



The effect of entrepreneurial orientation on the performance of immigrant-owned SMMEs in the Eastern Cape Province of South Africa

Chimucheka Tendai*
Business Management Department
University of Fort Hare
P. Bag X1314, Alice. 5700. South Africa
E-Mail: tchimucheka@ufh.ac.za

Dodd Nicole
Department of Industrial Psychology (Military)
University of Stellenbosch,
PO Box 149, Langebaan. 7357. South Africa
E-Mail: nicoled@ma2.sun.ac.za

Chinyamurindi Willie Tafadzwa
Business Management Department
University of Fort Hare
P. Bag X1314, Alice. 5700. South Africa
E-Mail: wchinyamurindi@ufh.ac.za

Corresponding author*

Abstract

Small, micro and medium enterprises (SMMEs) contribute significantly to the economy of developing countries including South Africa. These enterprises face a number of challenges and it is reported that the majority of SMMEs fail within a short period of time in South Africa. A high failure rate of SMMEs is also attributed to the lack of entrepreneurial orientation among SMME owners and managers. The objective of this study was to investigate the effect of entrepreneurial orientation (i.e. risk taking, innovativeness and proactiveness) on the performance of immigrant-owned small, micro and medium enterprises (SMMEs) in the Eastern Cape Province of South Africa. Although entrepreneurial performance can be defined in various ways, this study defined performance through measuring tangible elements such as firm growth, profitability, personal wealth creation, growth in employment, turnover, and sustainability. A quantitative research design was adopted. Data was collected from 400 immigrant entrepreneurs who were selected using snowball and purposive sampling techniques. Correlation and regression analysis were used to test the hypothesis. It was found that entrepreneurial orientation has a positive effect on the performance of immigrant-owned SMMEs. Thus, risk taking, innovativeness and proactiveness have an effect on the performance of immigrant-owned SMMEs operating in South Africa. This study recommends that entrepreneurs should strive to improve their entrepreneurial orientation (risk-taking skills, innovativeness, and proactiveness) to improve the performance of their businesses; the government should show support for immigrant entrepreneurship in order to eliminate negative perceptions from communities where immigrants operate and financial institutions should develop products for immigrant entrepreneurs in South Africa as they are a growing and promising market.

Key words: Entrepreneurial orientation, immigrant entrepreneurship, performance, innovation, risk-taking, proactiveness.

Introduction

Entrepreneurship is recognised in many countries as important for the development of economies and is seen as the economic engine of both developing and developed countries (Bruwer, 2013). The majority of entrepreneurs operate as small, micro and medium enterprises (SMMEs) which contribute significantly to the gross domestic product (GDP),



employment creation, poverty reduction and equitable distribution of income in developing countries (Cant & Wiid, 2013). In South Africa, SMMEs (as defined in the National Small Business Act 102 of 1996) comprise almost 95% of all enterprises, contributing 56% to the country's GDP and accounting for 75% of employment (Erasmus, Strydom & Rudansky-Kloppers, 2013). South Africa has also experienced an increase in the number of non-South Africans operating entrepreneurial ventures (Kalitanyi & Visser, 2010). Crockett (2013) stated that immigrant entrepreneurship has been of interest to researchers because the immigrant entrepreneurs are said to be more entrepreneurial than native entrepreneurs. This study was carried out in the Eastern Cape Province of South Africa. This province has high levels of unemployment and is the poorest in South Africa (Dodd & Nyabvudzi, 2014; Sikweyiya, Jewkes & Dunkle, 2014; Bhembe, Nwodo, Govender, Hayes, Ndip, Okoh, & Green, 2014).

The success rates of immigrant entrepreneurs are also said to outweigh those of their native counterparts. This success may be attributed to the entrepreneurial orientation of immigrant entrepreneurs. According to Covin and Wales (2012), entrepreneurial orientation is concerned about the strategic posture, which enables firms to draw on entrepreneurial skills and capabilities in order to exploit opportunities. Lumpkin, Cogliser and Schenider (2009) and Praton and Mahmood (2015) identified the indicators of entrepreneurial orientation, and they include innovativeness, risk-taking and proactiveness.

Problem statement

SMMEs play a crucial role in any economy. The challenge in South Africa is that the majority of these ventures fail within a short period of time. One apparent anomaly emerging from the literature is that immigrant small business owners are more entrepreneurial than their native born counterparts and consequently more successful and with greater survival rates (Crockett, 2013). There is generally scarce research in the field of immigrant entrepreneurship in Africa, and the factors that impact the success of immigrant-owned SMMEs in South Africa are not well researched. Thus, a study on the effect of entrepreneurial orientation of immigrant entrepreneurs is needed as it may also reveal important insights about what drives the success of immigrant entrepreneurs.

Research aim

Once more, the aim of this study was to investigate the effect of entrepreneurial orientation on the performance of immigrant-owned SMMEs in the Eastern Cape Province of South Africa.

The objectives of this study were to:

- investigate the effect of risk taking on the performance of immigrant owned SMMEs in the Eastern Cape Province of South Africa
- investigate the effect of innovativeness on the performance of immigrant owned SMMEs in the Eastern Cape Province of South Africa
- investigate the effect of proactiveness on the performance of immigrant owned SMMEs in the Eastern Cape Province of South Africa

Literature review

Entrepreneurial orientation, approaches to entrepreneurial orientation, immigrant entrepreneurs and entrepreneurial orientation and the relationship between entrepreneurial orientation and performance are discussed in this section.

According to Miller (1983), entrepreneurial orientation refers to a business that is geared towards innovation in the product-market field by carrying out risky initiatives, and which is the



first to develop innovations in a proactive way in an attempt to defeat its competitors. Lumpkin and Dess (1996) described entrepreneurial orientation as the processes, practices, and decision-making styles of firms that act entrepreneurially. Thus, a firm can be described as entrepreneurial if it exhibits the entrepreneurial behaviours, namely innovativeness, risk-taking, and proactiveness (Short, Payne, Brigham, Lumpkin & Broberg, 2009; Lumpkin & Dess, 1996; Miller, 1983; Matchaba-Hove, Farrington & Sharp, 2015).

Entrepreneurial orientation is about strategic posture, which enables firms to draw on entrepreneurial skills and capabilities in order to seize opportunity (Covin & Wales, 2012). It has been reported that firms with greater entrepreneurial orientation are usually innovative, risk-taking and act proactively, while conservative firms prefer to avoid risk, are reluctant to innovate, and act reactively (Lumpkin, Cogliser, & Schenider, 2009; Pratono & Mahmood, 2015). Entrepreneurial orientation is primarily a firm-level construct that is closely linked to strategic management and the strategic decision-making process (Covin & Slevin, 1991).

Miller (1983) identified three dimensions of entrepreneurial orientation as innovativeness, risk-taking, and proactiveness. His original conceptualisation of the three-dimensional entrepreneurial construct received much support from Covin and Slevin (1991), and Lumpkin and Dess (1996). Covin and Slevin (1989) and Lumpkin and Dess (1996) subsequently extended and refined Miller's concept of entrepreneurial orientation.

While Miller (1983) defined entrepreneurial orientation (EO) as three dimensions which are the willingness of a firm to be innovative, risk-taking, and proactive, Dess and Lumpkin (2005) alluded that EO consists of five dimensions by adding two dimensions, namely autonomy and competitive aggressiveness. When measuring entrepreneurial orientation, most researchers focus on innovativeness, proactiveness and risk-taking as they have the strongest link to firm performance which supports the exclusion of autonomy and competitive aggressiveness (Piirala, 2012; Zulki & Rosli, 2013). For purposes of this study, the researcher used the definition by Miller (1983) in which entrepreneurial orientation comprises three dimensions, namely innovativeness, proactiveness and risk-taking. These dimensions are discussed in the sections that follow.

Risk-taking

A risk-taking propensity denotes the willingness to make investments in projects that have uncertain outcomes (Lumpkin & Dess, 1996). Risk-taking is the willingness of the managers or owners of business to exploit opportunities that have a greater possibility of dismal failure or major performance inconsistencies (Lee, Lim & Pathak, 2011). It can also be described as a business enterprise's tendency to take business-related chances about strategic actions with uncertain danger or uncertain expected returns (Dess & Lumpkin, 2005). Piirala (2012) stated that firms which are entrepreneurially orientated often engage in risky activities, such as high leveraging and vast asset responsibilities in pursuit of increased profits by utilising prospects in the business sector.

Innovativeness

Innovativeness is concerned with supporting and encouraging new ideas as well as experimentation and creativity which are likely to result in new products, services or processes (Lumpkin & Dess, 1996; Covin & Slevin, 1989; Miller, 1983). This is basically linked to technological orientation of a firm.

Innovation is an essential factor of entrepreneurial orientation and is a way of pursuing opportunities (Callaghan & Venter, 2011). It also refers to a firm's inclination to take part in and encourage new thoughts, originality, and testing an imaginative procedure which may bring about new merchandise or technical procedures (Lee et al., 2011). Innovativeness is positively related to firm performance (Matchaba-Hove et al., 2015).



Proactiveness

Proactiveness involves being the first-mover and other actions aimed at seeking both to secure and to protect a firm's market share, as well as the forward-looking perspective reflected in actions taken in anticipation of future demand (Lumpkin & Dess, 1996; Covin & Slevin, 1989; Miller, 1983). A proactive approach implies taking the initiative in an attempt to shape the environment, to gain a competitive advantage, and to anticipate actions of the competitors as well as market needs (Lumpkin & Dess 1996). Thus, proactiveness refers to taking part in inventiveness, predicting and exploiting new prospects and developing new markets (Kraus, Rigtering, Hughes, Hosman, 2012). Proactiveness is very significant to entrepreneurial orientation because of its forward-looking perspective. A firm that is proactive is able to identify future problems that may arise and solutions to those problems, thereby improving performance of the firm in the long run (Matchaba-Hove et al., 2015).

Entrepreneurial orientation can therefore be defined as “the dimensions of entrepreneurial behaviour along which an opportunity is pursued as measured through its level of innovativeness, proactiveness and risk-taking” (Callaghan & Venter, 2011; Matchaba-Hove et al., 2015).

Approaches to entrepreneurial orientation

Unidimensional and multidimensional approaches are the main approaches to entrepreneurial orientation (Covin & Lumpkin, 2011). The unidimensional approach is commonly related with the works of Miller (1983) and Covin and Slevin (1989), and the multidimensional approach is related with the work of Lumpkin and Dess (1996). These conceptualisations differ from each other in terms of whether the entrepreneurial orientation dimensions vary independently or not (Covin, Green & Slevin, 2006).

A unidimensional approach explains that a firm needs to simultaneously be risk-taking, innovative and proactive. All of these dimensions need to equally contribute to a firm's overall entrepreneurial orientation (Kreiser, Marino & Weaver, 2002). On the other hand, with the multidimensional approach, the dimensions exist and vary independently from each other (Lumpkin & Dess, 1996).

According to Lumpkin and Dess (1996) and Piirala (2012), all dimensions may be present in a new entry situation but a firm can be entrepreneurially-orientated when only some of the factors are operational. According to Lumpkin and Dess (1996), even though all dimensions may be present in a new entry situation, a firm can have an entrepreneurial orientation when only some of the factors are operating (Piirala, 2012).

The dimensions of entrepreneurial orientation may vary independently, since each dimension actually has a different influence on business performance (Simmons, 2010; Lumpkin & Dess, 1996), and as a result, an enterprise can exhibit relatively high levels of one or more dimensions and, at the same time, relatively low levels of other dimensions.

Immigrant entrepreneurs and entrepreneurial orientation

Immigrant entrepreneurship is defined as the process by which immigrants establish and operate growth-oriented business ventures in a country which they will have migrated to (the host country), which is not their country of birth or origin (Tengeh, Ballard & Slabbert, 2011; Chinomona & Maziriri, 2015). It has been observed that immigrant entrepreneurs are willing to take risks, and they are also innovative and proactive (Hohn, 2012). Kloosterman and Rath (2003) stated that the skilled immigrants are often known to be more entrepreneurial and risk averse than native born entrepreneurs. Osorio, Urquiza, and Rodriguez (2015) observed that immigrant-owned businesses are generally entrepreneurially oriented. Besides the fact that immigrant entrepreneurs are comprehensively educated, possess connections and adequate technical training (Zolin & Schlosser, 2013), they are also described as risk-taking, proactive,



motivated and able to use social capital (Osorio et al., 2015). Most immigrants are in fact highly entrepreneurial (Fatoki & Oni, 2014).

Firm performance

There are different approaches used to measure business performance (Sahin et al., 2013). However, each approach has its own limitations in terms of reliability, validity and accuracy. Although entrepreneurial performance can be defined in various ways, effective definition could be through measuring tangible elements such as revenues, firm growth, profitability, personal wealth creation, growth in employment and sustainability (Barreira, 2004; Olutunla & Obamuyi, 2008; Sahin et al., 2013). Thus, the study used both financial and non-financial measures of firm performance.

The relationship between entrepreneurial orientation and performance

Several studies have shown a positive relationship between the implementation of entrepreneurially-orientated strategies and business performance (Chaston & Scott, 2012; Chye, 2012; Fatoki, 2012; Short et al., 2009; Wang, 2008; Zahra & Covin, 1995). This implies that the more small businesses implement entrepreneurially-orientated strategies and operate in an entrepreneurially-orientated manner, the more successful they are likely to be. Very few small businesses do, however, undertake entrepreneurially-orientated activities (Matchaba-Hove et al., 2015).

Substantial prior research suggests that entrepreneurial orientation leads to superior performance (Covin & Lumpkin, 2011; Edmond & Wiklund, 2010; Welter & Smallbone, 2011). According to Lumpkin and Dess (1996), it is rational to assume that the relationship should be higher for entrepreneurial orientation and performance.

It is also clear that the relationship between firm entrepreneurial orientation and the performance of firms has raised attention in the context of SMMEs. In this argument, there is a main argument that entrepreneurial orientation provides a positive impact on the performance of firms. Thus, the strong relationship between entrepreneurial orientation and firm performance has been acknowledged (Saeed, Yousafzai, & Engelen, 2014). It has been reported that entrepreneurial orientation contributes to firm growth (Moreno & Casilas, 2008), sales growth (Simon, Stachel, & Covin, 2011), and also to overall firm performance (Mahmood & Hanafi, 2013).

However, conflicting views exist with regard to the relationship between entrepreneurial orientation and business performance. Covin and Slevin (1991) and Sexton and Bowman-Upton (1991) stated that there is lack of evidence to prove that entrepreneurial orientation actually leads to improved firm performance. Hughes and Morgan (2007) also suggested that entrepreneurial orientation does not always contribute to improved business performance. It is important to note that there are recent studies which actually found a relationship between entrepreneurial orientation and firm performance.

There is evidence supporting the view that entrepreneurial orientation has a positive influence on the performance of businesses (Chye, 2012; Lotz & Van der Merwe, 2010; Junehed & Davidsson, 1998; Brown, 1996; Aziz, Mahmood, Tajudin & Abdullah, 2014; Pratono & Mahmood, 2015; Saeed et al., 2014). Researchers have also reported a positive relationship between entrepreneurial orientation and the performance of businesses (Fatoki, 2012; Gurbuz & Aykol, 2009; Zahra & Covin, 1995). On the other hand, Hart (1992) and Andersén (2010) suggested that it is possible that negative consequences may be as a result of entrepreneurial orientation and stated that entrepreneurial strategy-making can lead to lower rather than higher performance because of role imbalances between top management and lower-level workers. Simmons (2010) also insisted that entrepreneurial orientation does not always result in improved performance because of the possible strain that would be placed on a firm to



allocate its scarce resources to risky projects (Kreiser, Marino, Kuratno, & Weaver, 2013; Qureshi & Kratzer, 2012). Other reasons include business cycle (Runyan, Droge, & Swinney, 2008) and ignoring the failure of risk-taking behaviour (Andersén, 2010). From the review of literature, hypotheses were formulated.

Hypothesis

H₀₁: Entrepreneurial orientation has no effect on the performance of immigrant-owned SMMEs.

H₀₂: Risk taking has no effect on the performance of immigrant-owned SMMEs.

H₀₃: Innovativeness has no effect on the performance of immigrant-owned SMMEs.

H₀₄: Proactiveness has no effect on the performance of immigrant-owned SMMEs.

Methodology

This study was conducted in the Eastern Cape Province of South Africa. The study followed a positivist paradigm and used a quantitative research design. The population for this study consisted of immigrant entrepreneurs operating SMMEs in the Eastern Cape Province of South Africa. Since there is no one trusted database with all details of immigrant entrepreneurs, it was difficult to estimate the actual total number of immigrant entrepreneurs in this province. 400 questionnaires were distributed and only 378 were collected and used in the study. Snowball and purposive sampling techniques were used to select respondents at their business premises. Data was collected using a self-administered questionnaire. The Entrepreneurial Orientation Questionnaire developed by Covin and Slevin (1989) was used to measure the entrepreneurial orientation of immigrant-owned SMMEs. Cronbach's alpha was used to measure reliability of the scales in the questionnaires; nine items were used to measure entrepreneurial orientation (Cronbach's alpha=0.97) and performance was measured using a 14-item scale (Cronbach's alpha=0.98) developed by the researchers. Factor analysis was also conducted to ensure validity of the scales used in the questionnaire. Correlation and regression analysis were used to test the hypotheses. Ethical clearance was obtained from the University of Fort Hare Research Ethics Committee.

Results

The results of the study are presented in the sections that follow, starting with general information about the respondents.

General information of respondents

Of the 400 questionnaires distributed, only 378 were deemed usable. Thus the response rate was 95%. Ninety six (25%) of the respondents were female while 282 (75%) were male. Twenty-eight percent of respondents identified themselves as owners of SMMEs, 8% identified themselves as managers and the majority (64%) identified themselves as both owners and managers. About 2% of the respondents were below 25 years of age, 8% were between the ages of 25 to 30 years, and 27% of the respondents were between 31 and 40 years of age. The majority (64%) of respondents were above 40 years of age. Twenty-two percent of the respondents have been operating their businesses for three years or less while the majority (78%) have been in business for more than three years. Using the number of



people employed as a basis of classification, 25% of respondents in this study operated micro businesses, 72% operated small businesses and only 3% operated medium businesses.

Respondents were from 27 different countries. The results also show that the majority of immigrant entrepreneurs operating in the Eastern Cape Province of South Africa are from other African countries. Nigeria had the highest number of respondents (11.9%), followed by Somalia (10.6%) and Zimbabwe (10.1%). Other countries that had more respondents include Ghana (9.8%), Ethiopia (7.1%), and Pakistan (6.1%). This is in line with what was noted by Ibeh, Wilson and Chizema (2012) when they stated that Africa to Africa internationalisation has increased. About 56% of the respondents were members of at least one business association while 44% of respondents were not affiliated to any business association.

Approximately 2% of respondents were from the construction industry, about 3% were from the manufacturing industry, 47% were from the service industry, 48% were from the trading sector and less than 1% was from other sectors. It is clear from the results that at the time of the study, the majority of immigrant entrepreneurs operated either in the trading sector or in the service sector.

More than 61% of the respondents had attained at least high school in their education. However, 39% of the respondents indicated that their highest level of education was below that which can be attained at high school. The majority (92%) of immigrant entrepreneurs indicated that they operate business in rented premises. Only 8% said that they operate in premises that they own.

Entrepreneurial orientation and the performance of immigrant-owned SMMEs

Respondents were asked questions on the extent to which they agree or disagree to statements relating to entrepreneurial orientation. A total entrepreneurial orientation score was also calculated for the nine items in the questionnaire with a possible minimum of $1 \times 9 = 9$ and a possible maximum of $5 \times 9 = 45$. The average mean score ($M=3.87$; $SD=0.99$) closer to 4 (agree) means that there was general agreement among respondents that immigrant entrepreneurs are entrepreneurially oriented.

Males ($M=35.97$; $SD=6.81$) reported significantly higher levels of entrepreneurial orientation than females ($M=31.36$; $SD=10.26$); $t(125.205)=4.10$; $p=0.000 < .05$. This means that males are more entrepreneurially oriented compared to their female counterparts and the mean difference (4.61) is not by chance.

Respondents that belong to a business association ($M=37.33$; $SD=5.84$) reported significantly higher levels of entrepreneurial orientation compared to those that do not belong to any business association ($M=31.55$; $SD=9.31$); $t(263.248)=6.96$; $p=0.000 < .05$. Since these results are statistically significant.

The majority of respondents agreed to statements relating to measures or indicators of entrepreneurial orientation (risk-taking, innovativeness, and proactiveness). All the mean scores are also closer to or around 4 (agree). Based on these findings, it can be said that the majority of immigrants operating SMMEs in the Eastern Cape Province of South Africa are innovative, proactive, and risk-taking. These findings are in line with those of Hohn (2012), Osorio et al. (2015), Fatoki and Oni (2014), Fairlie and Lustrum (2013) and Kloosterman and Rath (2003) who found that immigrant entrepreneurs are innovative, risk-taking, and proactive as far as their business practices are concerned.

Performance of immigrant-owned SMMEs in South Africa

A total performance score was calculated for the 14 items in the questionnaire. The performance score had a possible minimum value of $1 \times 14 = 14$ and a possible maximum value of $5 \times 14 = 70$. With a sum of means (55.42) above the expected average and an average mean



score (M=3.96; SD=0.99) close to 4 (agree), there seemed to be an agreement among respondents that businesses operated by immigrants are performing well in the Eastern Cape Province of South Africa.

Males (M=57.15; SD=10.49) reported significantly higher levels of performance than their female counterparts (M=50.19; SD=15.37); $t(125.736)=4.10, p=0.000<.05$. This therefore means that regarding immigrants operating businesses in the Eastern Cape Province of South Africa, SMMEs operated by males perform better than those operated by females and the difference observed is not as a result of chance since it is statistically significant.

Respondents that belong to a business association (M=59.69; SD=7.98) reported significantly higher levels of performance than those that do not belong to any business association (M=49.85; SD=14.54); $t(236.633)=7.74; p=0.000<.05$. Since these results are statistically significant, it means that the mean difference (9.84) is not by chance.

H₀₁: Entrepreneurial orientation has no effect on the performance of SMMEs operated by immigrants in South Africa

To determine the effect of entrepreneurial orientation and performance of immigrant-owned SMMEs, the regression analysis was used. Simple linear regression analysis was conducted, with the dependent variable being performance and the explanatory variable being entrepreneurial orientation. The results are shown in Table 1.

Table 1: Regression analysis for H₀₁

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.922 ^a	.851	.850	4.771
a. Predictors: (Constant), EO				

The model summary presented in Table 1 shows that about 85% (.851) of the variation in performance of SMMEs is explained by entrepreneurial orientation. This therefore means that by observing entrepreneurial orientation one can predict the performance of immigrant-owned SMMEs with an 85% accuracy. The results for the goodness of fit test using ANOVA showed that the model was fit, F (2077.061) is large and statistically significant with a –p-value <0.05.

Table 2 shows the coefficients of the explanatory variable (entrepreneurial orientation), detailing whether there is an effect, the pattern of the relationship (positive or negative) and the magnitude of the effect.

Table 2: Coefficients (entrepreneurial orientation)

Model	Unstandardised Coefficients		Standardised Coefficients	T	Sig.
	B	Std. Error	Beta		



1	(Constant)	6.721	1.095		6.139	.000
	EO	1.400	.031	.922	45.575	.000
a. Dependent variable: Total SMME performance score						

The results show that there is a relationship between these two variables since the p-value (sig.) of 0.00 is less than 0.05. These results also show that the relationship is positive, with a unit increase in entrepreneurial orientation increasing performance score by 1.4 units.

Multiple regression

Multiple regression analysis was also conducted, with the dependent variable being performance and the explanatory variables being proactiveness, risk taking and innovativeness. The results are shown in Table 3

Table 3: Multiple regression

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.928 ^a	.862	.861	4.607

a. Predictors: (Constant), Proactiveness, Risk taking, Innovativeness

The model summary presented in Table 3 shows that about 86% (.861) of the variation in performance of SMMEs is explained by entrepreneurial orientation. The results for the goodness of fit test using ANOVA showed that the model was fit, F (752.196) is large and statistically significant with a –p-value <0.05. Table 4 shows the coefficients of the explanatory variable (entrepreneurial orientation), detailing whether there is an effect, the pattern of the relationship (positive or negative) and the magnitude of the effect.

Table 4: Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.069	1.061		6.663	.000
	Innovativeness	2.695	.262	.607	10.273	.000
	Risk taking	1.155	.229	.269	5.046	.000
	Proactiveness	.327	.245	.072	1.336	.183

a. Dependent Variable: Total SMME Performance score



The results show that there is a significant positive relationship between innovativeness and the performance of immigrant owned SMMEs. It was also revealed that a significant positive relationship exists between risk taking and the performance of these ventures. However, the relationship between proactiveness and the performance of immigrant owned SMMEs was found to be insignificant in this model.

Given the preceding results, the null hypothesis is rejected. It can therefore be concluded that entrepreneurial orientation has a positive effect on the performance of immigrant-owned SMMEs operating in the Eastern Cape Province of South Africa.

Testing indicators of entrepreneurial orientation individually

Dimensions of entrepreneurial orientation were also tested individually and the results showed that all the three dimensions were positively associated with performance and they all had a significant effect on performance. These results are presented in sections that follow.

Regression analysis for proactiveness

Simple linear regression analysis was conducted, with the dependent variable being performance and the explanatory variable being proactiveness. The results are shown in Table 5.

Table 5: Regression analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.874 ^a	.764	.764	5.981
a. Predictors: (Constant), Proactiveness				

The model summary presented in Table 5 shows that, about 76% (.764) of the variation in performance of SMMEs is explained by proactiveness.

Table 6: Coefficients (proactiveness)

Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	9.702	1.359		7.138	.000
	Proactiveness	3.969	.115	.874	34.511	.000
a. Dependent variable: Total SMME performance score						

The results show that there is a relationship between proactiveness and performance since the p-value of 0.00 is less than 0.05. These results also show that the relationship is a positive, with a unit increase in proactiveness increasing performance score by 3.96 units.

Given these results, the null hypothesis is rejected at a 95% confidence level in favour of the alternative hypothesis. It can therefore be concluded that proactiveness had a positive effect

on the performance of immigrant-owned SMMEs operating in the Eastern Cape Province of South Africa. These findings are in line with those of Kraus et al. (2015) and Matchaba-Hove et al. (2015) who found that firm performance can be improved if managers and operators of businesses are forward looking.

Regression analysis for risk-taking

Simple linear regression analysis was conducted, with the dependent variable being performance and the explanatory variable being risk-taking. The results are shown in Table 7.

Table 7: Regression analysis for risk-taking

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.891 ^a	.795	.794	5.590
a. Predictors: (Constant), Risk-taking				

The model summary presented in Table 7 shows that about 80% (.795) of the variation in performance of SMMEs is explained by risk-taking. This therefore means that by observing risk-taking one can predict the performance of immigrant-owned SMMEs with a 79.5% accuracy.

Table 8: Coefficients (risk-taking)

Coefficients ^a						
Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.428	1.229		8.488	.000
	Risk-taking	3.825	.102	.891	37.638	.000
a. Dependent variable: Total SMME performance score						

The results show that there is a relationship between these two variables since the p-value of 0.00 is less than 0.05. These results also show that the relationship is positive, with a unit increase in risk-taking increasing the performance score by 3.83 units.

Given these results, the null hypothesis is rejected at a 95% confidence level in favour of the alternative hypothesis. It can therefore be concluded that risk-taking has a positive effect on the performance of immigrant-owned SMMEs operating in the Eastern Cape Province of South Africa. These findings contradict with the findings of Matchaba-Hove et al. (2015) who concluded that less risk-taking firms are more successful than those that take risks. However, the findings are supported by Piirala (2012) who stated that firms that are risk-taking also realised increased profits and growth.

Regression Analysis for innovativeness

Simple linear regression analysis was conducted; with dependent variable being performance and the explanatory variable being innovativeness. The results are shown in Table 9.

Table 9: Regression analysis

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.920 ^a	.847	.847	4.826
a. Predictors: (Constant), Innovativeness				

The model summary presented in Table 9 shows that about 84% (.847) of the variation in performance of SMMEs is explained by innovativeness. This therefore means that by observing innovativeness one can be able to predict the performance of immigrant-owned SMMEs with 85% accuracy.

The model is considered fit, F (2022.391) is large and statistically significant with a p - value<0.05 respectively.

Table 10: Coefficients (innovativeness)

Coefficients ^a						
Model		Unstandardised Coefficients		Standardised Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.443	1.072		7.873	.000
	Innovativeness	4.083	.091	.920	44.971	.000
a. Dependent variable: Total SMME performance score						

The results show that there is a relationship between innovativeness and performance since the p-value of 0.00 is less than 0.05. These results also show that the relationship is a positive, with a unit increase in innovativeness increasing performance score by 4.08 units.

Given these results, the null hypothesis is rejected at a 95% confidence level in favour of the alternative hypothesis, thus concluding that innovativeness has a positive effect on the performance of immigrant-owned SMMEs operating in the Eastern Cape Province of South Africa. These findings are supported by Covin and Slevin (1989), Callaghan and Venter (2011) and Matchaba-Hove et al. (2015) who also found that innovativeness as an indicator of entrepreneurial orientation is positively related to performance.

Discussion of results

It was found that entrepreneurial orientation has an effect on the performance of immigrant owned SMMEs. Results from a multiple regression model showed that although innovativeness had the greater effect on the performance of SMMEs than risk-taking, both indicators of entrepreneurial orientation had a significant effect on the performance of



immigrant owned SMMEs. Proactiveness only showed a significant effect on performance when it was tested separately from other indicators of entrepreneurial orientation. This may mean that proactiveness is still very important in improving performance of firms.

These findings contradict with what was found by Hart (1992) and Andersén (2010) who stated that negative consequences may be as a result of entrepreneurial orientation as it can lead to lower rather than higher performance because of role imbalances between top management and lower-level workers. Simmons (2010) also found that entrepreneurial orientation does not always result in improved performance because of the possible strain that would be placed on a firm to allocate its resources to risky projects. Hughes and Morgan (2007) also suggested that entrepreneurial orientation does not always contribute to improved business performance.

It should be noted that the findings of this study are in line with those of Covin and Lumpkin (2011), Edmond and Wiklund (2010), and Welter and Smallbone (2011) who found a significant relationship between entrepreneurial orientation and SMME performance. There is also evidence supporting the view that entrepreneurial orientation has a strong positive effect on the performance of businesses (Chye, 2012; Lotz & Van der Merwe, 2010; Junehed & Davidsson, 1998; Brown, 1996; Aziz et al., 2014; Pratono & Mahmood, 2015; Saeed et al., 2014; Fatoki, 2012; Gurbuz & Aykol, 2009; Zahra & Covin, 1995; Mahmood & Hanafi, 2013).

Conclusions

This study concludes that entrepreneurial orientation has a significant effect on the performance of immigrant owned SMMEs operating in the Eastern Cape Province of South Africa. Thus, entrepreneurs should strive to improve their entrepreneurial orientation (risk-taking skills, innovativeness, and proactiveness) as this will ultimately improve the performance of their businesses. Entrepreneurial orientation can be improved through entrepreneurship education and training or by learning from other entrepreneurs, including other immigrant entrepreneurs. The South African government should also show support for immigrant entrepreneurship in order to eliminate negative perceptions from other people in communities where immigrants operate businesses. This can be done by developing policies that create an enabling environment for entrepreneurship by immigrants. Financial institutions should also develop products for immigrant entrepreneurs in South Africa as they are a growing and promising market.

Delimitations of the study

The study was conducted in only one province of South Africa, focusing on immigrant entrepreneurs operating SMMEs. Since the study focused only on immigrant entrepreneurs, no data was collected from native entrepreneurs or entrepreneurs of other ethnic backgrounds who were born in South Africa. This study also excluded immigrants who operate businesses that employ more than 200 people.

References

Andersén, J. (2010). A critical examination of the EO-performance relationship. *International Journal of Entrepreneurial Behaviour & Research*, 16 (4):309-328.



- Aziz, R.A., Mahmood, R., Tajudin, A. & Abdullah, M.H. (2014). The relationship between entrepreneurial orientation and business performance of SMEs on Malaysia. *International Journal of Management Excellence*, 2(3): 221-226.
- Barreira, J.C.D. (2004). *The Influence of Business Knowledge and work experience as antecedents to entrepreneurial success*. Thesis. University of Pretoria.
- Brown, S.R. (1996). Q Methodology and Qualitative Research. *Qualitative Health Research*, 6(4):561-567.
- Bruwer, J.P. (2013). Understanding the entrepreneurial mind set of retail small medium and micro enterprise leaders in the Cape Metropole. *Topclass Journal of Business Management and Innovations*, 1(1): 1-7.
- Callaghan, C. W. & Venter, R. (2011). An investigation of the entrepreneurial orientation, context and entrepreneurial performance of inner-city Johannesburg street traders. *South African Business Review*, 15(1): 28-48.
- Cant, M.C. & Wiid, J.A. (2013). Establishing challenges affecting South African SMEs. *International Business and Economics Research Journal*, 12 (6): 707-716.
- Chaston, I. & Scott, G.J. (2012). Entrepreneurship and open innovation in an emerging economy. *Management Decision*, 50 (7): 1161-1177.
- Chinomona, E. & Maziriri, E.T. (2015). Examining the phenomenon of xenophobia as experienced by African immigrant entrepreneurs in Johannesburg, South Africa: Intensifying the spirit of 'Ubuntu'. *International Journal of Research in Business Studies and Management*, 2(6):20-31.
- Chye, L. T. (2012). Entrepreneurial orientation and managerial competence: Are they complementary or contradictory to SME performance in Malaysia. Unpublished doctoral thesis, University of Newcastle, Newcastle.
- Covin, J. & Slevin, D. (1991). A conceptual model of entrepreneurship as firm behaviour. *Entrepreneurship Theory and Practice*, 16(1):7-25.
- Covin, J.G. & Lumpkin, G.T. (2011). Entrepreneurial orientation theory and research: reflections on a needed construct. *Entrepreneurship theory and practice*, 35(5): 855-872.
- Covin, J.G. & Slevin, D.P. (1989). Strategic management of small firms in hostile and benign environments. *Strategic Management Journal*, 10(1): 75-87.
- Covin, J.G. & Wales, W.J. (2012). The measurement of entrepreneurial orientation. *Entrepreneurship Theory and Practice*, 3(4):677-702.
- Covin, J.G., Green, K.M. & Slevin, D.P. (2006). Strategic process effects on the entrepreneurial orientation-sales growth rate relationship. *Entrepreneurship Theory and Practice*, 30(1):57-81.
- Crockett, D.R. (2013). Immigrant entrepreneur's selectivity: Host market distance and opportunity. *Journal of Enterprising Communities: People and places in the global economy*, 7 (3):196-212.
- Dess, G.G. & Lumpkin, G.T. (2005). The role of entrepreneurial orientation in stimulating effective corporate entrepreneurship. *Academy of Management Executive*, 19, 147-156.



- Edmond VP, Wiklund J. (2010). *The historic roots of entrepreneurial orientation research*. In: Landstrom H, Lohrke F (eds) *Historic Foundations of Entrepreneurship Research*. Northampton, MA: Edward Elgar Publishing, pp.142–160.
- Erasmus, B.J., Strydom, J.W. & Rudansky-Kloppers. (2013). *Introduction to Business Management*. 9th Edition. Oxford, Southern Africa.
- Fatoki, O. & Oni, O. (2014). The entrepreneurial orientation of immigrant entrepreneurs in South Africa. *Mediterranean Journal of Social Sciences*, 5(20):497-502.
- Fatoki, O. (2012). The impact of entrepreneurial orientation on access to debt finance and performance of small and medium enterprises in South Africa. *Journal of Social Sciences*, 32(2):121-131.
- Gurbuz, G. & Aykol, S. (2009). Entrepreneurial management, entrepreneurial orientation and Turkish small firm growth. *Management Research News*. 32(4):321-336.
- Hart, S. L. (1992). An integrative framework for strategy-making processes. *Academy of Management Review*, 17(2):327-351.
- Hohn, M. D. (2012). *Immigrant Entrepreneurs Creating Jobs and Strengthening the Economy*. USA Immigration Learning Centre.
- Hughes, M., & Morgan, R. E. (2007). Deconstructing the relationship between entrepreneurial orientation and business performance at the embryonic stage of firm growth. *Industrial Marketing Management*, 36, 651-661.
- Junehed, J. & Davidsson, P. (1998). Small firms and export success: Development and empirical test of an integrated model. 10th Nordic Conference on Small Business Research, Vaxjo, Sweden, June 14-16.
- Kalitanyi, V. & Visser, K. (2010). African migrants in South Africa: Job takers or job creators? *South African Journal of Economic and Management Sciences*, 13 (4): 376-390.
- Kloosterman, R. C. & Rath J. (2003). *Immigrant Entrepreneurs: Venturing Abroad in the Age of Globalization*. Oxford: Berg/University of New York Press.
- Kraus, S., Rigtering, J. C., Hughes, M., & Hosman, V. (2012). Entrepreneurial orientation and the business performance of SMEs: a quantitative study from the Netherlands. *Review of Managerial Science*, 6(2): 161-182.
- Kreiser, P., Marino, L., Kuratno, D. & Weaver, K. (2013). Disaggregating entrepreneurial orientation: The non-linear impact of innovativeness, proactiveness and risk-taking on SME performance. *Small Business Economics*, 40(2): 273–291.
- Kreiser, P.M., Marino, L.D. & Weaver, K.M. (2002). Assessing the psychometric properties of the entrepreneurial orientations scale: A multi-country analysis. *Entrepreneurship Theory and Practice*, 26, 71-94.
- Lee, S. M., Lim, S. & Pathak, R. D. (2011). Culture and entrepreneurial orientation: A multi-country study. *International Entrepreneurship and Management Journal*, 7, 1–15.
- Lotz, W. & Van der Merwe, A. (2010). An assessment of entrepreneurial orientation in agribusiness. *Entrepreneurship: Fourth International Business Conference*. Victoria Falls, Zambia, October 13-14.



- Lumpkin, G., Cogliser, C. & Schenider, D. (2009). Understanding and measuring autonomy: an entrepreneurial orientation perspective. *Entrepreneurship Theory and Practice*, 33(1): 47–69.
- Lumpkin, G.T. & Dess, G.G. (1996), Clarifying the entrepreneurship orientation construct and linking it to performance. *Academy of Management Review*, 21(1):135-172.
- Mahmood, R. & Hanafi, N. (2013). Entrepreneurial Orientation and Business Performance of women owned small and medium enterprises in Malaysia: Competitive advantage as a mediator. *International Journal of Business and Social Science*, 4(1): 82-90.
- Matchaba-Hove, T., Farrington, S. & Sharp, G. (2015). The entrepreneurial orientation-performance relationship: A South African small business perspective. *Southern African Journal of Entrepreneurs and Small Business Management*, 7: 36-68.
- Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Management Science*, 29 (7): 770-791.
- Moreno, A.M. & Casillass, J.C. (2008). Entrepreneurial Orientation and Growth of SMEs: A Causal Model. *Entrepreneurship Theory and Practice*, 32(3): 507.
- Olutunla, G.T. & Obamuyi, T.M. (2008). An empirical analysis of factors associated with the profitability of Small and medium-enterprises in Nigeria. *African Journal of Business Management*, 2(10):195-200.
- Osorio, M., Urquiza, A. & Rodriguez, R. (2015). Value contribution of immigrants to society through entrepreneurship. *Journal of educators, teachers and trainers*, 6(2):101-112.
- Piirala, P. (2012). The impact of entrepreneurial orientation on firm performance: a comparative study of Finnish and German SMEs. Unpublished master's thesis, Aalto University School of Business, Helsinki.
- Pratono, A.H. & Mahmood, R. (2015). Mediating effect of marketing capability and reward philosophy in the relationship between entrepreneurial orientation and firm performance. *Journal of global entrepreneurship research*, 5(5):1-12.
- Qureshi, S. & Kratzer, J. (2012). An investigation of antecedents and outcomes of marketing capabilities in entrepreneurial firms: an empirical study of small technology-based firms in Germany. *Journal of Small Business and Entrepreneurship*, 24(1): 49–66.
- Runyan, R., Droge, C. & Swinney, J. (2008). Entrepreneurial orientation versus small business orientation: What are their relationship to firm performance? *Journal of Small Business Management*, 46(4):567–588.
- Saeed, S., Yousafzai, S. & Engelen, A. (2014). On cultural and economic contingencies of the entrepreneurial orientation performance relationship. *Entrepreneurship Theory and Practice*, 38(4): 255–290.
- Sahin, M., Todiras, A., Nijkamp, P., Neuts, B. & Behrens, C. (2013). A structural equations model for assessing the economic performance of High-Tech ethnic entrepreneurs. *Tinbergen Institute Discussion Paper*, No 13-161/viii.
- Sexton, D. & Bowman-Upton, N. (1991). *Entrepreneurship: Creativity and growth*. New York: Macmillan.
- Short, J.C., Payne, G.T., Brigham, K.H., Lumpkin G.T. & Broberg, J.C. (2009). Family firms and entrepreneurial orientation in publicly traded firms. *Family Business Review*, 22(1):9-24.



Simmons, J. D. (2010). The effects of firm size on the entrepreneurial orientation dimensions. Unpublished thesis, Ohio University, Ohio.

Simon, M., Stachel, C. & Covin, J. (2011). The effect of entrepreneurial orientation and commitment to objectives on performance. *New England Journal of Entrepreneurship*, 14(2):9–17.

Tengeh, R., Ballard, H. & Slabbert, A. (2011). A Framework for Acquiring the Resources Vital for the Start-up of a Business in South Africa: an African Immigrant's Perspective. *European Journal of Social Sciences*, 23(3):362-381.

Wang, C.L. (2008). Entrepreneurial orientation, learning orientation and firm performance. *Entrepreneurship: Theory and Practice*, 32(4):635-657.

Welter, F. & Smallbone, D. (2011). Institutional perspectives on entrepreneurial behaviour in challenging environments. *Journal of Small Business Management*, 49(1):107-125.

Zahra, S. & Covin, J. (1995). Contextual influence on the corporate entrepreneurship-performance relationship: A longitudinal analysis. *Journal of Business Venturing*, 10(1):43-58.

Zolin, R. & Schlosser, F. (2013). Characteristics of Immigrant Entrepreneurs and Their Involvement in International New Ventures. *Thunderbird International Business Review*, 55, 271-284.

Zulkifli, R.M. & Rosli, M.M. (2013). Entrepreneurial orientation and business success of Malay entrepreneurs: Religiosity as moderator. *International Journal of Humanities and Social Science*, 3(10):264-275.