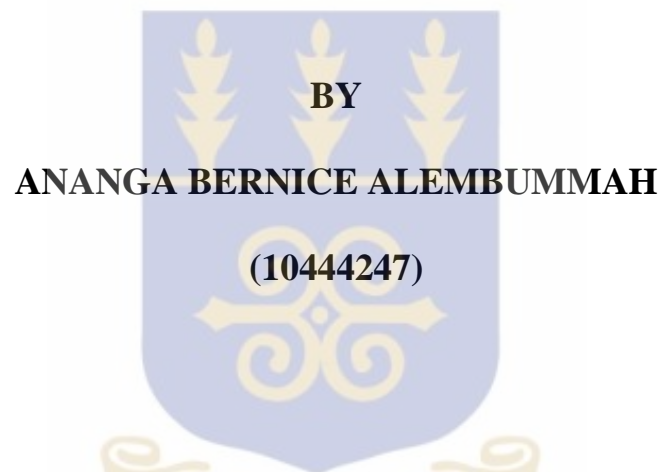


**UNIVERSITY OF GHANA**

**ENTREPRENEURIAL ORIENTATION AND SME GROWTH:  
A STUDY OF THE FOOD PROCESSING SECTOR OF GHANA**



**THIS THESIS IS SUBMITTED TO THE UNIVERSITY OF GHANA,  
LEGON IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR  
THE AWARD OF MPhil MARKETING DEGREE.**

**JUNE, 2015**

**DECLARATION**

I do, hereby, declare that this thesis work is the result of my own research and has not been presented by anyone for any academic award in this or any other university. All references used in the work have been duly acknowledged.

I bear sole responsibility for any shortcomings.

.....

.....

**ANANGA BERNICE ALEMBUMMAH**

**DATE**

**(10444247)**



**CERTIFICATION**

I, hereby, certify that this thesis was supervised in accordance with procedures laid down by the University of Ghana, Legon.

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.....

**DR. SAMUEL BUAME**  
**(PRINCIPAL SUPERVISOR)**

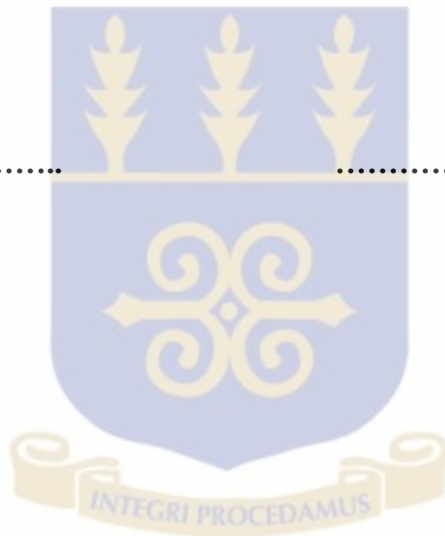
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**DR. DANIEL QUAYE**  
**(CO-SUPERVISOR)**

**DATE**



## **DEDICATION**

This thesis is dedicated to God Almighty for his Grace, Favor and Protection

And

To My Wonderful Family.



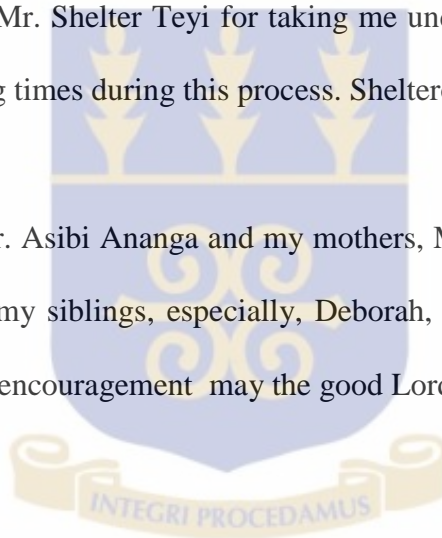
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**LIST OF ACRONYMS**

AGI	Association of Ghanaian Industries
EO	Entrepreneurial Orientation
FAO	Food and Agriculture Organization
GDP	Gross Domestic Product
ISSER	Institute of Statistical
MOTI	Ministry of Trade and Industry
NBSSI	National Board for Small Scale Industry
SMEs	Small and Medium Enterprises
UN	United Nations

## ABSTRACT

This study examines the influence of entrepreneurial orientation on the growth of SMEs in Ghana's food processing sector. The importance of Small and Medium Enterprises (SMEs) to the well-being of an economy cannot be overemphasized. Many studies have been undertaken, both in developed and developing countries to indicate the major developmental role that SMEs play in an economy. However, despite their acknowledged contributions to the economy and series of interventions by government and non-governmental agencies, SMEs in Ghana are bedeviled with challenges that seem to stifle their growth. Many studies have sought to identify some of these challenges, however, it appears few of them have considered the extent to which SMEs entrepreneurial orientation will lead to growth. This study adopted Lumpkin and Dess's (1996) multidimensional entrepreneurial orientation concept to examine the influence that the construct has on SME growth in the food processing sector in the Greater Accra region of Ghana.

The study employed a survey research design using structured questionnaire while multiple regression and one tail test were used to analyze data. The study observed that even though SMEs in the food processing sector display some traits of entrepreneurial orientation, the business environment in which these firms find themselves often acts as an impediment to their growth propensity. The findings also indicated that SMEs in the food processing sector often exhibit high levels of proactiveness and competitive aggressiveness whereas innovativeness, risk-taking and autonomy seem to be non-existent when the environment is unstable. The study, therefore, recommends that firms encourage employee creativity in the performance of assigned tasks and also invest in current technologies and R&D (research and development). The findings are subject to a limited sample size, thus, future studies are advised to use much larger sample size so as to test the robustness of these findings.

## CHAPTER ONE

### 1.0 Introduction

This study seeks to investigate the Entrepreneurial Orientation (EO) of Small and Medium Enterprises (SMEs) in the food processing sector in the Greater Accra Region of Ghana, and its impact on their growth. This chapter thus, provides a background to the study, the statement of the problem, gap in literature, research objectives, research questions, the significance of the study and chapter disposition.

### 1.1 Background to the Study

The importance of Small and Medium Enterprises (SMEs) to the well-being of an economy cannot be overemphasized. Many studies have been conducted, both in developed and the developing countries that, indicate the major developmental role that SMEs play in an economy (Karpak and Topcu, 2010; Abor and Quartey, 2010; Paul et al., 2007). They do well in providing employment to teeming job seekers, serve as avenues for innovation and provide revenue to governments (the state) and the citizenry; which is why it has been identified as a catalyst for economic growth (Abor and Beikpe, 2005; Mensah, 2004).

Statistics have shown that the SME sector is the most dominant form of business in Ghana as they account for up to 92% of businesses in the economy (Abor and Quartey 2010). Furthermore, in 2012, it was estimated that SMEs contributed 49% of Ghana's GDP, accounted for 90% of existing businesses and provided about 85% of manufacturing employment and the subsequent generation of export and tax revenues, provision of basic goods and services and job creation for socio-economic development in Ghana (Frimpong, 2013).

According to Aryeetey and Ahene (2005), SMEs are a seedbed for indigenous entrepreneurship because there have been countless investments generated by small businesses which would otherwise not have occurred. An aggregation of these seemingly negligible investments has become the foundation of indigenous entrepreneurship in Ghana. Kwabena Adjare Danquah of Metalex Ghana Limited, Dr Michael Agyekum Addo of Kama Health Services Limited, Komla Hukportie of Parlays Ghana Limited and Samuel Mensah of Prime Stone Quarries are all examples of small startup businesses which have now become the captains of indigenous entrepreneurship in Ghana.

However, despite their acknowledged contributions to the economy, they are bedeviled with challenges that seem to stifle their growth. A number of studies have come out with various challenges such as inadequate finance, inadequate marketing skills, excessive government regulations, competition from foreign companies and many more that SMEs in Ghana are facing. These challenges appear to militate against the growth of SMEs in Ghana, hence, their steady decline in growth. Also, global financial and economic crises, unemployment, rapid technological change together with intense competition (Ireland, Covin & Kurako, 2009; Buame, 2012) have intensified the need for businesses to be more entrepreneurially oriented in order to grow and survive (Dess, Lumpkin and McGee, 1999). These challenges will thus not become as problematic if SMEs were to become entrepreneurially oriented. This confirms Carree and Thurik's (1998) assertion that during economic recessions the role of SMEs and entrepreneurship become strong. This is because businesses with entrepreneurial skills are more likely to perform better and are able to identify and seize opportunities, thus differentiating themselves from non-entrepreneurial businesses. (Knight, 2000; Covin and Slevin, 1991).

Miller (1983), one of the foremost proponents of entrepreneurial orientation (EO), opines that firms that engage in product market innovation, undertake somewhat risky ventures, and are usually first to come up with 'proactive' innovations beating competitors to the punch can be described as being entrepreneurially oriented. Lumpkin and Dess (1996) add autonomy and competitive aggressiveness to Miller's (1983) definition. Essentially, the current state of discourse on EO proposes that for a firm to be entrepreneurially oriented, they have to be proactive, innovative, risk-taking, competitively- aggressive and autonomous. Other studies also observed the relationship between EO and business performance based on the above-mentioned scholars' conceptualization of EO (Wiklund and Shepherd, 2003; Rauch, Wiklund, Lumpkin and Frese 2009; Slater and Narver, 2000). Notably, these studies were conducted in small and medium enterprises (SMEs) because there has been a reverse in the trend within the last twenty years, of large firms being the main job creators. This could perhaps be attributed to the increasing number of SMEs springing up and their immense contribution to economic growth (Terziovski, 2010).

Recently, the manufacturing sector of Ghana has seen a continued decline in growth over the past five-years. The growth rate and the share of GDP in the sector fell from 5.2% in 2009 to 0.6% in 2013 and 6.4% in 2012 to 5.8% in 2013 (ISSER, 2014). Ghana's manufacturing sector comprising of various sub-sectors such as pharmaceutical, agro and food processing. One struggling sub-sector is the food processing sector. The sector is comparatively small and most of the activities in the sector are carried out on a small scale due to the increasing threat of and competition from large manufacturers as well as the importation of foreign goods (Sutton and Kpentey, 2012).

This is not a new problem in the sector since Hughes (1969) observed the inefficiency of the food processing sector despite its importance to developing countries like Ghana. According to the UN's Food and Agriculture Organization (FAO), up to 40% of food produced in the developing world is wasted before it reaches the market. Ghana is no exception to this trend where post-harvest losses lie between 30% and 40% (Sutton and Kpentey, 2012). In the light of this, there is the need to substantially improve the performance of the manufacturing sector, more specifically the food processing sector, in order to improve the Ghanaian economy.

In summary, it appears that SMEs in Ghana's manufacturing sector, specifically the food processing sector, are experiencing low growth due to the above-mentioned challenges. Therefore, this study will focus on the food processing sector by adopting the construct of Lumpkin and Dess (1996) to propose that SME-growth in Ghana's manufacturing sector (food processing sector) will grow better if they become entrepreneurial orientation.

## **1.2 Problem Statement**

In the preceding paragraphs, it was indicated that the manufacturing sector of Ghana has been experiencing a consistent decline in growth since the last five years (ISSER, 2014). The sector has thus slipped from its traditional second position to a third among Ghana's five industrial sub-sectors (ISSER, 2014). Governmental and non-governmental institutions like the National Board for Small Scale Industry (NBSSI), Association of Ghanaian Industries (AGI), and Ministry of Trade and Industry (MOTI), among others, are mandated to support the promotion and development of these SMEs in Ghana. They are to facilitate SME performance, which in turn will enhance growth; however, despite these

interventions, the growth rate of SMEs, most especially the manufacturing sector, continues to decline.

It is, therefore, uncertain if these SMEs are benefiting from the services these institutions are rendering, but if not, why the decline? It is also uncertain what the actual cause of this decline in growth is and whether their ability to grow is truly hampered by the deduction that they are not entrepreneurially oriented? In the researcher's view, these are matters of investable research, hence the study's focus on SMEs in the Ghanaian food processing sector. This study, therefore, seeks to postulate that SMEs in Ghana's food processing sector will grow better if they become entrepreneurially orientated.

## **1.2 Research Gap in Literature**

The lack of SME growth in Ghana could perhaps be attributed to the fact that they lack the needed entrepreneurial orientation. An extensive look at the table below reveals that many studies have been conducted on the issue of entrepreneurial orientation and business performance of SMEs. Moreno and Casillas (2008) stated that most of these studies have been thoroughly investigated both conceptually and empirically (see table below);

**Table 1. 1:** Taxonomy of conceptual and empirical literature on entrepreneurial orientation and performance

<b>Names of Authors</b>	<b>Title of Paper</b>	<b>Country of research</b>	<b>Year</b>
Jeffrey G. Covin and Dennis P. Slevin	A Conceptual Model of Entrepreneurship as Firm Behavior	United States	1991
S.A. Zahra	A Conceptual Model of Entrepreneurship as Firm Behavior: A Critique and Extension	United States	1993
Lumpkin G. T. and Dess G. G	Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance	United States	1996
Wiklund J.	The Sustainability of Entrepreneurial Orientation-Performance Relationship	United States	1999
Lumpkin G. T. and Dess G. G	Linking Two Dimensions of Entrepreneurial Orientation to Firm Performance: The Moderating Role of Environment and Industry Life Cycle.	United States	2001
Wiklund J. and Shepherd D.	Knowledge-based Resources, Entrepreneurial Orientation and Performance of Small and Medium-sized Businesses.	Sweden	2003
Wiklund J. and Shepherd D.	Entrepreneurial Orientation and Small Business: A Configurational Approach	Sweden	2005
Harun Kaya and Veysel Ağca	Entrepreneurial Orientation and Performance of Turkish Manufacturing FDI Firms: An Empirical Study	Turkey	2009
Rauch, A., Wiklund, J., Lumpkin, G.T., and Frese, M.,	Entrepreneurial Orientation and Business Performance: An Assessment of Past Research and Suggestions for the Future	-	2009
Khalili, Nejadhussein and Fazel	The Influence of Entrepreneurial Orientation on Innovative Performance	Iran	2013
Tajudin A, Abdul Aziz R, Mahmood R and Abdullah M. H	The Relationship Between Entrepreneurial Orientation and Business Performance of SMEs in Malaysia	Malaysia	2014

Source: Author's own conceptualization

A close look at the table above indicates that even though a number of studies have been done on EO and business performance, little has been done specifically on EO and business growth. Also, not much has been done in Africa let alone Ghana.

According to Delmar, Davidsson and Gardner (2003), the combined indicators of the dimensions of performance, such as profitability and growth are sometimes contradictory, hence the need to measure EO against these dimensions separately (Moreno and Casillas, 2008). In addition, some of these studies have acknowledged the influence that moderating

and mediating factors such as firm characteristics, external and internal environment, have on business performance, hence the need for further studies in this direction. For instance, Lumpkin and Dess (1996) and Wiklund and Shepherd (2005) have argued that although EO may have a positive effect on business performance, moderating and mediating factors can influence the level of business performance. The need for further studies to integrate moderating and mediating factors in the study of the EO and performance has been encouraging. This study, therefore, attempts to fill this issue gap in literature by using the environmental context as a moderating factor between EO and growth of SMEs.

Extant literature from Ghana as seen from the table below shows that, most studies on SMEs concentrated on issues such as capital structure and the debt policy of SMEs (Abor, 2007; Abor and Biekpe, 2005), policy environment of SMEs (Kayanula and Quartey, 2000), institutional framework for promoting SMEs (Yamoah, Arthur and Issaka, 2014) and market orientation and business performance among SMEs (Mahmoud, 2011). However, only a few can be said to have been done in the area of EO and SME performance in Ghana (Madichie, Hinson and Ibrahim, 2013; Boohene, Marfo-Yiadom and Yeboah, 2012; Boso, Story and Cadogan, 2013, Quaye & Acheampong, 2013). Notably also, none of these studies have focused on EO and SME growth. Therefore, this study attempts to fill the issue and the contextual gap in literature, by investigating EO and SME growth in the food processing sector in the Greater Accra region of Ghana using the environmental context as a moderating factor.

**Table 1. 2:** Taxonomy of some studies on SMEs in Ghana.

<b>Names of Authors</b>	<b>Title of Paper</b>	<b>Country of research</b>	<b>Year</b>
Abor J. and Biekpe N.	Corporate Debt Policy of Small and Medium Enterprises in Ghana	Ghana	2005
Abor J. and Adjasi C. K	Corporate governance and the small and medium enterprise sector: theory and implications	Ghana	2007
Abor J. and Quartey P.	Issues in SME development in Ghana and South Africa	Ghana	2010
Mahmoud M. A.	Market orientation and business performance among SMEs in Ghana	Ghana	2011
Boohene R., Marfo-Yiadom E. and Yeboah M. A.	An empirical analysis of the effect of entrepreneurial orientation on firm performance of auto artisans in the Cape Coast	Ghana	2012
Madichie N. O., Hinson R. E. and Ibrahim M.	A Reconceptualization of Entrepreneurial Orientation in an Emerging Market Insurance Company	Ghana	2013
Boso N., Story V. M. and Cadogan J. W	Entrepreneurial Orientation, Market Orientation, Network Ties, and Performance: Study of Entrepreneurial Firms in a developing economy	Ghana	2013
Quaye D. M. and Acheampong G.	Are SME owner-managers entrepreneurs? Evidence from Ghana	Ghana	2013
Yamoah E. E., Arthur S. and Abdullai I.	Institutional framework for promoting Small and Medium Scale Enterprises in Ghana: Perspective of Entrepreneurs	Ghana	2014

Source: Author's own conceptualization

### 1.3 Objectives

The main purpose of the study is to examine the impact of entrepreneurial orientation on SME growth. Specifically, the objectives of the study are;

- To determine the extent to which SMEs in Ghana's food processing sector are entrepreneurially oriented.
- To analyze the effect of entrepreneurial orientation or the lack of it on SME growth in Ghana's food processing sector.
- To examine the moderating influence of the environment on EO and SME growth in Ghana's food processing sector.

#### **1.4 Research Questions**

From the above stated objectives, the following research questions will be investigated;

- To what extent are SMEs in Ghana's food processing sector entrepreneurially oriented?
- How does entrepreneurial orientation affect SME growth in Ghana's food processing sector?
- To what extent does the environment moderate EO and SME growth in Ghana's food processing sector?

#### **1.5 Significance of the Study**

This study examines the relationship between EO and SME growth in the manufacturing sector (food processing sector); hence its importance from the perspective of a developing country. Extant literature on EO and SME growth focused mostly on developed countries whereas there is little or no literature on the subject in a developing country like Ghana. The significance of the study can be characterized below.

- i. The study seeks to complement existing literature and knowledge on EO and SME growth from a developing-country viewpoint. It seeks to fill the gaps in literature and knowledge by providing in-depth information on EO and SME growth in the food processing sector in the Greater Accra Region of Ghana. Additional knowledge will be added to academic research since gaps for future research will also be identified.

- ii. Secondly, SMEs in Ghana's manufacturing sector, most especially the food processing sector, will benefit from the findings of this study after its completion. It will outline the significance of each EO dimension and its effect on SME growth in Ghana, hence serving as a guideline for the manufacturing sector and SMEs in general.
- iii. Third, the study will inform governmental and non-governmental organizations such as NBSSI, AGI, and MOTI among others, about the effect of EO on SMEs growth so as to encourage the practice of EO in SMEs.
- iv. Finally, it will also serve as a basis for further studies in the area of EO and SME growth.

## **1.6 Scope of the Study**

The study centered on the influence of entrepreneurial orientation on the growth of SMEs in Ghana's food processing sector. The study focused on SMEs within the Greater Accra Region of Ghana since most of these businesses are located within the Region. Again, SMEs in the formal sector that are registered with either NBSSI or AGI who are into food processing were the main target audience for the study. The concentration ensured easy access to information given the time constraint.

## **1.7 Overview of Research Methodology**

The study employed a deductive (quantitative) approach. It adopted a cross-sectional and survey research design. Primary data were collected using a developed structured questionnaire where respondents were selected using non-probability sampling technique. Under non-probability sampling, the study employed purposive sampling technique due to the following reasons; respondents had to be registered with the right state agency (formal

sector), respondents had to be registered with either NBSSI or AGI since they both the main institutional bodies regulating the activities of SMEs in Ghana and lastly respondents must have been in operation for about 2 years.

150 SMEs in the food processing sector were pooled from the data base of NBSSI and AGI and later narrowed down to 110 after sorting (see page 90 for further explanation). The developed structured questionnaire was then distributed to respondent personally, that is, either by face to face or by the personal emails of respondents. Multiple regression and one tail test were used to analyze data using the latest version of SPSS and STATA software.

### **1.8 Limitations**

There were inconsistencies in defining SMEs. To avoid this inconsistency in the definition, the study adopted the definition of SME by NBSSI. Also, the time earmarked for the data collection had to be extended due to the difficulty encountered in collecting data from the respondents. In the face of all these limitations, the study as much as possible presents findings that are valid with a high degree of confidence.

### **1.9 Chapter Disposition**

The study comprises of six main chapters, namely:

1. Background of the Study
2. Literature Review and Conceptual Framework
3. Context of the Study
4. Methodology
5. Findings and Discussions

## 6. Summary, Conclusions and Recommendations

### ***Chapter One***

This chapter introduces the study by providing a background, states the problem, explores the gap in literature, outlines the research objectives and questions, establishes the significance of the study and outlines the chapter disposition.

### ***Chapter Two***

In Chapter 2, relevant literature on definitions, concepts and theories were reviewed. Variables of Entrepreneurial Orientation (innovativeness, risk-taking, competitive aggressiveness, proactiveness, autonomy) and business growth variables (increase in sales and employees) will be included in a review of the theoretical and empirical literature. The conceptual framework of the study will also be introduced and fully discussed in this Chapter.

### ***Chapter Three***

This Chapter explored the context of the study, i.e. the historical background of SMEs in Ghana, as well as their structure, challenges, and role in Ghana's economic development. Other areas explored include Ghana's manufacturing sector, its sub-sectors, challenges and the general overlook of the food processing sector.

### ***Chapter Four***

The Chapter discussed the research methodology. Topical issues include research design, research approach, the target population of the study, sample frame/size and sampling techniques, data collection instrument and methods of data analysis.

***Chapter Five***

This section presented findings of the study analyzed quantitatively using the STATA software which is similar to SPSS, where multiple regression and one sample t-test are used to interpret the findings. A report on the empirical evidence of EO and SME growth in Ghana was also presented and further discussions on the findings in relation to the research questions and hypothesis were outlined.

***Chapter Six***

Under Chapter Six presented the summaries, conclusions and recommendations of the study. Future studies and managerial implications were also presented in this chapter.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This Chapter seeks to provide an understanding of the concept of entrepreneurial orientation, present an overview of relevant insights and explore its relationship with SME growth. The latter part of this review will then look at the conceptual framework of the study adapted by Lumpkin and Dess (1996).

#### 2.1 Evolution and definition of Entrepreneurship

In the evolution of entrepreneurship, there have been no clear consensuses on the definition of entrepreneurship or who an entrepreneur is (Carsrud *et al.*, 1986; Wortman, 1987; Gartner, 1990; Bridge, Hegarty, & Porter, 2010). Thus, an understanding of the evolution and development of entrepreneurship is an essential first step in appreciating the concept of entrepreneurship and its contextual usage over time.

The word entrepreneur is a French word “entre prendre,” which translates “to undertake” and can be traced back to the 1700’s by a French economist and author known as Richard Cantillon (Hebert and Link, 2009; Carlsson et al, 2013). In Cantillon’s 1755 posthumous publication, "Essai sur la nature du commerce en general" meaning, “Essay on the nature of the trade in general”, he propounded the concept of entrepreneurship by giving it an economic meaning and the entrepreneur a role in economic development (Cornelius, Landström & Persson, 2006; Van Praag, 1999; Cantillon, 1959). Cantillon's definition of who an entrepreneur is can be defined as one that equilibrate supply and demand in an economy and in this vein bears the risk of uncertainty (Bula, 2012). He characterizes the risk propensity of entrepreneurship thereby, matching the word entrepreneur to risk

bearing (Cantillon, 1734). Next in line was Jean-Baptiste Say, another French economist who promoted the use of the word 'entrepreneur' in the early 1800's (Kreft & Sobel, 2003). He positioned the entrepreneur as one that creates value by reallocating economic resources in less productive regions to high productive regions (Gartner, 1989: 57; Buame, 2012; Kreft & Sobel, 2003). Thus, the entrepreneur being viewed as a protagonist of economic activity by these economists (Stevenson & Jarillo, 1990).

The 20<sup>th</sup> Century saw the emergence of two economists who redefined the theoretical understanding of entrepreneurship; Joseph Schumpeter and Israel Kirzner. These scholars' views and definitions of entrepreneurship are most prevalent in entrepreneurship literature because they have stood the test of time and recent definitions are just minor variations of the two (Hansemark, 1998). The Schumpeterian school of thought observed entrepreneurship from the "creative destruction" point of view; a distortion in market equilibrium which eventually leads to development (Betta, Jones & Latham, 2010). As indicated by Schumpeter, entrepreneurship is a new process where an individual or group of people creates something new, and that something new could be: a new product, a new method of production, a new source of material and a new market, hitherto, unexploited (Buame, 2012). Inferring from Schumpeter's definition, entrepreneurship can be posited as the process of creating a novel product or service which is new and significantly differs in the market (Curran and Stanworth, 1989). This school of thought considers entrepreneurship as being innovative, thus these innovative tendencies comes from within the entrepreneur, that is, the person carrying out the entrepreneurial activity (Betta et al., 2010). He also stressed on the benefits that this creative destruction tendencies convey and, that is, the innovation or originality of products that marks old products obsolete.

In contrast to Schumpeter's view, Kirzner looked at entrepreneurship as the identification and the exploitation of opportunities to meet or create new market demands, that is, the fulfilling of existing demands in new ways through the mobilization and the assembling of resources in new organizational forms (De Jong & Marsili, 2011). Similar to Kirzner's view, Zimmerer et al. (2008) also posited it as the process of identifying significant opportunities and organizing necessary resources with the purpose of achieving profit and growth in the face of risk and uncertainty. According to Roininen & Ylinenpaa (2009), this school believes that entrepreneurship is about seizing the imbalances and opportunities in the market and exploiting them for benefits. Thus, agreeing with Kirzner's assertion of entrepreneurship being regarded as "alertness of new possibilities" (Kirzner, 1973, 1996). However, he was quick to note that the possession of distinctive information allows people to see different opportunities and this, to some extent, depends on the distribution of information in the society (Kirzner, 1973).

As stated earlier, most recent definitions of entrepreneurship are minor variations of Schumpeter and Kirzner's definition of entrepreneurship. For instance, Casson (1982) defined an entrepreneur as a person who specializes in the taking of judgmental decisions about the coordination and the allocation of limited resources. Similarly, a person who is known for being accountable in terms of making judgmental decisions that has an impact on the location, the form, the usage of goods, resources and organizations, is known as an entrepreneur (Hebert and Link, 1989, p. 47). It is imperative to note that these two definitions lay emphasis on "judgmental decisions" which translate to the ability to detect and take decisions under turbulent conditions (Casson, 1982). Furthermore, Shane & Venkataraman (2000) also defined entrepreneurship as any activity that introduces novel goods and services through the discovery, evaluation, and exploitation of opportunities by

way of organizing processes, market and raw materials that formerly did not exist. Buame (2012) opines entrepreneurship has an innovative process where a prospective individual or group identifies and seizes opportunity (be it an idea, or business) by organizing existing resources to convert those opportunities into workable/marketable products or services. He further suggested that by adding value to these identified opportunities through time, effort, money or skills, the entrepreneur becomes a risk bearer and realizes the reward for his efforts (Buame, 2012). Stevenson (2004, p. 3) gave a more narrow definition by focusing more on exploration rather than the exploitation of resources. He defines entrepreneurship as the process of pursuing opportunities outside the resources that the entrepreneur currently controls.

Others have also tried to expand the definition of entrepreneurship by proposing working definitions with relevant schools of thoughts. For instance, Gedeon (2010) proposed the following definition of entrepreneurship: He viewed it as *“a multi-dimensional concept that includes owning a small business (Risk Theory), being innovative (Dynamic Theory), acting as a leader (Traits School), or starting up a new company (Behavioral School). It includes spotting opportunities to drive the market toward equilibrium (Austrian School) or causing disequilibrium through “creative destruction” (Schumpeter). It includes doing this on your own, in a team or inside a company. It involves starting without any resources and creating new values in the realm of business, social values, government or academia....”*

World-acclaimed institutions such as the Global Entrepreneurship Monitor (GEM) and the Organization for Economic Cooperation and Development (OECD) have also tried to define entrepreneurship and who an entrepreneur is. The former viewed entrepreneurship

as “any attempt to create a new business enterprise or to expand an existing business by an individual, a team of individuals or an established business” (GEM, 2000). The latter viewed entrepreneurs as change agents who act to generate, distribute and apply innovative ideas through the identification of likely profitable opportunities while making use of efficient resources and solely bearing all the risk involve in the process (OECD, 1998, p. 12).

It can be observed from the above definitions that there exist a close link between entrepreneurship and the entrepreneur and that these two words are used interchangeably. Scholars like Buame (2012) and Bruyat & Julien (2001) have provided useful insight into these linkages. Bruyat and Julien (2001) propose that entrepreneurship has more to do with the process of change and the creation of new value and that process will then lead to the creation of the entrepreneur. Similarly, Buame (2012) viewed entrepreneurs as change agents and these change agents become so by an identification and exploration process which he referred to as ‘entrepreneurship’. Thus, these definitions have positioned entrepreneurship as a process while the entrepreneur is the person carrying out the entrepreneurial process. Inferring from these definition, entrepreneurship can therefore be defined as the ability to spot unforeseen prospects within or outside an organization and turning these prospects with the requisite resource into profitable ventures usually in the mist of uncertainty.

## **2.2 Entrepreneurship and SMEs**

The study is primarily about entrepreneurship and the food processing sector of Ghana. This sector is largely dominated by SMEs hence the need to discussing entrepreneurship and SMEs.

In today's complex global economy, entrepreneurship has become even more crucial towards obtaining a sustainable competitive advantage (Wiklund and Shepherd, 2003; Li et al, 2005; Covin and Miller, 2014). Due to globalization, small and medium sized enterprises (SMEs) face increasing pressure from competition from across the world. When compounded with the changing sophistication of customers worldwide, it becomes apparent that SMEs face increasing difficulty in maintaining and improving business performance in time, unless they can actively manage these pressures. To be able to tackle such issues confronting business managers, SMEs, particularly in emerging economies, are encouraged to adopt an entrepreneurial mindset to recognize the threats and opportunities in the environment of the firm in order to make sure that the firm will continue to exist in the future (Krueger, 2000; Keh et al, 2007; Moreno and Casillas, 2008; Javalgi and Todd, 2011). This is because, up till date, small business management scholars have often associated high growth with a firm's entrepreneurial behavior (see for example Brown et al, 2001; Gomez-Mejia et al, 2007; Tang and Hull, 2012). Thus, businesses with entrepreneurial skills are more likely to perform better and are able to identify and seize opportunities, hence differentiating themselves from non-entrepreneurial businesses. (Knight, 2000; Covin and Slevin, 1991).

The study of entrepreneurship as a discipline has seen remarkable growth over the past two decades. During these periods, the construct of entrepreneurial orientation (EO) has become the most widely used measure of entrepreneurial behavior or tendency in strategy and entrepreneurship literature (see for instance Kreiser et al, 2002; Covin et al, 2006; Tang et al, 2008; Rauch et al, 2009; Runyan et al, 2011). Below are the evolution and definition of entrepreneurial orientation.

### **2.3 The Evolution and Definition of Entrepreneurial Orientation**

The concept of Entrepreneurial Orientation traces its origins from strategy-making process literature (Mintzberg, 1973) and has become salient in strategic management and entrepreneurship literature over the last two decades (Kreiser, Marino and Weaver, 2002; Morris et al., 2008). Notably, the most extensively used operationalization of EO comes from Covin & Slevin (1989), and is based on earlier works by Khandwalla (1976/1977), Miller & Friesen (1982) and Miller (1983). Their measure has been known by some scholars as the three dimensions of entrepreneurship orientation (3Ds of EO). Different terminologies or labels such as entrepreneurial mode (Mintzberg, 1973), entrepreneurial style (Khandwalla, 1976, 1977), entrepreneurial posture (Covin & Slevin, 1989), strategic posture (Covin and Slevin, 1991), corporate entrepreneurship (Zahra and Covin, 1995, Zahra et al., 1999, Kuratko, 2007) and entrepreneurial orientation (Lumpkin and Dess, 1996, Becherer and Maurer, 1997, Lyon et al., 2000, Moreno and Casillas, 2008) have all emerged in discussing this firm-level behavior in entrepreneurship. However, entrepreneurial orientation is the most widely applied.

#### **2.3.1 Definition of Entrepreneurial orientation**

Various scholars have provided a number of definitions for the concept of EO. Miller (1983) was first to conceive the construct of EO by defining it as a strategic orientation capturing specific entrepreneurial aspects of decision-making styles, methods and practices. Covin and Slevin (1989) refined the definition by stating that entrepreneurial orientation (EO) measures the extent to which “top managers are inclined to take business-related risks, to favor change and innovation in order to obtain a competitive advantage for their firm, and to compete aggressively with other firms.” Therefore, a firm is

entrepreneurially oriented if it is willing to take risks, be innovative and proactive in their operations.

While many studies have adopted EO definitions similar to that of Miller (1983) and Covin and Slevin (1989, 1991), others have made an alteration that has changed the meaning of the construct. The major deviation from Miller (1983) and Covin and Slevin's (1989, 1991) conceptualization have primarily been in two strands; the extension or condensation of the construct and the application of the construct in different contexts (George and Marino, 2011). For instance, Merz and Sauber (1995) and Knight (1997) excluded risk taking and focused on innovation and proactiveness, thereby limiting the original construct of EO.

Lumpkin and Dess (1996), however, extended the construct by including competitive aggressiveness and autonomy to the EO construct and since their conceptualization, there have been no pertinent or widely acknowledged adoptions as to how the EO construct should be conceptualized (Covin and Wales, 2011). They define EO as “the processes, practices and decision-making activities that lead to new-entry”, thus identifying the five key dimensions that characterized EO as the propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive toward competitors and proactiveness relative to marketplace opportunities (Lumpkin and Dess, 1996 p. 136). This is in contrast with Covin and Slevin (1989) who suggest that EO is a strategic attitude reflecting the decisions and processes of the firm, but not explicitly limited to those that lead to new entry, but rather representative of an overall gestalt within an organization (Bleeker, 2011).

According to George and Marino (2011), when there is no clear consensus or difference existing in the definition of constructs, it becomes hard to develop or enrich knowledge and this is true of the EO construct. This is evidenced by scholars' disagreement with regards to the interdependence of the EO construct (Dess, Lumpkin and McGee, 1999; Lumpkin and Dess, 1996), the nature of EO dimensions (Morris and Paul, 1987), the theoretical relationship between the construct and the its antecedent and consequent construct (George, 2011), the dimensionality of EO (Knight, 1997; Lumpkin and Dess, 1996; Zahra, 1993) and the definition of the construct (Covin and Lumpkin, 2011).

Despite these discrepancies in literature, the study adopted the EO construct proposed by Lumpkin and Dess (1996) because the construct is not context specific, and also the study deems it appropriate to test the multidimensionality of the construct. Additionally several studies have adopted the conceptualization proposed by Covin and Slevin (1989) (see: Quaye and Acheampong 2013; Madichie et al., 2013).

## **2.4 Entrepreneurship and Entrepreneurial Orientation**

Strategic management literature was first to discuss the distinction between the “concept of entrepreneurship” and “entrepreneurial orientation” and the discourse on this issue has remained quite popular within entrepreneurship research (Basile, 2012). Lumpkin and Dess (1996), in their study “Clarifying the Entrepreneurial Orientation Construct and Linking It to Performance”, elaborated more on this distinction. According to Miles and Snow (1978), entrepreneurship in the late 1900's was linked to whether or not to venture into a business (an entrepreneurship issue) and what business should be entered into (entrepreneurial problem). As the studies in strategic management evolved, emphasis was placed more on the entrepreneurial process, which is how managers act entrepreneurially by testing new technologies, being willing to seize new product/market opportunities and

the tendency to take risky ventures (Lumpkin and Dess, 1996). This then leads to the conceptualization of firm-level entrepreneurship also known as entrepreneurial orientation (Covin & Slevin, 1989, 1991; Miller, 1983). It was defined as a “strategic attitude reflecting the decisions and processes of the firm, but not explicitly limited to those that lead to new entry” (Covin and Slevin, 1989).

Contrary to the above scholars' views, Lumpkin and Dess (1996) opine that this firm-level entrepreneurship does not represent entrepreneurship, thereby defining entrepreneurship as new entry. “New entry can be accomplished by entering new or established markets with new or existing goods or services” (Lumpkin and Dess, 1996 p. 136). They posited that new entry represents what entrepreneurship entails while entrepreneurial orientation explains how new entry is carried out, thus defining EO as “the processes, practices, and decision-making activities that lead to new entry” (Lumpkin and Dess, 1996). They further characterize entrepreneurial orientation as the tendency to act autonomously, the willingness to take risks and be innovative and the propensity to be aggressive toward competitors and be proactive relative to marketplace opportunities. According to these scholars, the above mentioned construct can be identified if a firm engages in new entry. Furthermore, EO is said to represent key entrepreneurial processes that answer questions of how new ventures are undertaken, while entrepreneurship refers to the content of entrepreneurial decisions by addressing *what* is undertaken (Lumpkin and Dess, 1996).

## **2.5 Unidimensional and Multidimensional Construct of Entrepreneurial Orientation**

From the preceding paragraphs, it can be observed that the salient construct of EO was first conceived by Miller (1983), and later refined by Covin and Slevin (1989; 1991). They view EO as behavioral tendencies, managerial philosophies, and strategic decision-making

practices that are entrepreneurial in nature. Under Miller's conceptualization of EO, a firm is entrepreneurially oriented because it engages in the concurrent exhibition of innovativeness, proactiveness, and risk-taking strategic behavior. In other words, a firm that possesses a high level of EO is expected to exhibit similarly high levels of innovativeness, proactiveness, and a willingness to take risks. Furthermore, an organization can only be entrepreneurially oriented if these three dimensions (innovative, proactive and risk-taking) are simultaneously presented within an organization, thus the unidimensionality of the construct.

The construct was later extended by Lumpkin and Dess (1996) drawing on Miller's (1983) definition and prior research (Burgelman, 1984; Hart, 1992; MacMillan & Day, 1987; Venkatraman, 1989a). They added autonomy and competitive aggressiveness to Miller's EO dimensions, hence characterizing EO as the "propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive toward competitors and be proactive relative to marketplace opportunities". They acknowledged that environmental and organizational contexts influences the nature and success of businesses, hence businesses do not need to possess concurrently all the dimensions of EO to be entrepreneurially oriented. In contrast to Miller, Colvin & Slevin's view, businesses operating with some of the dimensions of EO can enjoy some level of success (Lumpkin and Dess, 1996) thus the multidimensionality of the EO construct by these scholars. This confirms Gartner's (1985: 697) assertion regarding new venture formation which he stated as:

*"The creation of a new venture is a multidimensional phenomenon; each variable describes only a single dimension of the phenomenon and cannot be taken alone.  
... Entrepreneurs and their firms vary widely; the actions they take or do not take*

*and the environments they operate in and respond to are equally diverse-and all these elements form complex and unique combinations in the creation of each new venture”.*

Despite the lack of consensus in literature concerning the dimensionality of EO, several studies have been conducted both empirically and conceptually based on the above scholar’s conceptualization of EO (see Covin and Slevin 1991, Zahra 1993, Wiklund, 1999, Lumpkin and Dess, 2001, Wiklund and Shepherd 2003; 2005, Rauch, Wiklund, Lumpkin, and Frese, 2009, Khalili, Nejadhussein and Fazel 2013). For instance, while some studies have argued that EO is best viewed as a unidimensional concept (Covin & Slevin, 1991; Knight, 1997), others have held that the dimensions of EO is more suited as multidimensional (Lumpkin & Dess, 2001; Covin, Greene, & Slevin, 2006) because each EO construct may occur in different combinations, consequently, each representing different and independent aspects of the EO construct (George, 2006). Additionally, there is also the view that these dimensions of EO may relate differently to firm performance (Stetz et al, 2000; Lyon, Lumpkin and Dess, 2001).

Based on these discrepancies in literature, Rauch, Wiklund, Lumpkin and Frese (2009) conducted a meta-analysis to establish if the dimensions of EO are multidimensional or unidimensional in nature and if so, how do they relate to performance. They concluded that the focal dimensions of EO (innovativeness, proactiveness and risk-taking) are usually highly inter-correlated, deeming it fit to support the unidimensional concept. However, they were quick to notice in their study that the usage of the EO model with all the five dimensions were infrequently applied in the EO literature (Rauch et al, 2009), as compared to the model with the three dimensions. This assertion has also been confirmed by George et al. (2001) in their study, “Networking Strategy of Boards: Implications for

Small and Medium-sized Enterprises”. This leads to Rauch et al.’s (2009) declaration that the additional dimensions of EO proposed by Lumpkin and Dess (1996) may perhaps produce different relationships with performance.

Due to this assertion, the incongruities of the dimensionality of EO still persist. Nonetheless, there is the call for more studies specifically with the uni/multidimensionality concept of EO and firm performance (Krieser et al., 2002; Rauch and Frese, 2000). Also, more studies from different cultures have been encouraged to test the applicability of these models proposed by the above mentioned scholars in diverse settings (Krieser et al., 2002) such as Brazil, India, Russia, the Middle East, Latin America, and Sub-Sahara Africa (Wales et al. 2011). In light of the above, this study will be testing the applicability of the multidimensionality construct proposed by Lumpkin and Dess (1996) from Ghana. Below is a taxonomy of studies of EO and the dimensions that were adopted.

**Table 2. 1:** Studies of EO and Dimensions Adopted.

Name of Author / Year	Dimensions	Uni-/Multidimensional	Performance Indicators	Country of Origin	Sizes of Firm
Stanley F. Slater and John C. Narver (2000)	Innovativeness, risk taking, and competitive aggressiveness	Unidimensional	Perceived Financial Performance	United States	-
G. T. Lumpkin and Gregory G. Dess (1996, 2001)	Innovativeness, risk taking, competitive aggressiveness, autonomy and competitive aggressiveness	Multidimensional	Perceived Financial Performance	United States	-
Fredric William Swierczek and Thai Thanh Ha (2003)	Risk taking, proactiveness, and innovation	Multidimensional	Perceived Financial Performance & Non-Financial Performance	Vietnam and Thailand	Micro & Small Enterprise
Shahid N. Bhuian et al. (2003)	Innovativeness, proactiveness, and constructive risk taking	Unidimensional	Perceived Non-Financial Performance	United States	
M. Hult, Robert F. Hurley, and Gary A. Knight (2004)	Innovativeness adapted from Hurley (1998). EO adapted from Covin and Slevin (1989)	Unidimensional	Perceived Financial Performance	United States	Large Enterprise
Wiklund J. and Shepherd D. (2005)	Innovativeness, proactiveness, and risk taking	Unidimensional	Perceived Financial Performance & Non-Financial Performance	Sweden	Small enterprises
Zhang, Yanlong Zhang, Xiu'e (2012)	Innovativeness, proactiveness, and risk taking	Unidimensional	Perceived Financial Performance & Non-Financial Performance	China	Small Enterprises
Khalili, Nejadhussein and Fazel (2013)	Innovativeness, risk taking, competitive aggressiveness, autonomy and competitive aggressiveness	Multidimensional	Innovative performance	Iran	Large Enterprise
Kayhan Tajeddini , Ulf Elg and Myfanwy Trueman (2013)	Risk taking, proactiveness, and innovation	Unidimensional	Perceived Financial Performance	Switzerland	Small Enterprises

Source: Adapted from Rauch et al (2009)

## 2.6 The Five Dimensions/Characteristics of Entrepreneurial Orientation

The five dimensions of entrepreneurial orientation proposed by Lumpkin and Dess (1996) are innovativeness, proactiveness, risk-taking, autonomy and competitive aggressiveness. Below are the discussions and hypotheses of the dimensions.

### 2.6.1 Innovativeness

*“Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It is capable of being presented as a discipline, capable of being learned, capable of being practiced. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms that indicate opportunities for successful innovation. And they need to know and to apply the principles of successful innovation” (Schillo, 2011).*

***Peter Drucker (1909 – 2005).***

It is evident enough from the above scholar’s quotation that there exists a close relationship between innovation and entrepreneurship. It also suggests that much can be learned about innovation and entrepreneurship and that the systematic application of this knowledge can lead to success (Schillo, 2011).

Joseph Alois Schumpeter was one of the first proponents who linked innovation to entrepreneurship. He highlighted the role of innovation in the entrepreneurial process by an economic process known as "creative destruction". Creative destruction as described by Schumpeter (1934) is where new firms grow and create wealth by disrupting existing market structures through the introduction of new goods and services that shifts available resources away from existing firms. The key to this cycle of activity was entrepreneurship:

the competitive entry of innovative "new combinations" that propelled the dynamic evolution of the economy (Schumpeter, 1934). Thereby, "innovativeness" becoming a formidable force and important factor used to characterize entrepreneurship (Lumpkin and Dess, 1996). The entrepreneur is thus seen as an innovator who drives the evolution of the economy (Schumpeter, 1934).

Innovativeness refers to a firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes (Lumpkin and Dess, 1996). Similarly, Covin and Miles (1999) defined innovation as the firm's tendency to support new ideas, experimentation and creative processes earlier than competitors, while Baker and Sinkula (2009) also saw innovativeness as a fundamental willingness to depart from existing technologies or practices and ventures beyond the current state of the art. Others have also defined innovativeness as the propensity to creatively initiate and support new ideas, experimentation and creative processes that may result in new products, services or technological processes, or the exploitation of new markets (Kropp and Zolin, 2005; Li et al., 2008; Mengue and Auh 2006; Miller and Friesen, 1982). Hence, innovativeness can be described as the process of creating newness.

In comparison, small firms have been reputed to be more flexible and non-bureaucratic, hence adopting more quickly to innovation (Nooteboom 1994). According to Price et al. (2013), large firms recognize the importance of innovation in small firms. This view can be seen in various research supporting the notion that SMEs perform better if they engage in innovative activities (Freel 2000, Vermeulen et al. 2005, Westerberg and Wincent 2008, Qian and Li 2003, Verhees and Meulenberg 2004) such as Research and Development

(R&D) and increased productivity (Block 2012). For instance, a prominent study by Bruderl and Preisendorfer (2000) highlighted the importance of innovation in small firms. They discovered that in predicting firm growth, one important factor that cannot be overlooked is innovation. Sirelli (2000) also stated that the underlying rationale of small firm's is to encourage innovation, which in turn will lead to a better economic performance, higher growth, more jobs and higher wages. In this vein, it has become imperative for SMEs to be innovative not only to differentiate themselves but also attain some level of firm success (McGrath, 2001; Zahra et al., 2004). One can, therefore, postulate that innovativeness can lead to SME growth. Thus:

H<sub>1</sub>: There is a positive relationship between innovativeness and SME growth.

### **2.6.2 Proactiveness**

Lumpkin and Dess (1996, p. 146) describe proactiveness as "taking initiative by anticipating and pursuing new opportunities related to future demand and by participating in emerging markets". It can also be described as a distinctive entrepreneurial activity to antedate imminent prospects, both in terms of products or technologies as well as in markets and consumer demand (Schillo, 2011). Again, it is the ability to bring about change in an environment by predicting trends through the exploration of opportunities, hence the introduction of new products and services (Boohene et al, 2012). Similarly, proactiveness is viewed by Rauch et al. (2009, p.763) as "an opportunity seeking, forward-looking perspective characterized by the introduction of new products and services ahead of the competitions and acting in anticipation of future demand".

According to Hughes and Morgan (2007), a firm's awareness and responsiveness to market signals and trends is demonstrated by their proactiveness, therefore, in order to

capitalize on market opportunities, it is imperative to be a first mover (Bleeker, 2011). This first mover advantage is usually associated with high profits, as well as a head start in creating brand recognition (Bleeker, 2011). Similarly, this construct is associated with leadership, as such a proactive firm “has the will and foresight to seize new opportunities, even if it is not always the first to do so” (Lumpkin and Dess, 1996, p.147). In this vein, proactive firms are leaders and not followers; they are pacesetters who are not overwhelmed by new situations in the market or environment.

However, a study by Coulthard (2007) has argued that proactiveness is not always being the first mover in the market. Also, proactiveness has been found to be more active in the introductory stages of a firm, and dwindles as the firm grows, hence the role of proactiveness being less important once a firm is established (Hughes and Morgan, 2007; Coulthard, 2007).

Proactiveness has also been linked to structural capital by Dess and Lumpkin (2005). They opine that structural capital is important to proactiveness because it enhances the operations and receptiveness of market signals that make organizations stay ahead of competitors. Therefore, structural capital, such as structures and processes, enables firms to create resources more quickly and at cheaper rates than competitors (Bleeker, 2011). Also, proactiveness has been labeled as a vital trait in entrepreneurship due to its forward-looking action approach (Lumpkin and Dess, 1996), thus revealing itself through actions as the formulation of ‘stated beliefs’ and the implementation of these ‘beliefs’ (Boohene et al, 2012).

Hughes and Morgan (2007) have posited the construct to be likely valuable in securing superior performance return. This, they believe, is due to it requiring customer focus hence the ability to anticipate and pursue customer need. This assertion has been supported by studies reporting a high correlation between performance and proactiveness (e.g., Day & Wensley, 1988; Wright, Kroll, Pray, & Lado, 1995). In view of this, this study argues that there exists a relationship between proactiveness and growth of business. Thus:

H<sub>2</sub>: There is a positive relationship between proactiveness and SME growth.

### **2.6.3 Risk-taking**

Risk-taking has been historically linked to entrepreneurship since the 1700's. It has been a key characteristic of an entrepreneur. The physiocrat, Richard Cantillon, was one of the first to formally use the term entrepreneurship and also point out the risk propensity of entrepreneurship. He characterized entrepreneurship as the propensity to undertake any venture of which the outcome is shrouded in a state of uncertainty, hence making it risky (Cantillon, 1734). According to Cantillon (1734), producers in the market economy are divided into two classes; hired people (people who receive fixed wages) and entrepreneurs (working for one's own self). He argued that the uncertainty and riskiness of self-employment are major factors that alienate entrepreneurs from hired workers. Therefore, the concept of risk-taking is a quality that is frequently used to describe entrepreneurship (Lumpkin and Dess, 1996).

Pursuant to this, Miller and Friesen (1978, p. 923) defined risk-taking as "the degree to which managers are willing to make large and risky resource commitments, that is, those which have a reasonable chance of costly failures". Lumpkin and Dess (1996) confirm this assertion by stating that the incurring of heavy debt or the committing of large resource by

firms in the interest of obtaining high returns through the seizing of opportunities in the market place is characterized by risk-taking behavior, and are usually exhibited by firms who are entrepreneurially oriented. MacCrimmon and Wehrung (1986) also define risk as substantial variance in important outcomes and that the likelihood that an individual will forego a safe alternative with a known outcome in favor of a more attractive choice with a more uncertain reward (Brockhaus, 1980) is what defines risk-taking.

In a similar vein, recent scholars have also defined risk-taking as the tendency of firms to take bold steps such as entering unknown new markets, committing a large portion of the firm's resources to undertakings with uncertain outcomes and/or borrowing heavily (Coulthard, 2007; Keh et al., 2007; Wiklund and Shepherd, 2005; Baker and Sinkula, 2009). Thus, risk-taking cannot be alienated from entrepreneurship and is a distinctive facet of entrepreneurial behavior (Das and Teng, 1997; Lee and Peterson, 2001).

According to Lumpkin and Dess (2001), a firm's stage of development determines its risk tendencies, therefore, risk taking can be at an individual level trait (Sitkin and Pablo, 1992; Brockhaus, 1980) or a firm-level orientation (Baird and Thomas, 1985). Furthermore, Palmer and Wiseman (1999) distinguished between managerial risk, which relates to choices associated with uncertain outcomes, and organizational risks, which involves volatile income streams. Moreover, firms differ in terms of their organizational and governance structures, and risk-taking may be higher in some organizational contexts than in others, as Agency theorists argue (Eisenhardt, 1989; Fama & Jensen, 1983; Wiseman & Gomez-Meija, 1998; Zajac & Westphal, 1994). The Agency Theory stresses that the extent of involvement in risky activities is likely to be influenced by the ownership and

governance of the firm (Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976), hence the imperative role that organizational context plays in risk taking.

However, some studies have argued that some entrepreneurs may perceive ventures as less risky than non-entrepreneurs due to cognitive biases of the former (Simon et al., 2000) and the fact that they may be over-confident (Wickham, 2005) and tend to frame business situations more optimistically (Palich and Bagby, 1992). Others also have argued that risk-taking is an inherent part of starting an entrepreneurial venture (e.g., Timmons and Spinelli, 2007), hence entrepreneurial firms being known to take more risk and are more proactive in searching for new business opportunities (Kreiser et al. 2002).

Scholars of EO and Agency Theory have shared an interest in how risk-taking affects performance (Wiklund & Shepherd, 2003; Wiseman & Catanach, 1997). A meta-analysis of the relationship between EO and performance showed that across studies, the two constructs were positively correlated (Rauch et al., 2004). However, the analysis also showed that risk-taking had a significantly smaller correlation with performance than other aspects of EO. Similarly, Wiseman and Catanach (1997) found inconsistency in literature between risk-taking and performance. In their empirical analysis, they found that risk taking had positive effects on performance in certain contexts, while the effect was negative in other contexts (Wiseman & Catanach, 1997).

In spite of the numerous empirical and conceptual literatures found on risk-taking and performance, and the lack of consistency in literature, there seem to be little or no literature pertaining to risk-taking and business growth. Most studies have concentrated on performance thus the need for more studies to ascertain the relationship between risk-

taking and business growth. Since entrepreneurs generally accept that entrepreneurship involves risk-taking and are willing to take risks in return for potential rewards (Segal et al., 2005), this study argues that there exists a relationship between risk-taking and SME growth.

H<sub>3</sub>: There is a positive relationship between risk-taking and SME growth.

#### **2.6.4 Autonomy**

One key component of entrepreneurial orientation is the tendency toward independence or autonomy (Lumpkin and Dess, 1996). This component (autonomy) has been defined as the free activity of an individual or a group in bringing forth an idea or a vision and helping it through to fulfillment without being kept down by excessively stringent organizational limitations (Lumpkin and Dess, 1996). It also reflects the strong desire of a person to have freedom in the development of an idea and in its implementation (Lumpkin et al., 2009). Burgelman (1983, p. 241) stated that in the case of internal corporate venturing, "the motor of corporate entrepreneurship resides in the autonomous strategic initiative of individuals at the operational levels in the organization." Thus, new entries require strong autonomous leaders, free groups and imaginative people who are separated from authoritative limitations; free independent spirits are a necessity in entrepreneurship (Lumpkin and Dess, 1996).

Autonomy can be viewed in two contexts; organizational and general (Lumpkin and Dess, 1996). The former is perceived as the opportunity allowed to individuals and groups to practice their invention and to help champion ideas for new entries (Lumpkin and Dess, 1996). Therefore, autonomy in an organizational context is a move or idea made free of any hierarchical limitations. The latter is held as the ability and the will that allows the act

of self-direction in the pursuit of opportunities. Similarly, Bleeker (2011) also characterized autonomy into two levels; structural and strategic autonomy. Structural autonomy, according to him, allows teams to solve problems with self-determined means while strategic autonomy is the extent to which teams have control over the ends or goals they need to achieve. It is, therefore, vital to note that autonomy is a key dimension in entrepreneurial orientation, thus a necessity in entrepreneurship.

It must be noted that autonomy varies in terms of the firm's size, management style and ownership. However, the extent to which autonomy is exercised is largely dependent on the level of centralization, extent of delegation and organizational size (Lumpkin and Dess, 1996). Also, autonomy is said to be facilitated by flat hierarchies or a high degree of delegation within an organization (Kuckertz, Klumpp, Zelewski and Kollmann, 2010).

Researchers such as Kusumawardhani, McCarthy and Perera (2009) argue that autonomy allows firms to function effectively and entrepreneurially with the delegation of appropriate authority. In addition, they found that autonomy is an important factor that influences the performance of industries irrespective of the products they deal in. This confirms Kusumawardhani et al (2009), assertion that when firms allow autonomy it motivates workers in a positive way, which in turn, leads to higher performance. Additionally, Coulthard (2007), after reviewing prior studies, posited that firms cannot function entrepreneurially without some level of autonomy and that allowing autonomy among workers in an organization will enhance their entrepreneurial tendencies, which in turn, improves performance.

In spite of its tendency to improve firm performance, it seems to have received comparatively less attention in empirical studies. Also, there appears to be little or no literature on autonomy and SME growth. Therefore, this study postulates that there exists a relationship between autonomy and SME growth, thus:

H<sub>4</sub>: There is a positive relationship between autonomy and SME growth

### **2.6.5 Competitive Aggressiveness**

Extant literature shows that competitive aggressiveness has either been ignored or used interchangeably with another EO dimension (proactiveness). For instance, while studies by Smart and Conant (1994) have ignored the construct, others like Dean et al. (1993) placed primary emphasis on the dimension. What is more, some studies have dealt with competitive aggressiveness and proactiveness as though they were identical (e.g., Covin and Covin 1990). These discrepancies have been clarified by Lumpkin and Dess (2001) who noted that both dimensions are independent and relate to performance differently. They further describe this difference in relation to the resource-based view which relates to how firms create, acquire and leverage resources to achieve a sustainable advantage (Barney, 1991). Thus, the creation of resources is best viewed as proactiveness, while the defense of these created resources is viewed as competitive aggressiveness (Lumpkin and Dess, 2001).

Competitive aggressiveness can, therefore, be defined as the power of a firm's efforts to beat industry rivals, portrayed by a confrontational stance and an intense reaction to competitors' actions (Lumpkin and Dess, 1996). It can also be described as high speed of action as well as the ability to simultaneously conceive of multiple attacks using varied strategies (Ferrier et al., 2002). It was further proposed by Lumpkin and Dess (1996, 2001)

that competitive aggressiveness includes a "combative posture that involves a forceful response to competitors' actions". This responsiveness has been viewed by these authors as either seizing the rival's strategy through an aggressive move or responding to the rival's competitive activities. Again, it can also be viewed as the ability to be unconventional as opposed to depending on conventional means for competing (Lumpkin and Dess, 1996). Thus, this construct conveys the intensity with which businesses choose to compete and their efforts to beat competitors reflecting a bias toward out-maneuvering and out-performing rivals (Hughes and Morgan, 2007).

Drawing from the above description of competitive aggressiveness, it can be said that this construct focuses more on intimidations levied by competitors and conflicts with existing customers. The construct also exhibits some degree of rigorousness, forcefulness and bellicose in competing which in turn leads to higher levels of performance (Boohene et al, 2012, Lumpkin and Dess, 2001). Examples of some aggressive strategies adopted by competing firms are; aggressive price competition, market entry with a new or superior offering, fast-following a rival into a market, continuously exploiting information, using unconventional surprise tactics (Hughes and Morgan, 2007; MacMillan and Day 1987), or setting ambitious market share goals by cutting prices and sacrificing profitability (Venkatraman 1989). In this light, aggressive firms can be seen as relying on offensive strategies as opposed to defensive strategies (Hughes and Morgan, 2007).

However, some authors have cautioned against too much aggressiveness in businesses, especially within small firms. They stated that too much aggression undermines a firm's success, for instance, small businesses attacking larger ones in terms of prices. Again, firms with a reputation for being too aggressive in competing can damage their chances of

being invited to join collaborative efforts such as joint ventures and alliances. Nonetheless, aggressively preying on a competitor's weaknesses to increase and accomplish market share objectives is said to lead to higher performance (Morgan, 2007; Kirzner, 1973). This is because "it undermines the competitors' ability to compete and restricts the ability of competitors to anticipate and respond to what the aggressive firm will do next" (Hughes and Morgan, 2007). It is, therefore, hypothesized that:

H<sub>5</sub>: There is a positive relationship between competitive aggressiveness and SME growth

## **2.7 Entrepreneurial Orientation and Business Growth**

Recently, interest in better understanding firm growth has increased among scholars (Brown, Davidsson & Wiklund, 2001; Littunen & Tohmo, 2003; Delmar, Davidsson & Gartner, 2003). This expanding interest can be attributed to the job creating proclivity of firms that grow, (Birch, Haggerty, & Parsons, 1994; Littunen & Tohmo, 2003) and the growing concern of growth being the least studied dimension of performance within the field of management (Porter, 1980, 1985; Rumelt, 1991). Even with the stimulating efforts by scholars concerning the construct of growth, the reliability of the construct is still questionable (Moreno and Casillas, 2008) where there is an absence of a coalescing theory hence, the difficulty in cumulating knowledge specifically with the prescriptive viewpoint (Dobbs and Hamilton, 2007).

According to Covin and Slevin (1991), entrepreneurial firms are firms with strategies oriented toward innovation and growth through their capacity to assume relevant risks. Similarly, Brown et al. (2001) is of the view that one of the defining dimensions of a firm's entrepreneurial management is precisely its orientation toward growth. Stevenson & Jarillo (1990) also connect orientation toward growth to the entrepreneurial culture of

firms, while Stewart and Roth (2001) referred to entrepreneurial small business owners as growth oriented. Inferring from these scholars, growth can be considered to be closely linked to the dimensions of entrepreneurial orientation (Borch et al., 1999; Covin & Slevin, 1991) or is rather another dimension of entrepreneurial behavior (Brown et al., 2001). Thus, high growth tends to be associated with a firm's entrepreneurial orientation, which is, being innovative, proactive, autonomous, taking risks and being competitively aggressive (Brown et al., 2001; Lumpkin & Dess, 1996; Stevenson & Jarillo, 1990).

Although the connection between growth and entrepreneurship have been widely acknowledged by scholars as stated above, the relationship between EO and the growth dimension of firm performance has been studied remarkably rarely in literature (Soininen, Martikainen, Puumalainen, and Kylaheiko, 2012). This flaw can be attributed to most empirical and conceptual studies on EO (Covin & Slevin, 1989; Lumpkin & Dess, 2001; Wiklund & Shepherd, 2005), combining the indicators of performance despite the multidimensionality of the construct of performance (Moreno and Casillas, 2008). For instance, some studies have used perceived performance indicators to measure firm performance, such as managers' subjective views in relation to the firm's profitability, growth and market share (Lumpkin and Dess, 2001; Wiklund and Shepherd, 2003; Madsen, 2007; Runyan et al., 2008). Other studies have made use of financial statements of firms to measure both the growth and profitability dimension of performance (Bhuiyan et al., 2005; Covin et al., 2006).

However, Soininen et al. (2012) observed that there exists one common factor in literature pertaining to performance indicators based either on perceived or secondary data and that is the fact that both indicators contain growth and profitability measures. Moreover,

according to Delmar et al (2003), the combination of growth and profitability as performance indicators are sometimes contradictory hence, advising against the combination of these variables as a single construct (Moreno and Casillas, 2008).

Firm growth can be measured by several attributes such as an increase in sales, assets, market share, profits and employment (Shepherd and Wiklund, 2009; Weinzimmer, Nystrom and Freeman, 1998). Among these attributes, increase in sales and employment are the most favored among scholars as indicators of both small and large firm growth (Davidsson, 1991; Delmar, 1997; Weinzimmer, Nystrom & Freeman, 1998; Wiklund, 1999; Janssen, 2009). Also, Zhou and Wit (2009) opine that growth in sales and employment do well in reflecting both short-term and long-term changes in a firm. Additionally, these two are easy to obtain and in comparison with other attributes such as market shares, they are more objective (Delmar, 1997; Wiklund, 1999). Gürbüz & Aykol (2009) also noted that increase in sales are regularly used in the measurement of growth due to it being easily remembered by SME owners/managers. Even so, the measurement of single growth indicators has been discouraged by Delmar (1997). He argued that environment and industrial context varies and his variations may affect the different growth indicators.

According to Covin et al. (2006), EO effectiveness is appropriately measured using criteria that reflect a firm's success at translating entrepreneurial opportunities into growth trajectories. In their study, sales growth was used to measure growth rate where a positive relationship between EO and sales growth was established. Similarly, Soininen et al. (2012) also found a positive relationship between EO and sales growth, thus concluding that the findings of the positive relationship between EO and firm performance, found in

prior literature, are primarily caused by the growth factor. However, Moreno and Casillas (2008) found the relationship between EO and SME growth to be insignificant, which they attributed to the mediating and moderating role of other variables such as strategy, environment, or resources of the firm and among others. This assertion was confirmed by Covin et al. (2006) who suggested that the effect of EO on firm growth rate depends on several strategic process-related variables, thus stressing on the complexity of the relationship between EO and firm growth (Moreno and Casillas, 2008).

## **2.8 The Environment and Entrepreneurial Orientation**

The environment has been recognized as an important determinant of entrepreneurial orientation (Davis, 2007). It plays a contingency role on firms with respect to the opportunities it creates and the threats it poses (Chathoth, 2002). This, according to Gathungu, Aiko and Machuki (2014), is captured in the various risks that firms face due to the impending threats and opportunities that arise from the environment. The complexity and uncertainty associated with the environment have been asserted to have a significant relationship with firms' success (Mthanti, 2012). Thus, firms must endeavor to be creative in their responses to new opportunities and impose challenges that the environment conveys (Covin & Slevin, 1991; Zahra, 1991).

In EO literature, environmental conditions are usually assessed in terms of their dynamism, complexity and hostility (Zahra and Garvis, 2000; Lumpkin & Dess, 2001; Wiklund & Shepherd, 2005). Two environmental constructs that are consistent with previous research and theory building are hostility and dynamism (Lumpkin & Dess, 2001). As such, the researcher deems it appropriate to adopt these constructs in the study.

Environmental dynamism has been defined as the uncertainty and the unpredictability of future market trends and development in an environment (Miller and Friesen, 1983). According to Gathungu et al. (2014), environmental dynamism usually comprises of numerous variables such as speed with which the environment is changing (stability-instability), turnover rates, and predictability-unpredictability; each aspect contributing to uncertainty. Environments with high levels of dynamism require flexibility with regard to change for the growth and survival of firms (Mthanti, 2012). Thus, the increase in risk and unpredictability in fast changing environments (Davis, 2007).

Competing for scarce resources and opportunities in an unfavorable environment can be termed as environmental hostility (Covin & Slevin, 1989; D. Miller, 1983). Covin and Slevin (1989) have characterized hostility in an environment as the lack of business opportunities, intense competition and unsafe industrial setting which is exhibited by the degree of threat to the firm. Similarly, Khandwalla (1977) also characterizes hostile environments as being risky, stressful, and dominating. In addition, environmental hostility refers to the legal, political, and economic constraints (Miller, 1987), low customer loyalty, and severe consequences of wrong strategic decisions (Covin, Slevin, & Heeley, 2000). In this view, hostile environment is said to require strategic discipline to enhance the growth and survival of firms (Porter, 1980; Rosenbusch, Rauch & Bausch, 2013). Besides, it is important to note that hostility is usually regarded as the opposite of munificence by some authors (Lumpkin & Dess, 2001).

According to Wiklund and Shepherd (2005), the dimensions of the environment mentioned above (Hostility and Dynamism) will influence the relations between the firm's strategy and growth. For instance, firms in dynamic environments act more proactively

and aggressively in terms of competing in order to achieve better growth or performance (Lumpkin and Dess, 2001) while entrepreneurial behavior have been posited as a good fit for SMEs in hostile environments (Covin & Slevin, 1989; Miller & Friesen, 1983; Miller, 1983). In other words, maintaining a competitive edge and surviving will require firms evaluating their environment for challenges and opportunities (Ramlall, 2002).

In the past two decades, several studies have examined the influence of the environment on the relationship between EO and performance (Davis, 2007). Most of these researches suggest that the environment moderates positively the relation between EO and firm performance (Li *et al.*, 2009; Moreno & Casillas, 2011; Jabeen & Mahmood, 2014; Martins and Rialp, 2013). Similarly, Yamada and Eshima (2009) have also argued that the environment may have a strong impact on small firms' viability and growth. For instance, environmental conditions such as hostility and dynamism have been reputed to influence the EO-firm performance (Wiklund and Shepherd, 2003; Parida *et al.*, 2010) where activities such as innovation in a firm are negatively impacted by competitively high and resource-scarce contexts (Gathungu *et al.*, 2014). Thus, better performance in terms of growth and profitability can be expected from firms that decide to adopt the concept of EO when they are operating in either dynamic or hostile environments (Miles and Snow, 1978).

In spite of the acknowledge view that the environmental context influences EO-growth/performance relationship, there exist some inconsistency in the findings of some past research which Rauch *et al.* (2009) have attributed to the use of an aggregated measure of EO. For instance, while theoretical arguments support the findings of a negative influence of hostility on the EO-performance relationship, other research have

produced inconclusive findings (Covin & Slevin, 1989) and even a curvilinear relationship or inverted U relationship (Bhuiyan et al., 2005; Tang et al., 2008; Zahra & Garvis, 2005). Also, risk taking and proactiveness have been noted to intensify in unstable socio-economic environments (Carsrud and Krueger, 1995). In this vein, one can conclude that there is no definitive evidence of the influence of environment on the EO performance or growth relationship, as well as the impact this environmental condition has on the relationship between each of the five dimensions of EO and firm growth (Gathungu et al, 2014).

To paint a more comprehensive picture of the influence that the environment has on the EO-performance relationship, continual studies have been encouraged to probe further the environmental variables as moderators of the EO performance relationship (Covin, 2006, Gaudici, 2013). Given the following discussion and others in this vein, the following hypotheses are put forward;

H<sub>6a</sub>: The environment positively moderates the relationship between innovation and SME growth.

H<sub>6b</sub>: The environment positively moderates the relationship between proactiveness and SME growth.

H<sub>6c</sub>: The environment positively moderates the relationship between risk-taking and SME growth.

H<sub>6d</sub>: The environment positively moderates the relationship between autonomy and SME growth.

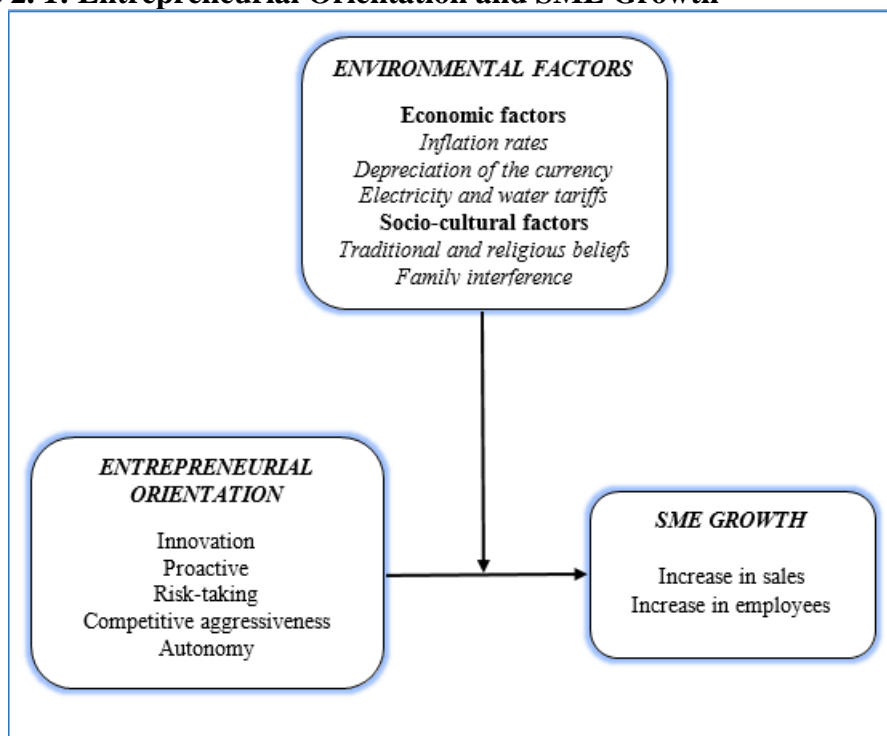
H<sub>6e</sub>: The environment positively moderates the relationship between competitive aggressiveness and SME growth.

## 2.9 Conceptual Framework

### Introduction

Conceptual framework as indicated by Miles and Huberman (1994) is simply a researcher's road map of the area being studied or investigated. This research road map could either be explained graphically or narratively. Therefore, the process of choosing the most relevant concepts from literature is known as conceptualization or building a conceptual framework (Miles and Huberman, 1994; Jabareen 2009). The rationale behind this study is that SMEs in Ghana are facing some challenges that seem to stifle their growth. Therefore, in order to ensure the growth and continuity of these firms, it has become imperative to adopt the concept of EO since it has been reputed to have some favorable results with SMEs. The EO model proposed by Lumpkin and Dess (1996) will be adapted to test the impact of EO on SME growth in Ghana's food processing sector. Below is a graphical representation of the conceptual framework of the study;

**Figure 2. 1: Entrepreneurial Orientation and SME Growth**



Source: Adapted from Lumpkin and Dess (1996).

### **Components of the Conceptual Framework**

As seen from the above diagram, the conceptual framework has three major components that are Entrepreneurial Orientation (EO), Environmental Context (EC) and SME Growth (BG). The framework proposes that there exists a relationship between Entrepreneurial Orientation (EO) and SME growth. However, the Environmental Context (EC) in which the business finds itself in is more likely to moderate the growth of a business. These components are elaborated below.

#### **Entrepreneurial Orientation (EO)**

Due to the complexity of globalization and the ever changing intricacy of consumers worldwide, businesses in emerging economies, specifically SMEs, are encouraged to adopt an entrepreneurial mindset to recognize the threats and opportunities in the environment in order to ensure continuity (Krueger 2000; Keh et al, 2007; Moreno and Casillas, 2008; Javalgi and Todd, 2011). Scholars have proposed that businesses or SMEs with entrepreneurial skills/mindset have been noted to perform better than those with non-entrepreneurial skills. This is because they are able to identify and seize opportunities, thereby obtaining sustainable competitive advantage and differentiating themselves from non-entrepreneurial businesses. (Covin and Slevin, 1991; Knight, 2000; Wiklund and Shepherd, 2003; Li et al, 2005; Covin and Miller, 2013). In view of this, the researcher adopted the Entrepreneurial Orientation construct because it has become the most widely used measure of entrepreneurial behavior or tendency in the strategy and entrepreneurship literature (see for instance Kreiser et al, 2002; Covin et al, 2006; Tang et al, 2008; Rauch et al, 2009; Runyan et al, 2011).

Several studies have been conducted, both empirically and conceptually, based on Colvin & Selvin (1991) and Lumpkin & Dess's (1996) conceptualization of EO. While the former posited a more unidimensional construct, the latter postulated a multidimensional construct of EO. This study adopted the model propounded by Lumpkin and Dess (1996) to test the multidimensionality of the construct. They argue that the construct of EO is multidimensional in nature, and that environmental and organizational contexts influences the nature and success of businesses. Therefore, businesses do not need to process concurrently all the dimensions of EO to be entrepreneurially oriented which is in contrast with Kropp et al's (2006) position that innovation is essential for the growth of firms. The EO dimensions identified by Lumpkin and Dess (1996) comprise of the following;

- **Innovativeness** refers to a firm's propensity to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services or processes.
- **Proactiveness** is a situation where managers take initiatives by acting in anticipation of future problems, needs, or changes.
- **Risk-taking** is the degree to which managers are willing to make large and risky resource commitments.
- **Competitive aggressiveness** refers to a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve their position.
- **Autonomy** refers to the independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion.

Consequently, the researcher deems it fit to test the multidimensionality of the EO construct as proposed by Lumpkin and Dess (1996) and its impact on SME growth from a developing-country perspective.

## **Environmental Context**

The business environment of the 21st Century is an interwoven tapestry of complex socio-cultural, economic, political and technological factors, introducing multifaceted difficulties for managers of small and medium enterprises (Tesfayohannes, 2012) in developing countries where Ghana is no exception. This study chose to look at the dynamism and hostility in the environment by considering the current economic condition and the socio-cultural influence of the environment since these two factors have a great influence on business activities and performance of SMEs in sub-Saharan Africa (Olaoye, 2003; Aghalino, 1998).

As indicated by Wetherly (2011) and Felicia et al. (2013), the socio-cultural environment is depicted as a domain which comprises everything that is not contained inside the economy or political framework. Essentially, it is a system made up of a collection of activities and relationships through which people engage in their personal and private lives. This includes population features, age, ethnicity, religion, values, attitude, lifestyles and associates (Wetherly, 2011). Many academics have demonstrated that socio-cultural as well as institutional variables may affect not only the decision of becoming an entrepreneur, but also the further development of the venture (e.g. Gnyawali and Fogel, 1994; North, 1990; Shane and Kolvereid, 1995). Under socio-cultural factors, religion and family interference were adopted for the study. These two are seen as important for the study since in Ghana, generosity is perceived as the habit of giving freely without expecting anything in return. In the Ghanaian context, generosity is part of the cultural set-up and this transcends into their family businesses because the family set-up covers the nieces, aunts, nephews, brothers, sisters, uncles, mothers and fathers. Assistance of any kind could be given by any of the members that make up the family. The help to the

family business could be either financial, material, building or labour. It should also not be forgotten that the members of the family keep close monitoring of the activities of the family firm, and this sometimes has both positive and negative consequences for the survival of the business (Songsore, 2009). These eventually shape the ethical request in which a businessperson or entrepreneur flourishes or fails (Gilder, 1984).

With respect to the economic factors, inflation rate, currency depreciation, power crises, and increasing water and electricity tariffs were used to measure Ghana's economic condition. These elements have become a persistent concern for businesses in Ghana, especially SMEs, within the last four years (AGI Business Barometer report, 2014). According to the report, the economic challenges currently prevailing in the country are affecting the business confidence index. The drop is the direct response of businesses to the economic challenges prevailing currently in the country, particularly the power crisis and the depreciation of the Cedi. In view of the above, economic and socio-cultural factors will be used to measure the environmental context of SMEs in the food processing sector of Ghana.

### **SME Growth**

Extant literature has been prolific in generating the difference in the measurements of firms' growth and highlighting their merits and demerits. Thus, SME growth can be measured by several attributes/indicators, for instance, sales, assets, market shares, profits and employment (Shepherd and Wiklund, 2009; Weinzimmer, Nystrom and Freeman, 1998). Among these attributes, sales growth and employment growth were adopted for this study. These two were favored for this research because they are broadly used among scholars as indicators for both small and large firm growth (Davidsson, 1991; Delmar,

1997; Weinzimmer, Nystrom & Freeman, 1998; Wiklund, 1998; Janssen, 2009). Also, Zhou and Wit (2009) opine that growth in sales and employment do well in reflecting both short-term and long-term changes in a firm. Additionally, these two are easy to obtain in comparison to other attributes such as market shares, as well as being more objective (Delmar, 1997; Wiklund, 1999).

Even between the two, sales growth is the main indicator since it has been established by some scholars that an increase in sales will most likely result in the hiring of new employees and vice versa (Delmar and Davidsson, 1998; Weinzimmer et al., 1998). In this light, the growth of SMEs is said to begin with the increase in sales (Davidsson and Wiklund, 2001).

Gürbüz & Aykol (2009) also noted that increase in sales is regularly used in the measurement of growth due to it being easily remembered by SME owners/managers. They also pointed out that SME owners/managers, likewise, measure their sales growth through sales. Nonetheless, the measurement of single growth indicators has been discouraged by Delmar (1997). He argued that the environment and industrial context varies and his variations may affect the different growth indicators. In light of this, an increase in sales and employees will be adopted for this study to measure the growth propensity of SMEs in the food processing sector of Ghana.

### **The Relationship between Dependent Variable and the Independent Variable**

From the diagram above, the independent variable is identified as the five dimensions of EO (innovativeness, practiveness, risk-taking, competitive aggressiveness and autonomy) whiles the dependent variable is SME growth (increase in sales and employees). The

independent variable is reputed to have a positive influence on SME growth ((Gürbüz & Aykol, 2009). Therefore, in order to establish the effect of the moderating variable (environmental context), the relationship between the independent variable and the dependent variable must first be established. This study postulates that there is a significant relationship between the independent variable and the dependent variable.

### **The Relationship between the Moderating Variable and the Dependent Variable**

In the preceding paragraph, it was proposed that there exists a relationship between the independent variable and the dependent variable. However, there is a moderating variable (environmental context) that influences the outcome of the dependent variable. This moderating variable has been reputed to play a key role in the relationship between EO and SME growth (Westerberg et al., 1997). Therefore, in order to assess the optimal outcome of the relationship between the dependent and the independent variable, there is the need to test the influence that the moderating factor has on the dependent variable. This study posits that there is a significant relationship between the moderating variable and the dependent variable.

## **CHAPTER THREE**

### **CONTEXT OF STUDY**

#### **3.0 Introduction**

In order to aid the reader's understanding of the context within which this research is being conducted, a confab of adequate knowledge is required. Therefore, this chapter will provide a brief history of SMEs in Ghana, some definitions of SMEs, the importance and some of the sector's challenges. Also, since the study's main focus is on the food processing sector, a general overview of Ghana's food processing sector will be assessed.

#### **3.1 The History and Development of SMEs in Ghana**

The development of SMEs in Ghana started in the 1970's when it became important for Ghanaians to manage the national economy for better safety. Prior to that, the Ghanaian economy was to a large extent in the hands of foreigners like the Lebanese (Ghanaian Enterprises Development Commission Annual Report, 1976). This was followed by the passage of the Ghanaian Business Promotion Act 334 (1970) which was geared towards promoting private entrepreneurship. The Investment Policy Decree 329 (1975) reserved certain areas like garment manufacturing and few others under the economy solely for that operation.

The Ghanaian Enterprises Development Decree formulated by the National Redemption Council Decree (NRCD) 330 (1975) established the Ghanaian Enterprise Commission. The Commission was tasked with the responsibility of providing financial aid to small scale enterprises.

As Government's attention began to focus on industrialization and the importance of the existence of small scale enterprises in terms of the nation's economy, it became very necessary to have an integrated organization capable of responding to the needs of the small scale enterprise sector.

The National Board for Small Scale Industries (NBSSI) was, therefore, established in 1985 by the Act of Parliament Act 434 (1981) to effectively promote the overall development of micro and small enterprises (SMEs). The Board's main responsibility was to ensure efficiency and competitiveness in the production and distribution of goods and thereby contribute significantly to the development of the economy. To this end, the Ghanaian Enterprises Development Commission and Department of Cottage Industries were merged with NBSSI in 1991 and 1994 respectively. Other reasons that made the merger necessary were the provision of adequate finance and credit to SMEs, the provision of adequate and relevant capacity building programs for the sector, and the provision of an appropriate and improved technology base for the small and micro enterprises-sector to aid in the increase of productivity for higher growth in that sector (Tetteh-Ossom, 2011; Boateng, 2012). Despite these intercessions most SMEs in Ghana do not grow into large businesses. The researcher is of the opinion that this could be largely as a result of the absence of an entrepreneurial orientation in most Ghanaian SMEs. It is interesting to note that less than 5 percent of large businesses are Ghanaian owned (Villars, 2006). This reinforces the need for inquiry into the factors that influence SME growth.

### **3.2 Definitions of SME**

Extant literature reveals an indecisive debate on the definition of SMEs. According to Storey (1994), there is no clear, single and uniformly acceptable definition for small firms. This could perhaps be attributed to differences that exist in the economic systems of countries and some of the variables used in the description of SMEs worldwide. Similarly, Kayanula and Quartey (2000) also stated that firms differ in their level of capitalization, sales and employment. Therefore, definitions for small firms which employ measures of size when applied to one sector could lead to all firms being classified as small, while the same size definition when applied to a different sector could lead to a different result.

Authors like Ayagari, Beck and Demirguc-kunt (2007) have attempted to define SME as “formal enterprises which have a cutoff range of zero (0) to two hundred and fifty (250) employees”. The United States of America Small Business Administration (2004) also defines SMEs as entities that are independently owned and operated, and are not dominant in its field of operation. Below are some alternative definitions of SME.

**Table 3. 1:** Alternative Definitions

	<b>DEFINITION</b>
World Bank 1976	Firms with fixed assets (excluding land) less than US\$ 250,000 in value are Small Scale Enterprises.
Grindle et al (1989:9-10)	Small scale enterprises are firms with less than or equal to 25 permanent members and with fixed assets (excluding land) worth up to US\$ 50,000.
USAID in the 1990s	Firms with less than 50 employees and at least half the output is sold (also refer to Mead, 1994).
UNIDO's Definition for Developing Countries	<b>Large</b> - firms with 100+ workers <b>Medium</b> - firms with 20 - 99 workers <b>Small</b> – firms with 5 - 19 workers <b>Micro</b> – firms with less than 5 workers
UNIDO's Definition for Industrialized Countries	<b>Large</b> - firms with 500+ workers <b>Medium</b> - firms with 100 - 499 workers <b>Small</b> – firms with less than 99 workers

Source: Adopted from Kayanula and Quartey (2000)

It must be noted that these definitions may vary due to the differences that exist in the economic systems of countries and some of the variables used in the description of SMEs globally.

### 3.3 Ghanaian Definitions of SMEs

Just as discussed, the case of Ghana is no exception; there are variations in the definitions for SMEs but the most important criterion used in defining the size of enterprises is employment (Kayanula and Quartey, 2000; Boon, 1989). For instance, the Ministry of Local Government and Rural Development (Ghana) considers any establishment that employs one to nine people as a small scale enterprise, ten to twenty employees as a medium scale enterprise, and above twenty employees as a large scale enterprise.

In a similar vein, the Ghana Statistical Service (GSS) also considers firms with less than ten employees as small scale enterprises and their counterparts with more than 10 employees as medium and large-sized enterprises. Steel and Webster (1990) and Osei et al

(1993) also used an employment cut off point of 30 in defining small scale enterprises in Ghana. They dis-aggregated them into 3 categories (Kayanula and Quartey, 2000):

- (i) Micro - employing less than 6 people
- (ii) Small - those employing 6-9 people
- (iii) Medium - between 10 and 29 employees.

The National Board for Small Scale Industries (NBSSI) defines it with not only the number-of -employees criterion but also the fixed asset criteria. They define micro enterprises as those that employ between 1-5 people with fixed assets not exceeding 10,000 USD, excluding land and building, and small enterprises as those that employ between 6 and 29 or have fixed assets not exceeding 100,000 USD, excluding land and building (NBSSI, 2015). Similarly, the Ghana Enterprise Development Commission (GEDC) also uses a 10 million Cedi upper limit definition for plant and machinery. However, Kayanula and Quartey, (2000) have argued that the process of valuing fixed assets and the continuous depreciation in the exchange rate has made the application of this definition problematic and outdated.

Furthermore, the Regional Enterprise Development Ghana manufacturing survey paper has also attempted to define SMEs. In the survey report, a micro enterprise is described as one comprising 1-5 employees, a small enterprise as one with 6-29 employees and a medium enterprise as one with 30-99 employees whereas large enterprises comprise 100 or more employees (Teal, 2002; cited in Abor & Quartey, 2010). It must be noted that some of these definitions vary according to the number of employees, level of investment, total assets and turnover. Having defined what an SME is, it is important to examine the nature of SMEs.

### **3.4 Nature/Characteristics of SMEs in Ghana**

Currently, Ghana's SME industry is characterized by a dualistic nature which comprises the formal sector and the informal sector. Formal enterprises tend to have salaried employees, a registered office, business unit and a more structured system whilst the informal ones comprise artisans who work in open spaces, temporary wooden structures, or at home employing little or in some cases no salaried workers (Abor & Quartey, 2010). The latter is largely made up of family groups, individual artisans and women engaged in processing local crops. The major activities within this sector includes the production of soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, tin-smiting, ceramics, timber and mining, bricks and cement, beverages, food processing, bakeries, wood furniture, electronic assembly, agro processing, chemical based products and mechanics (Liedholm and Mead, 1998; Osei et al.; 1993). However, it must be noted that these activities are not only limited to the informal sector.

SMEs in Ghana constitute a significant chunk of businesses in both the formal and the informal sector. They make up the largest portion of Ghana's employment base and are the bedrock of the local private sector (Hayford, 2010). In spite of this, Abor and Adjasi (2007) have indicated that the non-reliance on public funds by SMEs has created a situation whereby there are little to no regulations governing this sector. Thus, there are insufficient levels of accountability in these industries. This could perhaps be attributed to the fact that many SME owners have low levels of education and training. Again, in Ghana, there is the tendency for SMEs to employ few workers who are often relatives of the owners. This trend has led to the difficulty in separating ownership and control of small scale enterprises.

On the average, SMEs in Ghana are generally more labor intensive than larger businesses; they are noted to have lower capital productivity than large scale enterprises as a result (Steel, 1977; Steel and Webster, 1990). However, SMEs generate more direct and possibly more indirect employment opportunities per unit of investing capital. They are also instruments of maximizing the talents, energy and entrepreneurial minds of individuals who cannot reach their full potential in large organizations. Due to this, they represent a breeding ground for entrepreneurial talent and testing grounds for new industries.

Again, SMEs in Ghana have been observed to begin small and eventually die small, without ever having seen any expansion in terms of employment numbers and output (Aryeetey and Ahene, 2005). For these reasons, small businesses deserve much more attention in order to increase their life cycle and their potential for growth and expansion.

### **3.5 The Role of SMEs in Ghana**

Small-scale enterprises have been one of the major areas of concern for policy makers in the attempt to accelerate the growth rate in developing countries. Kayanula and Quartey (2000) observed that developing countries can achieve their growth objectives by recognizing SMEs as the engine of economic growth. In so doing, these SMEs become potential sources of employment and income generation units in developing countries like Ghana. It is estimated that SMEs employ 22% of the adult population in developing countries (Daniels, 1994; Daniels, Ngwira & Fisseha, 1992; Fisseha, 1992; Gallagher & Robson, 1995). This appears to be true for Ghana, where statistics have shown that the SME sector is the most dominant form of business in Ghana and they account for up to 92% of businesses in the economy (Abor and Quartey 2012). Furthermore, in 2012, it was estimated that SMEs contributed 49% of Ghana's Gross Domestic Product (GDP),

accounted for 90% of existing businesses and provided about 85% of manufacturing employment. The sector subsequently generated export and tax revenues, provided basic goods and services and jobs for socio-economic development in Ghana (Frimpong, 2013).

According to Kayanula and Quartey (2000), small firms have advantages over their large-scale counterparts. The authors observed that this was due to their ability to adapt more easily to market conditions. Yet, by narrowing the analysis down to developing countries like Ghana, a dilemma emerges. This dilemma poses the question of whether small scale enterprises have a dynamic economic role (Kayanula and Quartey, 2000). In answering this question, the promotion of more equitable distribution of income by SMEs in rural area has been encouraged. Since SMEs are labour intensive, they are most likely to succeed in smaller urban centres and rural areas, where they can contribute to more even distribution of economic activity. Again, it will help slow the flow of migration to large cities since that is a major concern for policy makers in Ghana. They also improve the efficiency of domestic markets and make productive use of scarce resources, thus facilitating long term economic growth.

### **3.6 Importance and Contributions of SMEs**

SMEs are of great importance to the Ghanaian economy since they can be a mechanism to stimulate economic growth. One can postulate that the future of the Ghanaian economy depends to a large extent on the success of SMEs as many other developing countries. The primary importance of the SME sector in Ghana is the creation of employment which contributes to the disposable income of individuals. Similarly, they support a bigger part of the Ghanaian population and contribute significantly to Ghana's GDP.

In light of the above, SMEs must be encouraged and supported to flourish. This is important so that economic objectives (economic growth and development, favorable balance of trade and payments and employment) and social objectives (poverty alleviation and improving standards of living) can be realized. Ghana must respond to the needs of SMEs as they form an important component of the economy (Schlogl, 2004). With the advent of the economic reform program over the years, there has been a significant change in the Ghanaian government's attitude towards the SME sector, as seen, for instance, government and corporate institutions assigning funds to develop and empower communities through entrepreneurship (MASLOC, 2008).

Currently, many researchers stipulate that the SME sector is the answer to the alleviation of poverty and creation of jobs. The sector is increasingly viewed as an important engine for employment creation and economic growth. This has been necessitated by the increasing awareness within government that large projects in the industrial sector are less likely to generate the requisite employment opportunities. According to Kapoor, Mugwara & Chidavaenzi (1997), experience in Ghana, as is the case of the rest of the world, has shown that SMEs are more flexible and responsive to changes in the market, requiring relatively less capital and, therefore, have the potential to generate significant levels of employment for skilled and semi-skilled labor.

Prospering countries have SME-driven economies because the sector is the cornerstone of strong economic growth (Anyieni, 2014). Thus employment opportunities, reduction in poverty levels and subsequent improved standards of living are all major contributions of the sector to economic growth. Against this background, it is necessary to discuss the factors that affect the growth of SMEs in developing countries. This is an important area

which should be addressed if the full potential of SMEs as a vehicle for economic growth, improvement of standard of living and employment creation is to be realized (Mawadza, 2006).

### **3.7 Factors Influencing the Growth of SMEs**

From the above paragraph, the importance of SMEs to the economic growth of both developed and developing countries cannot be overlooked. However, despite their acknowledged contributions to the economy, they are faced with myriad challenges that seem to stifle their growth. Beneath are some challenges facing SMEs in Ghana.

#### ***Finance***

The role of finance has been viewed as a critical element for the development of small and medium-sized enterprises in Ghana. Among all of the challenges SMEs face in Ghana, the most prevailing constraint is financing. A survey by Aryeetey et al (1994) suggests that 38% of SMEs find financing a hindrance to their growth. This challenge could perhaps be attributed to the perception of risk associated with SMEs, management weakness, informational barriers and high costs of intermediation (Hayford, 2012). Thus, Ghanaian SMEs' overall macroeconomic performance is significantly hindered due to these financial glitches.

#### ***Availability of Skilled Workers / Managerial Constraints***

To keep a company going in today's unpredictable environment, having the requisite skills and expertise has become a necessity. Unfortunately, the majority of those who run SMEs are ordinary individuals whose educational background is lacking, thereby unequipped to carry out managerial routines for their enterprises (King and McGrath, 2002).

Additionally, SMEs generally use simple technology which does not require highly skilled workers. Even so, where skilled workers are required, an insufficient supply of skilled workers can limit specialization opportunities, raise costs, and reduce flexibility in managing operations (Hayford, 2012). Also, though SMEs tend to attract motivated managers, they hardly able to compete with larger firms. The scarcity of management talent, prevalent in most countries in the region, has a magnified impact on SMEs. The inadequate managerial know-how, therefore, puts significant constraints on SMEs.

### ***Equipment and Technology***

In Ghana, like many other African nations, the challenge of connecting indigenous small enterprises with foreign investors and speeding up technology upgrades still persists (Muteti, 2005). Kotler and Keller (2006) describe technology as one of the most dramatic forces shaping people's lives and businesses today. However, these advancements in technology now pose challenges for small businesses. Difficulties in accessing appropriate technologies and information have become a strain on SMEs, thus limiting innovation and SME competitiveness. According to Hayford (2012), many small business entrepreneurs appear to be unfamiliar with new technologies and those aware often face challenges of availability, affordability and accessibility. This has resulted in the inability for SMEs in Ghana to learn and utilize the immense benefits of technological advancement.

### ***Domestic Demand***

The impoverished economic condition of most Ghanaians has put a lot of pressure on SMEs in terms of efficiency, price, quality and customer satisfaction. The few Ghanaians who can afford these goods and services being offered by SMEs tend to prefer foreign goods. For instance, Riedel et al (1988) reported that tailors in Techiman who used to

make several pairs of trousers in a month went without any orders with the advent of trade liberalization.

### ***International Markets***

Previously insulated from international competition, many SMEs are now faced with greater external competition and the need to expand market share. Limited international marketing experience, poor quality control and product standardization and little access to international partners, however, impede expansion into international markets.

### ***Regulatory and Legal Constraints***

High start-up costs for firms, including licensing and registration requirements, has the likelihood to impose excessive and unnecessary burden on SMEs. SMEs are adversely affected the most as a result of the high cost of settling legal claims together with the delays in court proceedings in registering. The burdensome process and requirements to commence business has been an issue for small and medium enterprises. The legalities in clearing goods from the ports, high taxes and the processing of export documents are also an issue in terms of the time it takes and the monetary values involved.

### ***Input /Raw Material Constraint***

According to Levy (1993), SMEs face a range of constraints in the factor market. However, raw material availability and cost were the most common constraints. A survey by Aryeetey et al (1994) found that 5% of Ghanaian SMEs cited input constraints as a problem. This specific issue is considered a problem depending on the country in question. Whether or not it is a problem is also dependent on how businesses rate access,

availability or cost and if their activities are based primarily on imported or domestic inputs (World Bank, 1993; Parker et al, 1995).

### **3.8 Supporting Agencies**

In Ghana, there are some institutions and agencies that support the promotion and development of SMEs. Some of these agencies and institutions are discussed below.

***Ministry of Trade and Industry (MOTI):*** The Ministry has the overall responsibility for the formulation, implementation and monitoring of the country's domestic and international trade as well as for industrial policies. It is also responsible for strengthening trade relations with other countries consistent with Ghana's membership of the WTO.

***National Board for Small Scale Industries (NBSSI):*** NBSSI is one of the top most governmental bodies regulating the promotion and development of the Micro and Small Enterprises (MSE) sector in Ghana. Its objectives are to create enabling environments and develop an enterprise culture in Ghana, promote MSE sector associations and facilitate access to credit for small enterprises.

***Association of Ghanaian Industries (AGI):*** The association is committed to assisting the industrial sector by advocating for a better business climate in Ghana. Specifically, it seeks to provide a central organization for the promotion of the interest of the industry, thus defining its identity as the mouthpiece for manufacturing and service sectors.

***Ghana Standards Authority (GSA):*** The Ghana Standards Authority has been responsible for import and export technical standards and regulations. Their mission is to promote standardization for the improvement of the quality of goods, services and sound

management. The Authority issues new technical standards and revokes certain existing ones, as well as wields the authority to recommend the prohibition of import or local products not duly certified as complying with established international or local standards.

***Ghana Export Promotion Authority (GEPA):*** The Ghana Export Promotion Authority (GEPA) is the public agency mandated to develop and promote non-traditional exports. GEPA is responsible for the development of national export awareness, identification of products with export potential and locating markets for them. It also provides exporters with the necessary assistance to enter markets, organizing trade missions, training exporters to upgrade skills in export marketing and export management and advising the government on export incentives and policies.

***Ghana Investors Advisory Council (GIAC):*** This agency is made up of small, informal groups of high-level, leading local and international businessmen and women who meet exclusively with the president of Ghana twice every year all aimed at attracting both local and foreign direct investment into Ghana.

***Private Enterprise Foundation (PEF):*** The Foundation was instituted on the initiative of four major business associations: Association of Ghanaian Industries (AGI), Ghana National Chamber of Commerce (GNCC), the Ghana Employers Association (GEA) and the Federation of Association of Ghanaian Exporters (FAGE). The PEF's objective is to represent the interest of the private sector, promote industrial harmony, promote quality production and play an advocacy role for the private sector.

***Ghana Investment Promotion Centre (GIPC):*** The Centre, under the GIPC Act 2013 (Act 865), is mandated to encourage, promote, coordinate and monitor all investment in all sectors of the economy except mining and petroleum. They are also responsible for the coordination and monitoring of all investment activities falling under Act 478.

***Ghana National Procurement Agency (GNPA LTD):*** It is a limited liability company with a 100% equity stake by the government of Ghana. Initially, its main aims were to import “essential commodities” in large quantities for sale to Ghanaian consumers at affordable prices, procure goods for ministries, departments and agencies and to hold buffer stock for national food security. Later, their focus shifted to the supply of agricultural raw material inputs to local industries, particularly in the area of agro-processing, thereby, specializing in export markets where Small and Medium Enterprises (SMEs) can enter the international market.

***Gratis Foundation:*** The Foundation is said to have evolved out of the Ghana Regional Appropriate Technology Industrial Service (GRATIS) project, which was established by the government of Ghana to promote small-scale industrialization. In order to accomplish this mandate, regional technology transfer centers have been established in some regions to transfer appropriate technologies to small-scale industrialists through training, manufacturing and the supply of machine tools, plants and equipment.

***Rural Enterprises Project (REP):*** REP is part of a development program created by the government of Ghana to generate wealth and reduce poverty in rural areas. The main aim of the REP is to help alleviate poverty and improve the living conditions of rural areas; by

increasing the income of women and vulnerable groups through the increment of self-wage employment.

***Ghana Free Zones Board (GFZB):*** The objective of the Board is to promote the processing and manufacturing of goods through the establishment of Export Processing Zones (EPZs) and encourage the development of commercial and service activities at seaport and airport areas.

### **3.9 The Manufacturing Sector of Ghana**

In this context, manufacturing constitutes about 9% of Ghana's GDP and provides employment for over 250,000 people (UNESCO, 2010). There are around 25,000 registered firms, though more than 80% of them are small size enterprises and around 55% of them are located within the Greater Accra/ Tema region. Major industries in this sector include mining, light manufacturing, aluminum smelting, food processing, cement and small commercial ship building. Other industries include food and beverage production, textiles, chemicals and pharmaceuticals, and the processing of metals and wood products. A relatively small glass-making industry has also developed.

In terms of importance, the manufacturing sector, though not strong as it should be, continues to play a respectable role in the economy. The sector is underdeveloped and is characterized by a narrow industrial base dominated by agro-industries. Also, subsidiaries of multinational companies such as Unilever, Coca Cola, Toyota and Accra Brewery have a strong presence in the country but there are also many medium-sized local companies in the sector.

Recently, the sector has seen a continued decline in growth over the past five years. The growth rate and the share of GDP in the sector fell from 5.2% in 2009 to 0.6% in 2013 and 6.4% in 2012 to 5.8% in 2013 respectively (ISSER, 2014). An intensified import competition that has damped the competitiveness of local manufacturing companies, the energy situation in the country, high utility prices, low research and development efforts, high cost of inputs and raw materials and increase in tax rates are at the core of the decline in the sector's output.

The government of Ghana recognizes that the significant transformation of the sector is vital thus various initiatives introduced by government over the years to arrest the situation. For instance, the National Industrial Policy, the Private Sector Development Strategy, the Industrial Sector Support Program, and the National Export Strategy are all government initiatives introduced to improve competitiveness and enhance job - creation in order to promote and stimulate the sector.

### **3.8 Food Processing Sector of Ghana**

As stated earlier, Ghana's manufacturing sector comprises various sub-sectors such as pharmaceutical, agro-processing and the food processing sector. One struggling sub-sector is the food processing sector. Historically, the sector is one of the oldest in the country. It is dominated by micro and small-scale enterprises engaging in low value-added agricultural processing and operating with little capital and simple tools thereby making the sector the largest manufacturing sector employer both in the rural and urban centers. The sector covers a range of activities including processing and preservation of meat, fish, fruit, vegetables, oils and fats; the manufacture of dairy products; the manufacture of grain mill products, starches and starch products and prepared animal feeds; and the

manufacture of other food products (the bread, sugar, chocolate, pasta, coffee, nuts and spices) and others. Below is a categorization of sub-groups in the food processing sector.

**Table 3. 2:** Sub-group of Activities under the Food Processing Sector

No.	Activity
1	Processing and preserving of meat products
2	Manufacture of starch and starch products
3	Processing and preserving of fish, fish crustaceans and mollusks
4	Processing and preserving fruits and vegetables
5	Manufacture of vegetable and animal oils and fats
6	Manufacture of dairy products
7	Manufacture of grain mill products
8	Manufacture of bakery products
9	Manufacture of cocoa, chocolate and sugar confectionery
10	Manufacture of other food products
11	Distilling, rectifying and blending spirits
12	Manufacture of malt liquors and malt
13	Manufacture of soft drinks; production of mineral waters and other bottled waters
14	Manufacture of sugar
15	Manufacture of macaroni, noodles, couscous and similar farinaceous
16	Manufacture of prepared meals and dishes
17	Manufacture of prepared animal feeds
18	Manufacture of wines

Source: Ghana statistical Service, 2011

According to the 2011 GDP figures released by the Ghana Statistical Service (GSS), the food processing sector is the largest contributor to manufacturing GDP, thus accounting for about 30% of manufacturing of value added and employing several hundreds or thousands of people directly and indirectly. Moreover, the sub-sector shares a direct link to the main agricultural sector where crops such as maize, rice, plantain, cassava, yam and many others are harvested. Consequently, both sectors (agricultural and food processing) help in ensuring food security in the country thus playing an essential role in the Ghanaian economy. For instance, during bumper harvests, crops, vegetables and other agro-based materials are stored to be used during the lean seasons through processing.

Due to the role the sector plays in the Ghanaian economy, the government has implemented various policies over the years to attract both local entrepreneurs and foreign investors into the sub-group. For instance, there has been special initiatives (President's Special Initiative launched in 2004) to add value to non-traditional products such as cassava and oil palm in order to diversify the country's exports. Thus, the pineapple sector has been the main focus of several policy initiatives by the government of Ghana where exports increased from 18,777 Mt in 2000 to 29,265 Mt in 2010 with a 7.0% contribution to GDP (Sutton and Kpentey, 2012).

However, the sector is relatively small and most of the activities in the sector are undertaken on a small scale bases (Sutton and Kpentey, 2012). Furthermore, the sector is constantly under increasing threat and competition from large manufacturers and the importation of foreign goods. This is not a new problem for the sector since Hughes (1969) observed the inefficiency of the food processing sector despite its importance to developing countries like Ghana. According to the UN's Food and Agriculture Organization (FAO), up to 40% of food produced in the developing world is wasted before it reaches the market (Gustavsson et al, 2011) and Ghana is no exception to this trend.

Inadequate facilities for preservation, a poor road network and the absence of quality-assurance systems have led to about 30% - 40% post-harvest losses in Ghana (Sutton and Kpentey, 2012). This has resulted in irregular deliveries, unreliable performance of supply contracts and high cost of inputs which has led to the importation of most foods consumed in Ghana from neighboring countries like Nigeria, Burkina Faso and Togo among others. In light of this, there is the need to substantially improve the performance of the food

processing sector in order to improve not only the manufacturing sector but also the Ghanaian economy.

## CHAPTER FOUR

### RESEARCH METHODOLOGY

#### 4.0 Introduction

In order to achieve and address the objectives and hypotheses of this study, there is the need to look at the general approach the researcher will take in carrying out this research project. This general approach in carrying out a research project is what Leedy and Ormrod (2001) termed as research methodology. It could also be referred to as the procedural framework within which a research is conducted (Saunders *et al.*, 2009; Remenyi *et al.*, 1998; cited in Amaratunga *et al.*, 2002). In this vein, the Chapter will outline by sections, each of the various steps employed by the researcher to gather the pertinent information needed for this study. In explicit details, the chapter will look at the research paradigm underpinning the study, research design, research strategy, sampling design, issues concerning data collection, data analysis techniques as well as ethical considerations.

#### 4.1 The Philosophical Assumptions of the Study

In every research, it is imperative to discuss the pertinent philosophical assumptions underpinning the research. Thus, individual values, philosophical assumptions, theoretical backing and research methods should all be related to each other and the aims of the research (Buame, 1996). As such, the concept of paradigm is central to the research process in all areas of study.

Paradigms are general conception of the nature of scientific endeavor within which a given inquiry is undertaken (Mangan *et al.*, 2004). They are sets of beliefs, values and techniques, which form the essential philosophical assumptions which explain what a

valid research is and the appropriate approaches that can be adopted in that research (Myers and Avison, 2002). Paradigms can also be viewed as “a set of assumptions about the social world, and about what constitute proper techniques and topics for inquiry” (Punch, 1998). Boateng (2014) expressed that there exist various and diverse paradigms with various taxonomies to distinguish between these paradigms. Thus, inferring from extant literature, he outlined positivism, interpretivism, realism, relativism and critical realism as commonly dominant paradigms that reflect the major theoretical direction in social science research (Boateng, 2014). Furthermore, it is to be noted that these paradigms have their own set of epistemological, ontological and methodological assumptions that act as structures to explain and differentiate them from each other (Creswell, 2007).

In view of the above, the researcher deems it appropriate to follow the positivist world view or approach, taking into account the research objectives and hypotheses formulated in Chapter 1 and 2 of this study. This decision was informed by Easterby-Smith et al., (1991). They opine that researchers who follow this approach believe that the world is external and objective and that definite structures affect people in similar ways and vice versa. Hence, positivists believe that there is a single, objective and tangible reality (Boateng, 2014) where researchers should be independent of the phenomena under study with the basic need of formulating hypotheses for subsequent verification (Agudze-Tordzro, 2012). Followers of this world view search for causal explanations and fundamental laws and generally reduce the whole phenomenon to the simplest possible elements in order to facilitate analysis (Easterby-Smith *et al.*, 1991; Remenyi *et al.*, 1998; Creswell, 2007). Thus, they gear towards more of a deductive reasoning approach

(quantitative research) where research questions and hypotheses are formulated and then tested empirically under controlled circumstances (Boateng, 2014).

Following the discussion above, it is pertinent to note again that as far as this study is concerned, the researcher will be following the positivist approach. This is because the researcher believes that the social world exists as an external environment where definite structures affect people in similar ways, in that, an objective reality exists through the formulation of constructs on entrepreneurial orientation and its effect on SME growth from existing theories. Consequently, the study, formulates hypotheses based on constructs and tests them on SMEs in the food processing sector through the administering of structured questionnaires with findings being generalize.

## **4.2 Research Design**

Polit, Beck and Hungler (2001) define research design as the overall plan that the researcher will employ in the quest to answer research questions or test research hypotheses. Therefore, the general plan of how a researcher goes about answering research questions and hypotheses can be termed as research design. Usually, researchers tend to adopt one of two main approaches when conducting research; that is an inductive or deductive approach (Saunders, Lewis & Thornhil, 2011). According to Teyi (2014), the deductive approach normally adopts existing theories as a guide in understanding data while inductive also takes on data to gain new insight, such as building a theory. Inferring from Teyi (2014), one can say that the inductive approach to research normally moves from specific situations to general ideas or theories, whereas the deductive deals with general ideas or theories to specific situations. Thus, this study espouses the deductive approach.

The deductive approach is generally based on the testing of prior works, theories, models, mind maps and literature reviews (Sandelowski, 1995; Polit & Beck, 2004; Hsieh & Shannon, 2005). It also deals with the retesting of extant studies in diverse contexts (Catanzaro, 1988). Therefore, the adoption of the deductive approach in this thesis was due to the conceptual framework and hypotheses proposed in Chapter 2 which was guided by existing models and empirical studies in EO. This is in line with Neuman's (2007) assertion of deductive research beginning with the abstract logical relationship among concepts and then moving towards more concrete empirical evidence.

### **4.3 Qualitative and Quantitative Research**

Researchers have been known to have unyielding standpoints as to the research direction (qualitative or quantitative) they should adopt, thus creating a discord within academicians (Acheampong, 2011). For instance, whilst qualitative researchers perceive quantitative method as providing misleading information, quantitative researchers also identify qualitative research with the act of journalism (Malhotra & Birks, 2007). According to Neuman (2007), the decision to choose or select a particular research approach should be informed by the research purpose and the method that provides the best and most accurate understanding of the phenomenon under study. However, some researchers have found the absolute distinction between these approaches very difficult to establish (Creswell, 1994; Blumberg et al. 2005; Saunders et al. 2011), thus the adoption of both methods in some studies. In light of this, it is only prudent to put into context the standpoints of both research doctrines.

Remenyi, Willam, Money and Stwartz (1998) looked at qualitative research as the type of scientific research that thrives on facts which could not be easily reduced to numbers. It is

an unstructured, exploratory research methodology based on small samples intended to provide insight and understanding of the problem setting (Malhotra, 2007). This approach is about getting up close and personal to the subject matter and assuming the role of a participant to describe a social reality from the perspective of the subject rather than observers (Amaratunga et al., 2002). Qualitative research is also concerned with rich and detailed description, understanding and insight as opposed to measurement in quantitative research (McGivern, 2006). Therefore, understanding the context requires an in-depth knowledge of the research setting, thus affirming with Eldabi et al (2002). They noted that with the qualitative research method, having physical one on one contact with individuals in their natural research setting, combined with verbal and observation data, is a necessity.

However, there have been some concerns from scholars about this approach to research. Researchers adopting this doctrine sometimes are unable to detach themselves from the subject matter, therefore, being prone to interviewer and interviewee bias (Marshall & Rossman, 1999; Saunder et al, 2009). This has necessitated some training for researchers using this approach so as to separate their feelings, opinions and biases from the subject matter (McGivern, 1996).

In contrast to the above mentioned method, quantitative research is posited as a tool used to measure how individuals behave in a particular way (Tull and Hawkings, 1990). Bryman and Bell (2007) defined quantitative research as “a research strategy that emphasizes quantification in the collection and analysis of data, which entails a deductive approach to the relationship between theory and research, for which the accent is placed on the testing of theories”. With quantitative research, data are generally formalized and obtained from large samples which are later statistically analyzed (Tull & Hawkings,

1990). It is an extreme of empiricism with which theories are not only justified by the extent to which they can be verified, but also by an application of facts acquired (Amaratunga et al., 2002). According to Easterby-Smith et al (1991), quantitative research also allows for comparisons and replication, measuring of the subject under analysis through objective methods with the use of statistics, reliability and validity to be determined more objectively and emphasizes the need to form a hypothesis for future verification. Conversely, some scholars have also cautioned this doctrine by observing that knowledge produced may be nonfigurative and too general for the application to specific local situations, contexts and individuals (Yin, 2011).

#### **4.3.1 *Justification for Quantitative Research***

This study employed the doctrine of quantitative research. The adoption of this doctrine (quantitative method) was influenced by Hultman (2008) and Boateng (2014) who stated that quantitative research helps in establishing the relationship that exists between facets of a phenomenon by measuring and presenting the empirical findings in the form of numbers and statistics. Hence, the use of this method (quantitative) in this thesis was due to the conceptual framework and hypotheses proposed in Chapter 2 which was proposed to test the effect EO has on SME growth in the food processing sector in Ghana. Again, this approach will help in the rigorous analysis of statistical data to achieve the said objectives and hypotheses, thus aiding in the establishing of EO and SME growth relationship.

#### **4.4 Research Strategy**

Research strategy can be defined as the guide for undertaking a systemic research of a phenomenon of interest (Marshall and Rossman, 1999). It provides the general direction of the research, including, the procedure by which the research is to be conducted (Remenyi

et al., 2003). Similarly, Bryman (2008) has identified research strategy as “a general orientation to the conduct of research”. Saunders et al (2011) has identified seven research strategies that can be adopted in conducting a research; these are experiment, survey, case study, action research, grounded theory, ethnography, and archival research. Below is a brief discussion of these strategies.

### ***Experiment***

This strategy is adopted where samples can be controlled (Saunders et al, 2011). It is usually applied in determining the existence and nature of causal relationships to exclude the effect of other variables and to establish the time sequence of events (McGivern, 2006). According to Saunders *et al.* (2011), experiments are generally conducted in laboratories and are used in answering questions of ‘how’ and ‘why’ in research. They further opine that this form of research owes much to the natural sciences, although it features strongly in most social science research.

### ***Survey***

Surveys have been reputed to be effective in attaining opinions, attitudes, and descriptions as well as cause-and-effect relationships (Ghauri & Grønhaug, 2005; Saunders et al, 2011). It has been defined as the use of questionnaires or interview techniques in recording verbal behaviours of respondents (Ghauri and Grønhaug, 2005). According to Saunders et al (2011), surveys are a common and popular strategy used in answering the ‘who’, ‘what’, ‘where’, ‘how much’ and ‘how many’ in business and management research. They further suggested that this strategy is usually associated with the deductive approach, thus explaining quantitative data being analyzed quantitatively using descriptive and inferential statistics.

### ***Case Study***

A Case study is said to involve the study of a phenomenon in its real context (Saunders *et al.*, 2011). It is a strategy for conducting research that involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence (Robson, 2002). Again, a case study allows the researcher to explore individuals or organizations simply through complex interventions, relationships, communities, or programmes (Yin, 2011). Inferring from these definitions, a case study will be more appropriate for the researcher in search of rich understandings of a given context (Morris and Wood, 1991). According to Saunders *et al.* (2011), case studies help in generating answers to ‘why’, ‘how’ and ‘what’ questions, even though ‘what’ and ‘how’ are usually associated with survey strategy.

### ***Action Research***

Action research involves a close association between researchers and practitioner (Saunders *et al.*, 2011). It can be viewed as a process of systematic inquiry that seeks to improve social issues affecting the lives of everyday people (Bogdan & Bilken, 1992; Stringer, 2013). According to Meyer (2000), the strength of this strategy is in the focus of generating solutions to practical problems and engaging practitioners in subsequent development. This approach is generally used for improving conditions and practices in a range of healthcare environments (Lingard *et al.*, 2008; Whitehead *et al.*, 2003).

### ***Grounded Theory***

This strategy is generally generated by series of observational data (Saunders *et al.*, 2011). It is defined as a type of research that aids in predicting and explaining behaviors and is geared towards developing and building theory (Goulding, 2002). According to Lingard, Albert & Levinson (2008), the main thrust is to “generate theories regarding social phenomena: that is, to develop higher level understanding that is “grounded” in, or derived from, a systematic analysis of data”. Thus, this strategy is deemed appropriate for studies relating to social interactions or experiences and is aimed at explaining processes rather than testing or verifying existing theories (Saunders *et al.*, 2011).

### ***Ethnography***

This research strategy is believed to explain social world at first hand. It is rooted firmly in the inductive approach of research and can be traced from the field of anthropology (Saunders *et al.*, 2011). According to Creswell (2007), it involves studying the meaning of behavior, language, and relations among members of a culture-sharing group. Furthermore, it can be described as a qualitative strategy whereby researchers interpret and define shared and learned patterns of values, behaviors, beliefs, and languages (Harris, (1968) cited in Creswell, 2007). Ethnography usually involves the researcher immersing in the day-to-day lives of the cultural-sharing group through observations and interviews thus being viewed as naturalistic research (Saunders *et al.*, 2011).

### ***Archival Research***

This research strategy involves the analysis of administrative records as the principal source of data collection (Saunders *et al.*, 2011). According to Bryman, (1993), although this strategy is historically connoted, it can be referred to current as well as past

documents. Furthermore, archival research allows researchers to ask questions pertinent to the past and changes over time. However, the ability to answer these questions is said to be constrained by the nature of the administrative records and documents (Saunders *et al.*, 2011). Therefore, the use of an archival research strategy requires the researcher establishing and designing the study to make the most of available data (Saunders *et al.*, 2011).

The preceding paragraphs have highlighted the various research strategies that can be adopted in a study. However, in the selection of this strategy, the researcher is cautioned to consider the following; unit of analysis, research period, research setting and research purpose (Guy *et al.*, 1987).

#### ***4.4.1 Justification of Research Strategy***

In view of the above discussions, this particular study adopted the survey strategy as a method of gathering primary data from respondents due to its appropriateness for social scientists as well as gathering primary data from populations too large to be observed directly (Babbie, 2004). Also, this choice was informed by the cross-sectional nature of data collected, which is usually associated with the survey strategy (Robson, 2002; Hair *et al.* 2006) hence, data being obtained at a single point in time from respondents (Groves, *et al.*, 1992; Dillman, 2000). Additionally, survey strategy is an excellent tool when cause-and-effect relationships are to be examined, as was the case for this thesis. The choice of this research strategy again became necessary since it can be used to suggest likely reasons for the particular relationship between dependent and independent variables (Saunders *et al.*, 2011). Thus, the survey strategy was adopted to statistically test the impact that entrepreneurial orientation has on SME growth in the food processing sector of Ghana using descriptive inferential statistics.

#### **4.5 Types of Data**

There are two generally accepted sources used in collecting data; primary and secondary source (Ghauri and Gronhaug, 2005). Sources that contain data generated by a researcher for the specific purpose of addressing a current study is what Malhotra (2007) referred to as Primary data. Secondary sources can be defined as sources that contain data which have been gathered and assembled for the purpose other than the current research work, but have some significance and usefulness to the current work (Hair et al. 2006; Malhotra, 2007). While the latter has some advantages, for instance, low cost, less hassle in the collection of data and many more, the former was selected for this study due to the fact that the content of secondary data might correlate poorly with the researchers' current need (Hair et al. 2014). Also, the choice of the researcher using primary data was essential because there was no readily available secondary data on SMEs in the food processing sector which can help depict how entrepreneurially oriented SMEs are in the Greater Accra region of Ghana.

#### **4.6 Data Collection Instrument**

Next in line is the data collection instrument that was used in obtaining information from respondents. Malhotra and Briks (2007) have outlined four instruments which can be used in gathering primary data. These instruments are participant observation, personal interviews, telephone interviews and self-administered questionnaires. The study deemed it appropriate to adopt a self-administered questionnaire since, in comparison to the other instruments, questionnaires are usually much cheaper, especially if data is to be collected over a wide geographical location. Besides, there is ease of administering questionnaires since responses are limited to stated alternatives (Malholtra, 2007). Additionally, the standardized nature of self-administered questionnaires aids in the comparison of different

responses of participants while presenting a sense of anonymity for participants (Hair *et al.*, 2006; Saunders *et al.*, 2011).

#### ***4.6.1 Questionnaire Designing***

With survey research, the quality of data to be collected will depend on the question asked when obtaining the data, it is, therefore, critically important to design a very high quality questionnaire (Acheampong, 2011). In light of this, a structured questionnaire comprising closed-ended questions was designed to gather primary data from the field. The designed questionnaire was then used to empirically test the conceptual framework and answer the research objectives and questions of the study. The constructs were later operationalized, thus developing a scale that would capture the meaning of each of the predetermined conceptual constructs (Corbett and Le Roy, 2006). Having established the operationalization of the constructs in the conceptual model through multiple indicators, the next decision concerned how to measure each of these indicators.

The first section of the questionnaire was aimed at capturing the survey respondents' demographics, i. e. gender, age, marital status, educational qualification, form of business, respondent's position, size of firm and years in operation.

The second section captured the main variables of the framework. The study addressed nine (9) variables in all. Questions were generated from previous empirical studies on entrepreneurial orientation and growth of SMEs (see Appendix A for a copy of the survey questionnaire) thus, questions were adapted from existing scales available in literature. These scales were adapted for the study in line of their wide recognition and acceptability in entrepreneurial orientation and business growth literature. The adapted scales were used to measure all five constructs of entrepreneurial orientation (innovativeness, proactiveness,

risk-taking, autonomy and competitive, aggressiveness). Other existing scales were also used in the measuring of SME growth and the environmental context.

### ***Entrepreneurial Orientation***

Seven (7) items were used to capture the five dimensions of EO conceptualized by Lumpkin and Dess (1996). The items were based on the work of Covin and Slevin (1990), Lumpkin and Dess (1996, 2001), Quaye & Acheampong (2013), Moreno & Casillas (2011), Boso, Story, & Cadogan (2013), and Boohene et al (2012). However, the scales were slightly modified to better fit the context of Ghanaian small enterprises.

### ***Environmental Context***

Six (6) items were used to operationalize the environmental context. In this study, environmental context is seen as a function of an increase in environmental dynamism and hostility (Lumpkin and Dess, 2001; Shepherd and Wiklund, 2009) where, the more dynamic and hostile the environmental conditions are, the greater the uncertainty in the environment. Two survey items were used to capture the environmental context in this study. The items were the current economic condition and socio-cultural attitude of Ghanaians. The items comprising the measures were as follows:

- Economics: The items included the general rise in goods and service (increase in inflation rate), depreciation of the Ghanaian Cedi against major currencies, increase in electricity and water tariffs and current load shedding.
- Socio-cultural: The items here included the effect of religious and traditional belief in business and the interference of family in business.

### *SME Growth*

Generally, there is a consensus among researchers that objective measures of growth are more appropriate than subjective evaluation. However, obtaining objective data is very difficult and stressful since respondents deem it sensitive, thus their reluctance in granting such information to outsiders (Dess and Robinson, 1984). On the other hand, subjective evaluation is quite easy to come by since owners/managers of firms are generally more inclined to provide such evaluations on their firm's growth and performance (Sapienza, Smith and Gannon, 1988).

Accordingly, five items were used to measure the construct of growth. Where increase in sales and employment was the indicator of growth. 2 items measured increase in sales while 3 items measured increase in employment. Sales respondents were asked to indicate if there had been a steady increase in sales within the last two years and if they had achieved their sales objective while respondents were asked to indicate if there had been an increase in the number of employees, room for full time workers and if workers had been laid off within the past two years.

In all, a 46-item scale was used in measuring the entrepreneurial orientation of SME growth in Ghana's food processing sector. It constituted a 7-item scale for each of the components of EO totaling 35 items; environmental context had 6 items, where a 4-item scale was used in measuring economic factors and a 2-item scale for socio-cultural factors; SME growth was measured with 5 items, where a 2-item scale was used for an increase in sales and a 3-item scale for increase in employment. Furthermore, a 5-point Likert scale was adopted for answering questions for all scale items, ranging from Strongly Disagree (1) to Strongly Agree (5); the adoption of this scale was influenced by Zikmund, (2000)

who opined that the 5-point Likert scale is easy to prepare and interpret, and also, simple for respondents to answer.

#### **4.6.2 Pilot Test of Questionnaire**

In order to ascertain the suitability and applicability of the designed questionnaire, it was deemed appropriate to pretest the questionnaire before proceeding with the main data collection. This was informed by Hair et al. (2006), who stated that the finalized version of the designed questionnaire needs to be pretested to ensure that there is no problem regarding the clarity of questions and instructions, and that the face validity is also satisfactory. In this regard, lecturers in entrepreneurship were consulted to ensure face validity by reviewing the questionnaire (Nunnally & Bernstein 1994; Zikmund 1994). Some few changes were suggested concerning the scale which was not properly reflecting what it was set out to measure, hence the modification of the questionnaire to measure what it had actually set out to. Furthermore, the clarity and instructions of the questionnaire were determined by self-administering the revised questionnaire to a group of respondents similar to those who were used for the main study. On the basis of their feedback, all ambiguity or difficulty with regards to clarity, relevance and instruction were modified, thereby increasing the quality of the designed questionnaire (Dodds et al. 1991; Nunnally and Bernstein 1994; Saunders et al. 2011).

#### **4.7 Target Population**

The target population of a study is the collection of elements or objects that possess the information sought by the researcher and about which inferences are made (Malhotra, 2007). This is the entire group of people about whom the researcher needs to obtain data from (McDaniel and Gates, 2005). In this light, SMEs in Ghana's food processing sector

were targeted for the study. In Ghana, the sector generally comprises of enterprises in both the formal sector (registered with the right state agency) and the informal sector (not registered with the right state agency). However, emphasis was placed on the formal sector. Thus, data were obtained from SMEs (food processing sector) in the formal sector of Ghana.

#### **4.7.1 Sample Frame of Study**

Social researchers are often limited with regards to collecting data from everyone who falls within the research unit or target population (Denscombe, 1998). This is sometimes due to the difficulty in sampling and the accessibility of the entire target population (Agudze-Tordzro, 2012). Therefore, in order to save time, money and effort in research, a more narrowly defined target population is encouraged (Wallen, 2006) thus the sampling frame. According to Agudze-Tordzro (2012), the solution to this problem is by depending on materials from a section of the target population with the hope that the results will reflect the entire population. Therefore, the sample frame of the study was SMEs in the food processing sector registered with the National Board for Small Scale Industries (NBSSI) or the Association of Ghana Industries (AGI). This decision was informed by the fact that these two organizations are the main institutional bodies regulating the activities of small businesses in Ghana. Additionally, the frame was restricted to the Greater Accra region in view of the fact that more than 55% of SMEs are situated in this region. Out of this sample frame, the sample size of the study was realized in the paragraph below.

#### **4.7.2 *Sampling Size of Study***

The sample size was informed by Hair et al's (2010) assertion that for a sample to be representative it should be preferably more than 100. From the data obtained from the National Board for Small Scale Industries (NBSSI) and the Association of Ghana Industries (AGI), a total of 150 businesses in the food processing sector were pooled from the sampling frame. Personal phone calls were then placed to these businesses to find out if they were still in operation since the above mentioned institutions could not provide the researcher with such information. Afterwards, a total of 110 SMEs were finally selected and questionnaires sent to them for the study.

### **4.8 Research Sampling Technique**

Following the above discussion of the sample frame and size, it is only prudent to disclose the sampling technique that was adopted for the study. Generally, sampling techniques are grouped into two; Probability and Non-probability sampling (Guy et al., 1987). Below is a brief discussion of these techniques.

#### **4.8.1 *Probability sampling***

Probability sampling is a kind of sampling in which "every element in the population has a non-zero chance of being selected" (Stuart, 1984). Thus, every individual in the population has an equal opportunity of being used for the said study. Saunders et al. (2011) indicated that probability sampling consists of four generally accepted techniques that are standard across disciplines namely, random sampling, systematic sampling, stratified random sampling and cluster sampling. Random sampling involves randomly selecting an individual or sample from the sampling frame; systematic sampling involves choosing a sample at regular intervals from the sampling frame; stratified random

sampling involves dividing the sample frame into two or more strata and later using random sampling to select from each strata; cluster sampling also involves the division of the population into discrete groups, later selecting the sample from the groups.

#### ***4.8.2 Non-Probability Sampling***

In contrast to probability sampling, non-probability sampling does not rely on chance-based selection but on researchers' own judgment (Malhotra & Birks, 2007). Thus, not every element of the population has the opportunity to be selected. According to Saunders et al., (2011) and Barnett (1991), non-probability sampling entails techniques such as purposive or judgmental sampling, convenience sampling, quota sampling and snowball sampling. Purposive, also referred to as judgmental sampling, is selecting a sample "on the basis of your own knowledge of the population, its elements, and the nature of your research aims" (Babbie, 1990), therefore, selecting elements based on the researcher's own judgement (Saunders et al., 2011). Quota sampling is a sampling technique where the researcher decides in advance on certain key characteristics which will be used to stratify the sample; Convenience sampling involves selecting readily or haphazardly available individuals who are easy to reach; Snowball sampling is a procedure whereby respondents are obtained from the information being provided by initial respondents.

#### ***4.8.3 Sampling Technique for the Study***

Respondents for the study were selected using non-probability sampling techniques. As stated earlier, this sampling technique is not chance-based compliance, but relies on the researcher's own judgment (Malhotra & Birks, 2007). Under non-probability sampling, the study employed the purposive sampling technique. This technique was deemed appropriate for this study since purposive sampling is less time consuming and also less

expensive. Again, purposive sampling was used in selecting respondents (food processing companies) due to the following reasons; first, each respondent must be registered with the right state agency (formal sector); second, the respondent has to be registered with either NBSSI or AGI since they are both the main institutional bodies regulating the activities of small businesses in Ghana; lastly, respondents must have been in operation for about 2 years.

#### **4.9 Collection of Primary Data**

Following the piloting of the questionnaire, the next major phase of the study is the execution of the questionnaire. The structured questionnaires were purposively distributed to food processing companies that were pooled from the data base of both NBSSI and AGI. As stated earlier, this choice was due to the selection criteria proposed by the researcher because they are representative of the population of interest and/or meet the specific needs of the research study and also less time consuming (Dillon et al., 1993).

Many activities preceded the actual data collection in selecting the respondents for the study. First, phone calls were placed to the selected companies with the intended purpose of the study being made known. Detailed locations and in some cases, personal contacts, of appropriate respondents were obtained. Second, the researcher went to the companies personally, thus meeting with the appropriate person or respondents (owner/manager, general manager). Again, in some cases, the researcher had to meet respondents at convenient locations proposed by the respondents whilst some asked to be emailed the questionnaire since they were not available in person. The purpose of the study was again explained to these persons whilst assurances were given that information provided would not be used for any other purpose other than the intended study. They were also assured of

confidentiality. This was done in conformity with Sallant & Dillman (1994) who suggested the need to maintain confidentiality of individual responses and reporting aggregate survey results whilst considering and recognizing ethical issues requiring the researcher to encourage participation without undue pressure. Thus, only respondents who were willing to participate in the survey on the field were approached and questionnaires administered to them.

This data collection process lasted for about eight weeks (early March to the middle of May, 2015). Initially, the research intended to spend four weeks in collecting data but due to the unreachability of respondents (as some of them were not around, and some had very busy schedules) at the stipulated time and geographical dispersion of the companies, the researcher had to extend the time, thus leading to considerable amount of time being spent. In all, a valid return sample size of 96 out of 110 sampled respondents representing an 87% response rate was obtained.

#### **4.10 Data analysis**

In order to examine the relationship between EO and SME growth, a statistical tool was adopted for the analysis of data gathered from the field. The study employed STATA version 13 and SPSS as the main statistical software to analyze the gathered field data. Inferential and descriptive statistics were used to present respondents mean, demographics and standard deviation. The various constructs postulated in the conceptual framework were examined for normality and reliability using Skewness and Kurtosis. To test the extent to which SMEs are entrepreneurially oriented, a one sample t-test was conducted. Furthermore, to test the hypothesis on the relationship between entrepreneurial orientation (EO), environmental context (EC) and SME growth (SMEG), a multiple regression model

was estimated using SMEG as the dependent variable and EO and EC as the independent variable. Beneath is an equational presentation of the model:

$$SMEG_i = \beta_0 + \beta_1 IN_i + \beta_2 PR_i + \beta_3 RT_i + \beta_4 CA_i + \beta_5 AN_i + \beta_6 EC_i + \mu_i$$

Where;

$SMEG_i$  = SME Growth (dependent variable)

$IN_i$  = Innovation

$PR_i$  = Proactive

$RT_i$  = Risk – taking

$CA_i$  = Competitive aggressiveness

$AN_i$  = Autonomy

$EC_i$  = Environmental context

$\beta_0$  = Intercept term

$\beta_1, \dots, \beta_4$  = represents the coefficients to be estimated and

$\mu_i$  = is the error term

#### **4.10.1 Data Examination**

The researcher also scrutinized data in terms of normality and outliers, as these can have a severe impact on a study's results. According to Hair et al. (2014), normality can be viewed as “the shape of the data distribution for an individual metric variable and its correspondence to the normal distribution,” and is one of the most fundamental assumptions in multivariate. In order to scrutinize the data in terms of normality, the skewness and kurtosis of each variable must be investigated (Hultman, 2008). Hair et al. (2014) posited that when the investigated data display a skewness value outside the range of -1 to +1, it could be regarded as substantially skewed and, therefore, non-normal; the same can be said about kurtosis values above and below  $\pm 3$ , respectively. The main

statistical package employed for executing the data analysis for the descriptive statistics was STATA.

#### **4.11 Quality Criteria**

In conducting a research of this nature, the researcher must be cautious so as not to compromise on the quality of the research. This can be attained by the utilization of various measures of validity and reliability (Yin, 1994). The following paragraphs take a look at the various validity and reliability measures adopted in this thesis and also detailed how it was employed to avoid quality lapses that might occur in a research.

##### ***4.11.1 Validity***

According to Hair et al (2014), validity refers to the degree to which a measure accurately represents what it is supposed to. Similarly, Peter (1979) refers to it as the degree to which instruments truly measure the constructs that they are intended to measure. Inferring from the definition above, it is very clear that validity in a measure is vital for the credibility of a study's results (Blumberg et al. 2005; Cooper & Schindler 2003).

Hair et al (2014) outlines two types of validity, which they considered important in a study, namely; Content (face validity) and Criterion validity. The Content validity is also known as face validity. It refers to how well a construct's measurable component actually represents that construct. According to Ghauri & Gronhaug (2005) and Hair et al. (2014), face validity is assessed by asking for the opinion of others acquainted with the actual topic, thus it being based mainly on judgement. This study, therefore, employed the opinions of supervisors and some lecturers in the department to assess the content validity of the various scales. Some modification was made to the questionnaire based on

suggestions concerning the scale which was not properly reflecting what it was set out to measure. The questionnaire was further administered to a group of respondents similar to those who were used for the main study. On the basis of the feedback from the pilot test, slight changes were finally made to thus improve the quality of the questionnaire.

However, Hair et al (2014) was quick to note that content validity alone is not a sufficient measure for concluding that a construct is valid, as such, criterion validity should be assessed alongside content validity. Cooper and Schindler (2006) refer to Criterion validity as a construct's ability to predict other constructs and examine whether a measure performs as is expected with regards to other variables. This criterion validity of the constructs was assessed through correlation and regression and the testing of the relationships between variables and constructs and those that have better predictive abilities were considered as having higher criterion validity.

#### **4.11.2 Reliability**

Reliability in essence is a measure of the stability of the proposed measure (Ghauri & Gronhaug, 2005). It is determined when a researcher assesses whether the measures used are free from error and are, therefore, able to derive the same results when replicated elsewhere (Zikmund, 2003). Thus, reliability in a measure means consistency of measurement and stability of the measure over time (Hinkin, 1995; Guy et al, 1987). In this view, a reliable item scale will not change regardless of environmental factors; it will also provide consistent results if repeated over time or if used by two different researchers. Reliability, therefore, shows how the operations of a study can be repeated with similar results (Yin, 1994).

According to Malholtra (2007), there are three approaches for assessing reliability namely; test-retest, alternative-forms and internal consistency reliability. Among these three, the most commonly used approach is the internal consistency measure (Hair et al., 2014). The internal consistency measure looks at how stable a certain measure is across its various items and can be measured through, for example, the split-half or equivalent-form method (Carmines & Zeller 1979; Peter 1979). The split-half reliability is the simplest form of measuring the internal consistency of a scale (Malholtra, 2007) and the most widely used methods of measuring the split- half reliability is by using the coefficient alpha or Cronbachs alpha (Guy et al., 1987, Hair et al., 2014; Malholtra, 2007). However, the most commonly used test is Cronbach's alpha (Guy et al., (1987). This could be attributed to the fact that this measurement of reliability coefficient assesses the consistency of the entire scale (Cronbach, 1951).

Cronbach's alpha can be conceived as a measure of the inter-correlations between the various items used to capture the construct (Ghauri and Gronhaug, 2005). The notion here is that the various items should correlate positively, but should not correlate perfectly, that is, perfect correlation among the items defeats the assumption that no single item is a perfect measure of a concept that is represented by a construct (Ghauri & Gronhaug, 2005; Hair et al., 2014).

In calculating the value of Cronbach's alpha, the inter-correlations that exist between samples of an item must range between 0 to 1 (Churchill & Iacobucci 2006; Hair et al. 2014; Peter 1979). Thus, the more the alpha value approaches 1 the more reliable it becomes. Researchers believe that the reliability range of 0.5–0.6 is sufficient, although a

Cronbach alpha is generally expected to be over 0.6. Also, some researchers use the more stringent cutoff or minimum rule of thumb of 0.7 (Dawson, 2002; Hair et al., 2014).

#### **4.12 Ethical Consideration**

Scholars have cautioned researchers not to take lightly, issues pertaining to ethical considerations such as openness with respondents and appropriate treatment of confidential information when conducting a study (Miles and Huberman 1994; Malhotra and Birks 2007). Based on this, steps were taken not to offend or endanger any participant or respondent. Beneath are the step taken.

- The main aims and objectives of the study was made known to the respondents.
- Soliciting of approval was then requested from respondents.
- Respondents were also assured that any information provided for this study will be treated confidentially and used for academic purposes only.

It is also to be noted that none of the respondents were forced or threatened in any way to partake in the study and that those who did, did so voluntary.

## CHAPTER FIVE

### FINDINGS AND DISCUSSION

#### 5.0 Introduction

This chapter presents the results and interpretations of the study conducted using ninety-six food processing companies in the Greater Accra region of Ghana. The results are characterized into seven key areas; the demographic background of the respondents, descriptive statistics of the variables, one-sample t-test, reliability and validity of construct test, correlation test, VIF and regression analysis testing the relationship between entrepreneurial orientation, SME growth and the environment as a moderating factor. The chapter concludes with a discussion of the findings of the study.

#### 5.1 The General Background Information for Respondents

Table 5.1 presents the general background information of respondents in this study. From the table, it can be observed that female respondents formed the majority of the sample at 51% while male respondents represented 49%. With respect to age, 29% of respondents fall within the ages of 25 – 34. The rest were within the ages of 45 – 54, 35 – 44, 56 – 65 and 18 – 24 representing 28%, 22%, 14% and 7% respectively. In responding to the marital status of respondents, 62 percent of the respondents were married, 25% single, 10% divorced and 3% representing widowed respondents. From the table, it can also be observed that almost all of the respondents had some form of education, with 47% holding university degrees, 41% had secondary education, 10% post graduate degrees and 2% with non-formal education. None of the respondents recorded no education or primary education. 62% of respondents' businesses were sole proprietorships, 25% partnership and 9% limited liability. In response to the position held by respondents, 65% of respondents were owner managers, 26% general managers and 9% non-managerial. Employee

numbers were used to determine the size of respondents' firms where 48% were micro, 37% small and 15% medium-size. The table below shows a summary of the demographics discussed.

**:Table 5. 1: General Background Information on Respondent**

	Frequency	Percentage (%)
<b>Gender</b>		
Male	39	41
Female	57	59
<b>Age of Respondents</b>		
18 - 24	7	7
25 - 34	28	29
35 - 44	21	22
45 - 54	27	28
55 - 65	13	14
65 - above	0	0
<b>Marital Status</b>		
Married	59	62
Single	24	25
Divorced	10	10
Widowed	3	3
<b>Educational Attainment</b>		
No Education	0	0
Non-formal	2	2
Primary education	0	0
Secondary education	39	41
University education	45	47
Post graduate	10	10
<b>Form of Business</b>		
Sole proprietorship	58	62
Partnership	8	25
Limited liability	30	9
<b>Respondent Position</b>		
Owner Manager	62	65
General Manager	25	26
Non-managerial	9	9
<b>Size of Firm (No. of Employees)</b>		
1 - 5 (Micro)	46	48
5 - 10 (Small)	36	37
11 - 30 (Medium)	14	15

Source: Survey data (2015)

## 5.2 Descriptive Statistics of Variables

Table 5.2 presents the descriptive statistics for the data set of the study. Descriptive statistics is a method by which variables used in a study can be assessed. The statistics presented are the mean, standard deviation, skewness and kurtosis. From the table, it can be observed that all the variables in the construct have a mean score of not less than 3, indicating that all respondents are neutral in their views regarding EO with PR recording the highest mean of 4.4554 and a standard deviation of 0.37672. Next in line was IN, RT, CA, ENVI, SMEG and AN scoring the least among all the variables with a mean score of 3.4271 and a standard deviation of 0.61156.

Again, checking the normality of data is an eminent facet of a regression analysis. Generally, researchers use skewness and kurtosis in checking for normality of data. With regards to skewness, it normally shows the direction of the data set per each construct while kurtosis shows the peak of the normal curve. In this view, the table indicated that all the constructs (IN, PR, RT, AN, CA, SMEG and ENVI) are within the acceptable range of ( $\pm 1$ ) for kurtosis criteria and ( $\pm 3$ ) for skewness. Thus, indicating that all the constructs are normally distributed.

**Table 5. 2:** Descriptive Statistic: Mean, Standard deviation, Skewness, and Kurtosis

Variable	Obs	Mean	Std Deviation	Min	Max	Skewness	Kurtosis
IN	96	4.3810	.38815	3.57	5.00	.055	- 1.214
PR	96	4.4554	.37672	3.57	5.00	-.507	-.496
RT	96	4.1696	.43098	2.86	5.00	-.693	1.420
AN	96	3.4271	.61156	1.00	4.57	-1.755	5.396
CA	96	4.3036	.40260	3.29	4.86	-.727	-.147
SMEG	96	3.6333	.54650	2.40	4.60	-.138	-.730
ENVI	96	3.7083	.70835	1.50	5.00	-.303	.823

*Source: Survey Data (2015)*

### 5.3 Reliability and Validity of Constructs

Reliability tests the consistency of items when using multiple measurements of a variable (Hair et al., 2010). This helps measure the stability of the data. Separate variables should each measure the same construct and should be highly correlated (Hair et al., 2010). If the separate variables are not contributing to the overall construct, they may be measuring something else, which makes the data unreliable (Bryman & Bell, 2010).

The reliability and validity of a construct is vital in every research work as they show the level of confidence people will associate with the study. In order to test the reliability of the constructs adopted for this study, Cronbach Alpha and Bartlett test were conducted. Cronbach's Alpha expresses the average of all split-half reliability coefficients (which can measure the reliability of the scale) and a Cronbach's Alpha of 0.7 and above is considered acceptable, where a scale between 0 (being no internal reliability) and 1 (being greatest internal reliability) is present (Bryman & Bell, 2010). Other scholars are of the view that a reliability range of 0.5 – 0.6 is sufficient. Table 5.3 presents the reliability test on all the variables used in this study. It can be seen that the responses from the data

gathering were reliable since all the Cronbach's Alpha scores for the variable were above the accepted 0.6 marks.

Each of the variables of entrepreneurial orientation variables had seven statements under them while environmental factors and SME growth had six and five statements respectively. In order to summarize all the statements into the various components, factor analysis was performed using the Principal Component analysis. This analysis gives results for A Bartlett's Test of Sphericity, which examines the correlation matrix, and the Kaiser-Meyer-Olkin Measure of Adequacy (KOM MSA). KMO MSA measures appropriateness of factor analysis through degrees of inter-correlations between variables (Hair et al., 2010). In Bartlett's Test of Sphericity, a significant correlation would be accepted at  $<0.05$ , and a significant KOM MSA must exceed 0.5, although a value of over 0.8 is considered most favourable (Hair et al., 2010).

The results as presented in table 5.3 indicate that all the variables used in the study have KMO figures of above 0.5, thus making all of them significant. Again, the Bartlett's Test are all significant at 95% confidence level ( $P<0.05$ ) which also firm the KMO. This meant that data was sufficient for the factor analysis. The factors generated were then used for the regression.

**Table 5. 3:** Reliability and Validity

Measure	Items	KMO	Bartlett's Test	Cronbach
INNOVATIVENESS (IN)	7	.597	488.502 (.000)	.706
PROACTIVENESS (PR)	7	.570	98.273 (.000)	.742
RISK-TAKING (RT)	7	.694	157.260 (.000)	.679
AUTONOMY (AN)	7	.654	217.529 (.000)	.700
COMPETITIVE AGGRESSIVENESS (CA)	7	.652	358.694 (.000)	.703
SME GROWTH (SMEG)	5	.586	56.837 (.000)	.718
ENVIRONMENTAL CONTEXT (ENVI)	6	.666	211.613 (.000)	.702

*Source: Survey Data (2015)*

#### **5.4 Are SMEs in the Food Processing Sector Entrepreneurially Oriented?**

In order to answer the question of whether SMEs in the food processing sector are entrepreneurially oriented, a one-sample T-test was conducted. The results are presented in table 5.4. A hypothesized value of four (4) representing “Agree” on the Likert scale was used to measure the presence of each EO dimension in the food processing companies. The results showed that all the variables were significant at 95% confidence level ( $p < 0.05$ ) and, therefore, were appropriate to measure entrepreneurial orientation except autonomy (AN), which depicted a mean value of 3.42708 which is below 4 at a significant level of 0.00. Furthermore, they varied in terms of their strength, where proactiveness was highest with a mean score of 4.45536 and autonomy had the lowest mean score of 3.42708, all at significant levels of 0.00. This means that most of the companies in the food processing sector exhibited high levels of proactiveness and less levels of autonomy.

**Table 5. 4:** One – Sample Test

Variables	T	Df	Sig. (2 – tailed)	Mean Diff	95% Confidence Interval of the Difference	
					Lower	Upper
IN	110.586	95	.000	4.38095	4.3023	4.4596
PR	115.878.	95	.000	4.45536	4.3790	4.5317
RT	94.794	95	.000	4.16964	4.0823	4.2570
AN	54.906	95	.000	3.42708	3.3032	3.5510
CA	104.736	95	.000	4.30357	4.2220	4.3851

*Source: Survey Data (2015)*

### 5. 5 Examining the Correlation between Variables

In understanding the relationship between entrepreneurial orientation (IN, PR, RT, AN, CA), SME growth (SMEG) and the moderating variable environment factors (ENVI), a Pearson Correlation Matrix was constructed. This type of test gives some clues as to the relation between the dependent variable and the independent variables. It also indicates the state of inter-correlation between the independent variables. From the table, it can be observed that all the independent variables and the moderating variable, except innovation (IN), have a positive association with the dependent variable. Again, some independent variables recorded a negative relationship with each other; for instance, competitive aggressiveness (CA) recording a relatively negative value of -0.133 with innovation (IN). The table also depicts proactiveness (PR), risk-taking (RT) and competitive aggressiveness (CA) being correlated to the dependent variable at a significant level of 0.01

**Table 5. 5:** Correlation

	SMEG	IN	PR	RT	AN	CA	ENVI
SMEG	1.00						
IN	-.053	1.00					
PR	.525**	.043	1.00				
RT	.405**	.093	.581**	1.00			
AN	.177	.028	-.034	-.143	1.00		
CA	.487**	-.113	.104	.002	.096	1.00	
ENVI	.076	-.058	-.009	-.070	-.207*	-.112	1.00

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

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

*Source: Survey Data (2015)*

### 5. 6 Variance Inflation Factor (VIF)

To test the multicollinearity of the independent variables included in the study, a Variance Inflation Factor (VIF) was conducted. This test shows how much the individual variables inflate the variance of the regression. According to Neter et al. (1989), the maximum acceptance level of 10, which corresponds to a tolerance level of 0.1, is recommended in a VIF test. From the table, all the constructs have a VIF of less than 10. It is, therefore, prudent to say that our model for this study is not faced with the problem of multicollinearity. Meaning there is little or no multicollinearity among the independent variables in the regression model.

**Table 5. 6:** Assessment for Multicollinearity

Variable	VIF	1/VIF
IN	1.19	0.840285
PR	3.47	0.288276
AN	1.35	0.739225
ENVI	1.11	0.900842
CA	3.60	0.277896
RT	1.29	0.774943
Mean VIF	2.00	

*Source: Survey Data (2015)*

## 5.7 Regression Analysis

In order to establish the relationship between the dependent variable and independent variables, a multiple regression analysis was used. Thus, a regression test was conducted to assess the effect that the independent variable (IN, PR, RT, AN, CA) has on the dependent variable (SME Growth). This will aid in achieving the objectives of the study by testing the stated hypothesis.

### 5.7.1 Relationship between EO and SME Growth

The main purpose of the study is to look at the effect of entrepreneurial orientation on the growth of SMEs focusing on those in the food processing sector. In order to achieve the objective, a multiple linear regression was employed. This section of the chapter presents the regression results and the discussion on how it either accepted or rejected the hypotheses. The regression results are presented in table 5.7 below and discussed.

The results of the study output as shown in Table 5.7 show that all the evaluation techniques are satisfactory. The goodness of fit of a regression equation is assessed by R-

Squared and adjusted R-Squared. The R-Squared shows the variability in the dependent variable explains by the independent variables. The R-squared figure presented in table 5.7 is 0.521. This means that about 52% of the variations in the dependent variable, that is SME growth (SMEG), are explained by the independent variables (IN, PR, RT, AN, CA). In addition, the F-statistic also supports a very good fit regression model. The F-test has a coefficient of 19.574 which is highly significant at 1% significance level with a p-value of 0.000. This, therefore, confirms the fact that the model has a good fit and that all the independent variables jointly explain the variation in the dependent variable.

**Table 5. 7:** Regression Results of SMEG Function

<b>Variable</b>	<b>Unstandardized Coefficients</b>	<b>Std. Error</b>	<b>t</b>	<b>Sig.</b>
(Constant)	2.040E-016	0.073	0.000	1.000
Innovation (IN)	-0.047	0.074	-0.630	0.530
Proactiveness (PR)	0.356	0.090	3.935	0.000** *
Risk-Taking (RT)	0.227	0.091	2.495	0.014**
Autonomy (AN)	0.187	0.074	2.443	0.017**
Competitive Aggressiveness (CA)	0.427	0.074	5.736	0.000** *
<b>F-statistic</b>	<b>19.574</b>			<b>0.000</b>
<b>R<sup>2</sup></b>	<b>0.521</b>			
<b>Adj. R<sup>2</sup></b>	<b>0.494</b>			

**Notes:** \*\*\* denotes significance level at 0.01: \*\* denotes significance level at 0.05 and \* denotes insignificance at 0.10

**Dependent Variable: SMEG**

*Source: Field study (2015)*

An assessment of the result presented in the table above indicates that with the exception of innovation (IN), all the antecedents of entrepreneurial orientation (PR, RT, AN, CA) are statistically significant with SME growth (Adj. R<sup>2</sup> = 0.494; F = 19.574; P < 0.00). The

analysis of the relationship between the various independent variables (antecedents) and the dependent variable (SME growth) are discussed below.

***H<sub>1</sub>: There is a Positive Relationship between Innovativeness and SME Growth***

The hypothesis predicted a significant positive relationship between innovativeness and SME growth. However, the table above shows that innovativeness has a negative and insignificant relationship with SME growth ( $r = -.047$ ,  $p = 0.530$ ). This means that SMEs in the food processing sector are not innovative. It also suggests that innovativeness is not an important factor that influences SME growth in the food processing sector. The result, therefore, does not support  $H_1$  and as such  $H_1$  is rejected. The result confirms Quaye and Acheampong's (2013) empirical study findings that SMEs in Ghana are not innovators. The results were, however, in contrast with Bruderl and Preisendorfer (2000) who stated that in predicting firm growth, one important factor that cannot be overlooked is innovation. Also, this study is in contrast with Boohene, Marfo-yiadom and Yeboah's (2012) Ghanaian study, which indicated a positive and significant relationship between innovativeness and growth of businesses.

***H<sub>2</sub>: There is a Positive Relationship between Proactiveness and SME Growth.***

The hypothesis predicted a significant positive relationship between proactiveness and SME growth. The table above depicts that proactiveness has a positive and significant relationship with SME growth ( $r = 0.356$ ,  $P = 0.000$ ). This means that SMEs in the food processing sector are proactive in their dealings. It also shows that being proactive is very important for SME growth. The result is significant at 99% ( $p < 0.01$ ) confidence level. On the basis of the finding, the study failed to reject  $H_2$  since results provide support for  $H_2$ . This finding is, therefore, consistent with Boohene et al's (2012) Ghanaian study, which

also reveals a positive and significant relationship between proactiveness and firm growth. Again, it is consistent with Rauch, Wiklund, Lumpkin and Frese (2005) and Wright et al's (1995) study which indicated a high correlation between performance and proactiveness. Thus, improved proactiveness will reflect directly in higher business performance (Rauch et al, 2005).

***H<sub>3</sub>: There is a Positive Relationship between Risk-taking and SME Growth***

Hypothesis three predicted a significant positive relationship between risk-taking and SME growth. The table above shows that risk-taking has a positive and significant relationship with SME growth ( $r = 0.227$ ,  $p = 0.014$ ). This means that SMEs in the food processing sector are daring, understand risk-taking and how it works and consider risk-taking a positive attribute in business. It also indicates that SMEs that take risk are the ones with the potentials to grow. The study result, therefore, provides enough support for *H<sub>3</sub>*. This finding is in contrast with Rauch et al. (2004) whose study showed that risk-taking has a significantly smaller correlation with performance.

***H<sub>4</sub>: There is a Positive Relationship between Autonomy and SME Growth***

With hypothesis four, the study predicted a significant positive relationship between autonomy and SME growth. Here too Table 5.7 depicts that autonomy has a positive and significant relationship with SME growth ( $r = 0.187$ ,  $p = 0.017$ ). This means that SMEs in the food processing sector allow freedom for both individual and team work, while the owner/manager maintains little or no central authority to improve sales revenue. The result is significant at 5% confidence level ( $p < 0.05$ ) meaning that autonomy promotes SME growth. This is consistent with Kusumawardhani et al (2009), who opines that when firms

allow autonomy, it motivates workers in a positive way, which in turn leads to higher performance.

***H<sub>5</sub>: There is a Positive Relationship between Competitive Aggressiveness and SME Growth***

Hypothesis five presented a positive relationship between competitive aggressiveness and SME growth. The results show a significantly strong positive relationship between competitive aggressiveness and SME growth ( $r=0.427$ ,  $p=0.000$ ). The relationship is highly significant at 1% confidence level ( $p<0.01$ ). This implies that food processing firms that adopt a bold, aggressive posture to maximize the probability of exploiting potential opportunities have the tendency to be ahead of others in introducing novel ideas or products which in turn leads to growth. This is consistent with Morgan (2007) and Boohene et al (2012) who believes aggressively preying on competitor's weaknesses to increase and accomplish market share objectives leads to an increment in sales and improves revenue thereby creating jobs.

**5.7.2 Relationship between EO, Environmental Context and SME Growth**

There is an assertion that the effect of entrepreneurial orientation on SME growth is moderated by the environmental context in which firms find themselves. In order to test how strong the effect is, a second regression was conducted with the inclusion of an environmental variable to test how it moderates the effect of entrepreneurial orientation on SMEG. The results are presented in **table 5.8**.

It can be observed from the results in table 5.8 that the R-squared figure of 0.270 is relatively lower than the first regression result. This means that about 27% of the variations in the dependent variable that is SMEG are explained by the independent

variables. The F-statistics has a value of 6.650 and is highly significant at 1% significance level. The F-stat suggests that the regression has a good fit since the independent variables jointly explain the dependent variable.

It can be seen from the results that the environment influences the relationship between each EO dimension and SME growth. Three of the antecedents of entrepreneurial orientation (IN, PR, CA) are statistically significant with SME growth except risk-taking (RT) and autonomy (AN) which have a p-value greater than 5% ( $p < 0.05$ ). Although innovativeness has a negative coefficient, it has a p-value of 0.000 which makes the relationship significant. The results mean that apart from risk-taking and autonomy, all the other three EO variables (IN, PR, CA) promote SME growth.

The result also suggests that the effect of EO on SME growth is moderated by the environmental context firms find themselves in. This is due to the fact that the introduction of the environmental factor variable changes the influence of the EO variables on SME growth. It can, therefore, be inferred on the basis of the findings that EO has an indirect relationship with SME growth and that relationship is highly moderated by environment.

**Table 5. 8:** The moderating effect of the environment.

Variable	Coefficients	Std. Error	t	Sig.
(Constant)	2.927E-016	0.090	0.000	1.000
ENVI x IN	-0.253	0.083	-3.034	0.003** *
ENVI x PR	0.258	0.110	2.339	0.022**
ENVI x RT	0.061	0.109	0.564	0.574
ENVI x AN	-0.086	0.080	-1.066	0.289
ENVI x CA	0.193	0.082	2.350	0.021**
<b>F-statistic</b>	<b>6.650</b>			<b>0.000</b>
<b>R<sup>2</sup></b>	<b>0.270</b>			
<b>Adj. R<sup>2</sup></b>	<b>0.229</b>			

**Notes:** \*\*\* denotes significance level at 0.01; \*\* denotes significance level at 0.05 and \* denotes insignificance at 0.10

**Dependent Variable: SME Growth (SMEG)**

*Source: Field study (2015)*

An assessment of the result presented in the table above indicates that with the exception of risk-taking (RT) and autonomy (AN), the other three antecedents of entrepreneurial orientation (IN, PR, CA) are statistically significant with SME growth (Adj.  $R^2 = 0.270$ ;  $F = 6.650$ ;  $P < 0.00$ ). The analysis of the influence that the moderating variable has on both the independent variables (antecedents) and the dependent variable (SME growth) are discussed below.

***H<sub>6a</sub>: The Environment Positively Moderates the Relationship between Innovation and SME Growth.***

The hypothesis predicted a significant positive relationship between innovativeness and SME growth. However, the table above shows that innovativeness has a negative and significant relationship with SME growth ( $r = -0.253$ ,  $p = 0.003$ ). This means that the effect of innovation on SME growth reduces as the environment becomes more unstable. Thus the environment significantly moderates the relationship between innovation and SME growth. The result, therefore, supports  $H_{6a}$  and as such  $H_{6a}$  is accepted.

***H<sub>6b</sub>: The Environment Positively Moderates the Relationship between Proactiveness and SME Growth.***

The hypothesis predicted a significant positive relationship between proactiveness and SME growth. The table above depicts that proactiveness has a positive significant relationship with SME growth ( $r = 0.258$ ,  $P = 0.022$ ). This means that the effect of proactiveness on SME growth increases as the environment becomes more unstable. Thus the environment significantly moderates the relationship between proactiveness and SME growth. The result, therefore, supports ***H<sub>6b</sub>*** and as such ***H<sub>6b</sub>*** is accepted.

***H<sub>6c</sub>: The Environment Positively Moderates the Relationship between Risk-Taking and SME Growth.***

The hypothesis predicted a significant positive relationship between risk-taking and SME growth. However, the table above shows that risk-taking has a positive and insignificant relationship with SME growth ( $r = 0.061$ ,  $p = 0.574$ ). This means that the interaction of the environment and risk-taking has no significant effect on SME growth thus, SMEs in the food processing sector becomes risk averse when the environment becomes more unstable. The result does not support ***H<sub>6c</sub>*** and as such ***H<sub>6c</sub>*** is rejected.

***H<sub>6d</sub>: The Environment Positively Moderates the Relationship between Autonomy and SME Growth.***

With hypothesis 6d, the study predicted a significant positive relationship between autonomy and SME growth. However, the table above shows that autonomy has a negative insignificant relationship with SME growth ( $r = 0.061$ ,  $p = 0.574$ ). This means that the interaction of the environment and autonomy has no significant impact on SME growth, thus SMEs owners or managers in the food processing sector grant little or no

autonomy to workers when the environment becomes unstable. The result, therefore does, not support  $H_{6d}$  and as such  $H_{6d}$  is rejected.

***H<sub>6e</sub>: The Environment Positively Moderates the Relationship between Competitive Aggressiveness and SME Growth.***

Hypothesis 6<sub>e</sub> predicts a significant positive relationship between competitive aggressiveness and SME growth. The table above depicts that competitive aggressiveness has a positive significant relationship with SME growth ( $r = 0.258$ ,  $P = 0.022$ ). This means that the effect of competitive aggressiveness on SME growth increases as the environment becomes more unstable. Thus the environment significantly moderates the relationship between competitive aggressiveness and SME growth. The result, therefore, supports  $H_{6e}$  and as such  $H_{6e}$  is accepted.

## **5.9 Discussion of Findings**

The study sets to examine the effect of Entrepreneurial Orientation (EO) on the growth of SMEs in Ghana's food processing sector while taking into consideration the influence of the environmental context in which these firms find themselves in. This part of the chapter discusses the findings with regard to the research questions proposed in chapter one. These are discussed in relation to literature below.

### **To what Extent are SMEs in Ghana's the Food Processing Sector Entrepreneurially Oriented?**

To answer this research question, a one-sample T-test was conducted using a hypothesized value of four (4) to measure the presence of each EO dimension in the food processing sector. The results indicated that all the EO variables were significant and, therefore, were

appropriate to measure entrepreneurial orientation. It was also observed that all the variables of EO were present among SMEs in the food processing sector since all but autonomy had a mean score above four. However, autonomy was not ruled out even though its mean score was 3.42708. Furthermore, it was also observed that each EO variable varied in terms of their strength, with proactiveness having the highest score and autonomy with the lowest score thus demonstrating the independence of the EO construct. The study can, therefore, conclude that SMEs in the food processing sector seem to be entrepreneurially oriented but their level of entrepreneurial orientation was not determined.

This result is clearly consistent with Lumpkin and Dess's (1996) assertion that EO is more of a multidimensional construct and that the construct vary independently. Thus, a firm can be entrepreneurially oriented when it scores high on some of the EO dimensions, not on a particular dimension or combination of dimensions (Bleeker, 2011). Surprisingly, a study in the same context found that SMEs are not entrepreneurially oriented (Quaye and Acheampong, 2013). It is prudent, however, to note that their study adopted the construct of Covin and Slevin (1989) who viewed EO as more of a unidimensional construct where innovativeness, proactiveness and risk-taking are concurrently present within a firm. Again the study measured the presence of the EO variables and not level of EO in the organisations.

In the view of the researcher, even though there has been an indication of SMEs in the food processing sector being entrepreneurially oriented by exhibiting the presence of almost all the dimensions of EO in the study's finding, their level of entrepreneurial was not determine. Again, autonomy had the lowest mean score, meaning SMEs in the food

processing sector are neutral concerning autonomy, therefore consistent encouragement is needed in the practice of autonomy and the other variables as a whole.

### **How does Entrepreneurial Orientation Affect SME Growth in Ghana's Food Processing Sector?**

A multiple regression was conducted to assess the relationship between each individual variable of EO and SME growth. An assessment of the result indicates that with the exception of innovation (IN), all the antecedents of entrepreneurial orientation (PR, RT, AN, CA) are statistically significant with SME growth. Innovation had a negative and insignificant relationship with SME growth while all the other variables had positive and significant relationships with SME growth. The general the eo variable seem to have a positive effect on growth. The study can, therefore, conclude that EO has a significant positive impact on SME growth.

The result of this study is consistent with other empirical studies that observed a positive significant impact on entrepreneurial orientation and firm performance (Runyan, Rodney, Droge & Swinney, 2008; Fairoz & Hirobumi, 2010). The results also confirm the findings of Quaye and Acheampong (2013) who opine that SMEs in Ghana are not innovative. However, these findings are in contrast to Moreno and Casillas (2008) who found an insignificant relationship between EO and SME growth. The results are again in contrast with Wiklund (1999) who believes SMEs are more innovative because they most likely foster flexibility and innovation. What's more, the findings are in contrast with Kropp et al. (2006) who have posited that the innovativeness component of Entrepreneurial Orientation is important for the growth and success of firms. This could be attributed to

the fact that innovativeness has been viewed as essential to contemporary definitions of entrepreneurship (Shane and Venkataraman, 2000).

In view of the researcher, the low levels of innovativeness among SMEs in this sector may explain the preference for foreign foods by Ghanaians and why the Ghanaian market is devoid of locally manufactured goods and dominated by imported goods (Quaye and Acheampong, 2013).

### **To what Extent does the Environment Moderate EO and SME Growth in Ghana's Food Processing Sector?**

A second multiple regression was conducted to assess the extent to which the environment influences the relationship between the individual variables of EO and SME growth. The result indicated that the effect of EO on SME growth is highly moderated by the environmental context firm find themselves in. This was evident in the regression table where the introduction of the environmental variable changed the influence of the EO variables on SME growth. It can, therefore, be inferred on the basis of the findings that EO has an indirect relationship with SME growth and that relationship is highly moderated by the environment. In addition, the study observed that among the five dimensions of EO, proactiveness and competitive aggressiveness had a significant positive relationship with SME growth while innovativeness had a negative but significant relationship with SME growth. Autonomy and risk-taking on the other hand had an insignificant relationship with SME growth. This means that when the environment is unstable, SMEs in the food processing sector are more prone to indulge in proactive and competitively aggressive activities.

These results are consistent with the findings of previous scholars who found an indirect relationship between EO and SMEs growth, thus, the relationship being highly moderated by the environment (Wiklund & Shepherd, 2005; Keh *et al.*, 2007; Li *et al.*, 2009; Moreno, Casillas & Barbero, 2011; Jabeen & Mahmood, 2014 ). This result is also in line with some scholars who have posited the relationship between EO and performance or growth as shaped like an inverted U (Bhuiyan *et al.*, 2005; Tang *et al.*, 2008). Furthermore, the study also supports the findings of Lumpkin and Dess (2005) who found a positive significant influence of environmental dynamism on proactiveness, competitive aggressiveness and growth of firms.

## CHAPTER SIX

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 6.0 Introduction

This chapter seeks to conclude the study by summarizing and providing its major findings. It finally ends with appropriate recommendations aimed at informing firms and policy makers in the food processing sector to strengthen the practice of entrepreneurial orientation.

#### 6.1 Summary

Scholars in entrepreneurship believe that firms with an entrepreneurial mindset are not only able to identify and seize opportunities, but are also able to differentiate themselves from non-entrepreneurial firms. The concept of EO has become the most widely used measure of entrepreneurial behavior or tendency in the strategy and entrepreneurship literature. It has also been reputed to have a positive influence on the growth and profitability of firms, especially SMEs. This study sought to examine the relationship between entrepreneurial orientation and SME growth in the food processing sector within the context of Ghana. To achieve this broad objective, the study sought to examine the extent to which SMEs in the food processing sector are entrepreneurially oriented, the effect of their EO on their growth and how the environmental context in which these firms find themselves influences this relationship. After extant literature was reviewed and the context of the study discussed, appropriate hypotheses were developed. The study employed structured questionnaire to collect data from 96 SMEs in the food processing sector of Ghana. Data was analyzed using descriptive statistics, factor analysis, one sample T-test and the multiple regression analysis.

## **6.2 Major Findings**

### ***Research Objective I***

The first objective was to determine the extent to which SMEs in the food processing sector of Ghana are entrepreneurially oriented. The five dimensions of entrepreneurial orientation proposed by Lumpkin and Dess (1996) was used to measure the extent to which SMEs are entrepreneurially oriented. Following Quaye and Acheampong's (2013) example, a one sample t-test was employed using a hypothesized value of four (4) to measure the presence of each EO dimension in the food processing sector using the differences in means. The findings indicated a relationship between the variables of EO and SMEs growth in the above-mentioned sector, with proactiveness possessing the highest mean score, indicating that SMEs are very proactive in their dealings in the Ghanaian context. This is in agreement with the study conducted by Quaye and Acheampong (2013) in the same context.

### ***Research Objective II***

Objective 2 was to examine the effect of entrepreneurial orientation on SME growth in Ghana's food processing sector. A multiple regression model was conducted to determine how the five dimensions of EO influences the growth of SMEs in the food processing sector in Ghana. The result indicated a positive significant relationship between all the dimensions of EO with the exception of innovativeness. This means that SMEs in this sector are not innovative. They encourage little or no novelty, they do not invest in research and development, they do not search purposely for sources of innovation, they do not emphasize on the utilization of new technology and they are not in support of new ideas, experimentation and creative processes. The revelation is in contrast with Bruderl and Preisdorfer (2000) who discovered that in predicting firm growth, one important

factor that cannot be overlooked is innovation. This study is, however, in agreement with studies conducted in Ghana and within the West African region (sees Aderemi, 2014).

### ***Research Objective III***

The final objective was to examine the moderating influence of the environment on EO and SME growth in Ghana's food processing sector. A second regression was conducted with the results revealing an indirect relationship between EO on SME growth. The environmental context was found to highly moderate the relationship between EO and SME growth where only two variables (proactiveness and competitive aggressiveness) were positively significant. Innovativeness was also significant but had a negative coefficient with risk-taking and autonomy having an insignificant relationship with SME growth. This means that when the environment is unstable, firms become risk averse and this leads to little or no autonomy, which in turn affects the innovative tendency of firms in the food processing sector.

### **6.3 Conclusion**

Entrepreneurial Orientation literature postulates that there exists a relationship between EO and growth of SMEs which this study supports. Out of the five dimensions of EO examined, four of them (PR, RT, AN and CA) received positive marks by food processing firms as influencing SME growth. This means that SMEs aiming to grow must pay particular attention to and effectively and efficiently practice these strategies to enhance growth to ensure their survival in the food processing industry.

In addition, scholars have also postulated that the relationship between EO and SME growth is highly influenced by the environmental contexts of firms. The analysis revealed

that the environment really does influence the relationship between EO and SME growth, where SMEs become risk averse thereby granting little or no autonomy which then affects their innovative tendencies when the environment becomes unstable. Thus, the tendency for SMEs in the food processing sector to be more proactive and competitively aggressive, less innovative, autonomous and risk averse as the way to grow, is high in unstable environments.

#### **6.4 Recommendations**

With respect to this study's discussions, the following recommendations have been made vis-à-vis the entrepreneurial orientation activities of Ghanaian SMEs in the food processing sector and SMEs in general.

- ❖ SMEs in the food processing sector must encourage entrepreneurial orientation by encouraging employees to explore their creativity via welcoming new ideas from workers-regardless of their position; and creating an enabling, relaxing and flexible working environment devoid of stringent structures to allow the free flow of work and assigned tasks.
- ❖ SME owners/managers in the food processing sector must strive to maintain a low central authority and not depend solely on their judgment in decision making. They must also have the ability to be self-directed and seek advice in the pursuit of business opportunities.
- ❖ SMEs in the food processing sector should again strive to bring innovation in the work place by permitting workers the freedom to be creative, recognize and encourage creative culture, always update their knowledge with recent technologies, introduce new products and processes, support new and creative

processes, purposely search for sources of innovation, be daring in their dealings and invest in research and development.

- ❖ SME managers/owners, policy makers, governmental and non-governmental organisations (MOTI, NBSSI, AGI) must endeavour to educate SMEs on the importance of each EO dimension and its implication on the growth and survival of firms to encouraging the practice of EO within SMEs in Ghana.

### **6.5 Limitations and Recommendations for Future Studies.**

First, the study explored only one sub-sector of the manufacturing sector. Therefore, generalization of the results might not necessarily cover all the other sub-sectors or the manufacturing sector as a whole. The study, therefore, recommends that future studies should consider other sub-sectors such as pharmaceutical and agro-processing.

Secondly, the study was conducted in a single geographic region, that is the Greater Accra Region, and the results therefore may not transfer into other geographic regions due to cultural differences that may pertain in those regions. Furthermore, although the findings of this study are likely to hold for other contexts, their applicability to other contexts requires further investigations. The researcher, therefore, recommends that other studies can be carried out in other regions within Ghana, as well as a comparative study of these regions and other contexts.

In conclusion, future studies can also consider the environment as a mediating factor instead of a moderating factor and also look at how individual factors such as political, economic, legal and socio-cultural factors influences the relationship between EO and

SME growth. Furthermore, for more robust findings, a larger sample size is advised since this study was limited in terms of sample size.

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7. Size of Firm (No. of Employees): Less than 5 (Micro) [ ] 5 – 10 (Small) [ ]  
51 – 150 (Medium) [ ]

### Section B: Innovativeness

Please rate your level of agreement with the following statements; with 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

No.	Innovativeness variable	1	2	3	4	5
1.	We encourage employees to think and behave in original and distinctive ways					
2.	Our company has the tendency to engage in and support new ideas, experimentation and creative processes					
3.	Our company emphasizes on utilizing new technology					
4.	Changes in this company's products or service lines are quite slow					
5.	Our company searches purposely for the sources of innovation					
6.	We emphasize on research and development					
7.	We encourage new ideas from workers regardless of their position					

### Section C: Proactiveness

Please rate your level of agreement with the following statements; with 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

No.	Proactiveness variable	1	2	3	4	5
1.	Our company acts in anticipation of future needs					
2.	Our company has an intensive drive towards its goals					
3.	We aid in the recognition of clear customer needs					
4.	We take the lead and competitors then follow					
5.	Our company has an aggressive posturing relative to competitors					
6.	We are not the first to introduce new products or services					
7.	Our company is not over-awed by new situation					

**Section D: Risk-Taking Ability**

Please rate your level of agreement with the following statements; with 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

No.	Risk-taking variable	1	2	3	4	5
1.	We have a strong and aggressive attitude towards taking decisions to achieve firm objectives					
2.	Our company understands risk-taking and how it works					
3.	Our company does not have strong preference for high-risk projects					
4.	We do not response to unrelated opportunities					
5.	Our company always invests in untested technologies					
6.	Our company considers the term “risk taker” a positive attribute for people in our business					
7.	We consider ourselves daring					

**Section E: Autonomy**

Please rate your level of agreement with the following statements; with 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

No.	Autonomy variable	1	2	3	4	5
1.	The manager or owner of this enterprise maintains strong central authority					
2.	The manager or owner of this enterprise has the ability and will to be self-directed in the pursuit of opportunities					
3.	Our company grants little freedom for both individuals and team work					
4.	We allow bypassing procedures to get workers committed in implementing new ideas					
5.	We are flexible (reacting fast) when it comes to customer needs					
6.	We encourage workers to make decision in innovation					
7.	Our company involves workers in taking action outside the chain of command					

**Section F: Competitive aggressiveness**

Please rate your level of agreement with the following statements; with 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

No.	Competitive aggressiveness variable	1	2	3	4	5
1.	Our company is vulnerable to the “liability of newness”					
2.	We normally adopt bold, aggressive posture to maximize the probability of exploiting potential opportunities					
3.	Our company has the tendency to be ahead of others in introducing new ideas or products.					
4.	We are prepared to be unconventional rather than rely on traditional methods of competing					
5.	We have the tendency to directly and intensely challenge competitors					

6.	We encourage preying on our competitors weakness					
7.	We encourage the practice of “undo-the-competitor “ attitude					

### Section G: Business Growth

Please rate your level of agreement with the following statements; with 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

No.	Increase In Sales	1	2	3	4	5
1.	Our company has experience a steady increase in sales within the last two years					
2.	We have achieve our sales objective within the past two years					
	<b>Increase In The Number Of Employees</b>					
3.	Our company has witness an increase in the number of Employees within the past two years					
4.	We have room for more full time workers in the coming months in this company					
5.	We have had to lay off Workers within the past two years					

### Section G: Environment Context

Please rate your level of agreement with the following statements; with 5=Strongly Agree, 4=Agree, 3=Neutral, 2=Disagree, 1=Strongly Disagree

No.	Environment context Variables	1	2	3	4	5
1.	Increase in inflation rate (general rise in goods and service) do not affect the growth of this company					
2.	The current depreciation of the Ghanaian cedi against major currencies (US dollar, Pound sterling, Euro) do not affect the growth of this company					
3.	Increase in electricity and water tariffs do not affect the growth of this company					
4.	The current load shedding do not affect the day-to-day running of this company					
5.	Religious and traditional beliefs do not affect the growth of this company					
6.	Family interference do not affect the growth of this company					

**Thank You.**