham and Thi Dao (2022), firms that exhibit a high level of risk-taking tend to have better performance. Hossain et al. (2022) discovered a positive relationship between risk-taking and performance, although the correlation was not statistically significant. However, Chen, Li, and Liu (2022) found a negative correlation between risk-taking and growth when examining the interaction of the three components of entrepreneurial orientation. On the other

hand, Lee (2023) observed that risk-taking and performance had the weakest positive relationship among the three components. In their study on the relationship between risk-taking and firm growth in agro-processing SMEs in Kenya, Tsai and Fang (2023) found that risk-taking had a significant impact on firm performance in terms of growth and profitability. However, due to the study's focus on SMEs in the agro-processing industry in Kenya, it may be challenging to generalize these findings to other industries, highlighting a contextual gap.

H3: Risk-taking has significant and positive effects on business performance

2.3.4 Pro-activeness and performance

According to Venkatraman (Silva, Moutinho, & Vale, 2022), pro-activeness refers to the proactive approach taken by organizations in seeking new opportunities both within and outside their operations. This includes staying ahead of competitors in terms of product development and enhancing production efficiency. Companies that possess the ability to anticipate changes in future demand typically gain a competitive edge. Research studies have consistently indicated that pro-activeness plays a crucial role in achieving success in business administration (Luqman, Zhang, & Hina, 2023; Maciejewski, Wach, & Głodowska, 2023). It involves the capability to foresee and address potential challenges and future business prospects. Numerous empirical studies have confirmed that pro-activeness significantly predicts the performance of small and medium-sized enterprises (SMEs) (Hossain et al., 2022; Kiss, Cortes, & Herrmann, 2022; Smithikrai, 2022).

H4: Pro-activeness has significant and positive effects on business performance

3. METHODOLOGY AND MATERIALS

3.1 Study design and approach

A combination of research methods was used to collect primary data from participants in different groups and analyze the expected relationships. Both descriptive and explanatory designs were utilized in the study. The samples were selected from the overall population using stratified random sampling techniques. Within each targeted group, participants were chosen using a simple random sampling technique. The population of the study was divided into five strata based on the nature and type of businesses they were involved in: construction, agriculture, trade, services, and animal production. The number of participants allocated for each stratum is detailed in Table 1 below, following proportional rates.

Table 1: Target population and sample size in each stratum

Stratum	Population	Proportional rate	Sample
Construction	32	32/147x 107= 23	23
Agriculture	25	25/147x107=18	18
Trade	21	21/147x107=16	16
Services	33	33/147x107=24	24
Animal production	36	36/147x107=26	26
Total	147	107	107

Source: - Researcher survey result (2023)

Researchers collected data by administering written survey questions during fieldwork. They were aided by employed data collectors who assisted in gathering information. Additionally, face-to-face

interviews were conducted by researchers with informants who were purposefully selected. A total of 100 questionnaires were successfully gathered and utilized for analysis. The sample size for this study was determined using a specific method. Of Yamane (1967).

$n= N/1+N (e)^2$

2

Where, n = required sample size, N = population size;

e = is slevel of precision (0.05)

$n= 147/1+147(0.05)^2 = 107$

Next, the overall size of the sample is distributed among each category according to their relative proportion, as suggested by Bowley (1926). This guarantees a just representation of samples from each classified small business.

3.2 Scope of the study

The focus of this study was specifically on small and micro-enterprises (SMEs) in the Gelana Woreda region of the west guji zone in Ethiopia. Five specific business sectors were chosen for examination within this context. However, any SMEs involved in sectors that were deemed not to be significant within the study area were excluded from consideration. The main objective of this research was to investigate the impact of entrepreneurial orientation on the overall performance of these SMEs

4. DATA ANALSIS AND INTERPRITATION

4.1 Introduction

In this segment of the research paper, we provide an examination of the data and engage in a conversation about the outcomes, keeping in mind the study's goals. The purpose of this study was to explore how entrepreneurial orientation influences the performance of small and micro enterprises. To ensure the appropriateness of the data generated for testing the research hypotheses and achieving the study's objectives, a trial run of the questionnaire was conducted. In the final phase of data collection, a total of 107 questionnaires were distributed, out of which 100 were received. The collected data exhibited a response rate of 93%.

4.2. Descriptive analysis of implementation level of the study concepts

The study concepts' level of implementation was analyzed in a descriptive manner, as summarized in the table provided. To conduct this analysis, the average mean and standard deviation were utilized. The average mean of participants' responses served as a means to determine the level of implementation based on their comprehension. A higher average mean value indicates a satisfactory level of implementation, while a lower average mean suggests a subpar level of implementation. The standard deviations were employed to assess the variability among participants' responses. Thus, as indicated in Table 2, the average mean of all variables in the study ranged from 3.104 to 3.97. When examining the implementation level for each specific variable, the lowest average mean score was observed for the risk tanking intention, with a mean value of 3.104. On the other hand, the highest average mean was recorded for business performance, with an average value of 3.97, indicating a moderate level of implementation. The descriptive statistical summary table below

reveals that there is relatively minimal variability among respondents' perspectives on the implementation of concepts, as evident from the standard deviation values.

Table 2: Summary statistics on predictor variables

No	Variable	Frequency	Mean	Std. dev.
1	Innovativeness	100	3.633	1.056
2	Risk taking	100	3.104	1.145
3	Pro-activeness	100	3.776	1.056
4	SME Performance	100	3.9725	1.1391

Source: Researcher survey result (2023)

4.3 Inferential Analysis

4.3.1 Correlation Analysis

As depicted in Table 2 below, all variables exhibited a significant and positive correlation with the dependent variable, albeit with varying degrees of correlation among them. Akoglu (2018) proposed that Pearson correlation coefficients can be interpreted as follows: a coefficient of 1 represents a perfect correlation, coefficients ranging between 0.7 and 0.9 indicate a strong correlation, coefficients ranging between 0.4 and 0.6 suggest a moderate correlation, coefficients ranging between 0.1 and 0.3 imply a weak correlation, and a coefficient of 0 signifies no correlation between variables. Accordingly, two of the variables utilized in the analysis showed strong correlations with the dependent variable, with Pearson correlation coefficients of 0.829 and 0.756, while one variable exhibited a moderate correlation with a coefficient of 0.623. Consequently, all three independent variables were included in the regression analysis to examine their effects.

Table 3: Summary of correlation coefficients

Performance		Performance	Innovativeness	Risk taking	Proactiveness
	Pearson Correlation	**1**	.829**	.756**	.623**
	Sig (2-tailed		**.000**	**.000**	**.000**
Innovativeness	Pearson Correlation	.829	1	.234	.145
	Sig (2-tailed	.000		.004	.065
Risk taking	Pearson Correlation	.756	.432	1	0.256
	Sig (2-tailed	.000	.002		.045
Proactiveness	Pearson Correlation	.623	.152	.271	1
	Sig (2-tailed	.000	.062	.048	

Source: Researcher survey result (2023)

4.3.2 Regression analysis

In this study, multiple regression models were employed to examine the impact of various factors on the final outcome. The findings of these models have been conveniently presented in the table provided below.

Table 4: Model summary

Model	R	R2	Adjusted R2	Standard Error of Estimate
1	.858	.754	.741	.55631

Source; Researcher Survey result (2023)

The utilized model was suitable for the given data, as evidenced by the summary table presented above. The F-statistic yielded a significant result at a probability level of less than .001, indicating a strong fit of the model. About 74.1% of the variances in SME performance can be accounted for by three predictors, specifically Innovativeness, Pro-activeness, and risk-taking. With such a substantial R-squared value, it can be concluded that the model effectively explains a significant amount of variation in the dependent variable.

Table 5: ANOVA

Model	Sum of squares	Df	Mean Square	F	Sig
Regression	41.80	5.00	7.47	16.2	0.000[b]
Residual	88.41	186.00	0.42		
Totals		191.00			

Source: Researcher Survey result (2023)

The analysis of variance (ANOVA) revealed that the null hypothesis, suggesting no mean differences among the groups, was rejected in favor of the alternative hypothesis. This decision was based on the significantly low p-value of 0.000, which was well below the threshold of 0.05. Consequently, it can be concluded that there exists a substantial difference in the mean values among the groups, as evident from the ANOVA table results. Therefore, the employed model proved to be a good fit for the data, and the variations observed in the dependent variable (business performance) can be attributed to the variances in predictors such as innovativeness, risk-taking, and proactiveness.

Table 6: Regression coefficients

Model	Un standardized Coefficients		Standard Coefficients	T	Sig
	B	Std. Error	Beta		
(Constant)	.570	.237		-1.555	.100
Pro-activeness	.207	.052	.122	3.770	.000
Innovativeness	.232	.64	.218	2.185	.001
Risk taking	.309	.63	.176	3.503	.005

Source: Researcher Survey result (2023)

a. The dependent variable: Y (Performance of SMEs)

Based on the regression table provided, it is evident that the three explanatory variables have a significant impact on the business performance measured by MSE. Consequently, we reject all null hypotheses that suggest no significant influence and accept the alternative hypotheses that indicate a significant and positive relationship. Notably, among the explanatory variables, innovation demonstrates a stronger influence, as reflected by its higher standard beta coefficient of 0.218. Interpreting the results of the standardized beta coefficient, we can infer that a one standard deviation improvement in proactiveness would lead to a 0.122 standard deviation improvement in business performance, assuming all other variables remain constant.

The model equation is as follow

$Y= \beta_o+\beta_1x_1+\beta_1x_2+\beta_3x_3+\varepsilon$

Where Y= represents business performance

β_o= represents constant values when all explanatory variables equal to zero

β_1, β_1, β_3= represents coefficients of explanatory variables

x_1, x_2, x_3= represents explanatory variables

ε= represents error term

Y= .570+.207PR+ .232IN+ .309 RT+.237

Where PR- represents proactiveness

IN-innovativeness

RT- risk taking

4.4 Summary of finding and discussion

The purpose of this study was to examine the impact of entrepreneurial mindset on the business performance of small and medium enterprises (SMEs) in the Gelana Woreda region of the west Guji zone in the Oromia regional state of Ethiopia. To achieve this objective, data was gathered from members of the MSE community in Gelana town through written questionnaires and interviews. Additionally, town administration officers responsible for overseeing and regulating MSE activities were also interviewed. A total of 100 respondents were involved in the study, and the collected data was analyzed using descriptive statistics such as frequency tables, means, standard deviations, as well as inferential analysis methods like correlation and multiple regressions.

Based on the findings, it was determined that the implementation of entrepreneurial concepts in the study sector was at a moderate level for independent variables, but relatively low for response variables. Furthermore, the descriptive analysis of factors indicated that among the variables studied, proactiveness had the highest average mean value as perceived by the respondents. All three explanatory variables examined in this study were found to be statistically significant and positively correlated with the business performance of MSEs in the study area.

The regression analysis results indicate that all variables have statistically significant effects. The introduction of innovation has brought about improvements in market share, quality of goods, volume of sales, and an expanded product portfolio. This demonstrates that being innovative has important implications for the success of a business. Our findings align with the conclusions drawn by Purwati, Budiyanto, Suhermin, and Hamzah (2021), who found that innovativeness has a positive and significant impact on the performance of small and medium-sized enterprises (SMEs).

However, these findings contradict the results of Domi, Keco, Capelleras, and Mehmeti (2019), who found no significant relationship between innovativeness and SME business performance. According to their research, firm behavior plays a more crucial role in improving performance rather than innovation. Additionally, Falahat, Tehseen, and Van Horne (2018) suggested a weak or negative correlation between innovativeness and firm performance.

In contrast, our findings demonstrate a strong and positive correlation, supported by robust regression coefficients, between innovative behavior and the performance of SMSEs. These findings are similar to those of Mogashoa and Kalitanyi (2023), who also found a strong correlation and positive effects between innovativeness and business performance.

The presence of risk-taking habits leads to better business performance, making risk-taking characteristics essential for acquiring benefits and enhancing business efficiency. This discovery aligns with the research conducted by Dahlan, Priyana, and Syam (2023), who propose that the ability to take risks improves performance. Our study findings demonstrate a strong positive correlation and significant effects of risk-taking on the performance of small and medium-sized enterprises (SMEs), which is consistent with the conclusions drawn by Castillo-Vergara and García-Pérez-de-Lema (2021). The proactive nature of an organization enables it to enhance business growth and profits. Based on the findings, proactiveness significantly influences business success, similar to the research conducted by Muhayimana, Gwahula, and Marcha (2023). Their study focused on the impact of proactiveness on family-owned businesses and concluded that it has positive and significant effects on business performance.

5. CONCLUSION, IMPLICATION AND SUGESSION FOR FUTURE RESEARCHERS

5.1 Conclusion

This study aimed to explore the correlation between entrepreneurial orientation and the performance of small and micro enterprises. The findings of this study indicate that there are significant and positive influences of entrepreneurial orientation on performance. Based on these findings, the researchers conclude that entrepreneurial orientation plays a crucial role in enhancing the performance of SMEs. All the factors used to measure entrepreneurial orientation, such as innovativeness, risk-taking, and proactiveness, have statistically significant positive effects on business performance. Therefore, the researchers concluded that the performance of MSEs is a result of their innovation practices, willingness to take risks, and ability to be proactive leaders. The implications of these research findings are manifold. Firstly, they provide valuable insights for managers to focus on specific areas that can enhance business performance and sustain growth. Secondly, they support the theoretical assumptions discussed in the literature review section, thereby adding to the body of knowledge in this field. Lastly, the results of this research can serve as empirical evidence in low-income countries, contributing to a better understanding of the studied concepts. Hence, it can be concluded that this study has significant empirical implications.

5.2 Suggestion for Further Research

The scope of this research is focused on the correlation between entrepreneurial orientation and the performance of small and medium-sized enterprises (SMEs). However, future researchers are encouraged to explore other dimensions of these concepts and expand on the topic. Furthermore, the study is limited to three indicator variables - innovativeness, risk-taking, and proactiveness - to measure entrepreneurial orientation. It is suggested that future researchers consider

incorporating additional indicators that are relevant to these concepts. In terms of geographical scope, this study specifically examines the west Guji Zone Gelana Woreda of the Oromia Regional State in Ethiopia. However, it is recommended that future studies broaden their scope to include other locations within the country and the region for a more comprehensive analysis. Lastly, it should be noted that this study utilized a cross-sectional research design, gathering data only once. It is recommended that future studies adopt a longitudinal design to observe variations across different seasons and stages, providing a deeper understanding of the subject matter.

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No competing conflicts of interest for this article

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Data availability statements

Data for this research is available upon legal request

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