Entrepreneurial Orientation and Performance of Small Businesses in the Retail Sector in the Eastern Cape Province of South Africa

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Abstract

The high failure rate of small businesses in the retail sector has necessitated the need to identify strategies that will improve their levels of performance. Evidence exists to suggest that the implementation of entrepreneurially orientated strategies will lead to improved business performance. The primary objectives of this study are to establish the level of entrepreneurial orientation of small businesses in the retail sector in the Eastern Cape Province of South Africa and to establish the influence of entrepreneurial orientation on their business performance. A quantitative research approach was implemented and convenience sampling to gather 153 usable questionnaires from small retail businesses in the Eastern Cape Province. An exploratory factor analysis was conducted to determine the validity of the measuring instrument. Cronbach's alpha coefficients were calculated to assess the reliability of the measuring instrument. Multiple regression analysis was performed to analyse the hypothesised relationships. The results of this study show that the dimensions of entrepreneurial orientation, namely *Pro-activeness, Innovativeness* and *Competitive aggressiveness* have a significant positive influence on the success of the business, whereas the dimensions *Autonomy* and *Risk-taking* do not.

Key words: Small business, Entrepreneurship, Entrepreneurial orientation, Retail sector.

Introduction

Background to the Study

The retail sector plays a vital role in the South African economy in that it has a positive contribution to the growth of the economy. Since the early 1990s economic growth has been driven mainly by the tertiary sector which includes wholesale and retail trade, tourism and communications (South Africa's economy: Key sectors, 2014). As the country's economy grows to become one that is more consumer driven given the decline of the mining and manufacturing industries, there has been a significant development of the retail sector which has been observed over the past few years (Baneke, Hayworth, Hobson, & Mia, 2012:27-31).

South Africa continues to develop new malls and shopping centers to accommodate the expansion of the retail industry. This rapid establishment of trade centers has not only seen cities expand their retail area, but also some townships have been developed through the establishment of malls and shopping centers (South Africa's changing retail market, 2013). According to the Provincial economic review and outlook (2010), the Global Retail Development Index (GRDI) annual publication ranks the top developing countries for retail expansion internationally where countries are ranked on a 100 point scale. In 2011 South Africa was ranked 26th out of 30 developing countries with a score of 42.2 in comparison to 2010 when South Africa was ranked 24th with a lower score of 41.7. Even though the country's ranking dropped, the GRDI score improved. The growth of the retail industry has taken place both in the formal and informal sectors (The retail industry on the rise in South Africa, 2012).

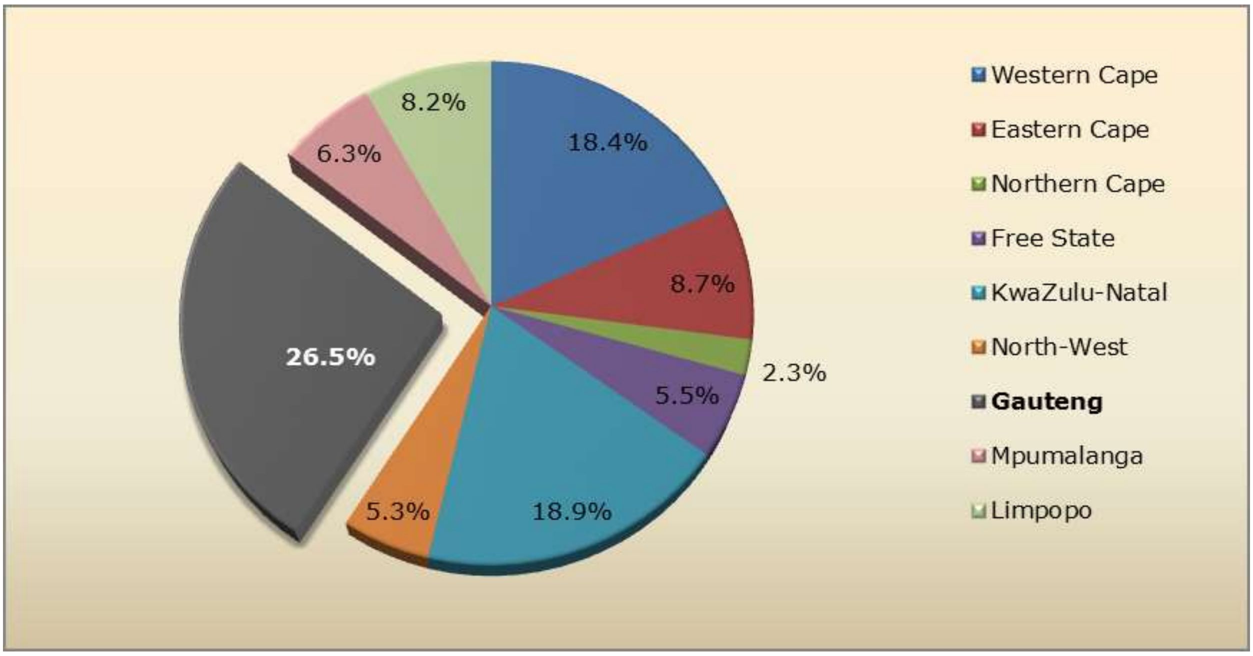
The economic contribution made by the retail industry is of great value to the economy. According to the IHS Global Insight (2012), in 2011 the tertiary sector contributed 69 percent to the economy of which an estimated 13.8 percent was from the wholesale and trade industry. In terms of employment contribution, the retail industry has the ability to absorb unskilled workers and train them into cashiers in stores. The Wholesale & Retail Sector Education and

Training Authority (W&RSETA) (2012) provides the necessary training which promotes skills development and affords people the opportunity to obtain better employment, particularly to the youth. In addition, the training also helps address the skills shortages as well as fill them within the industry.

In the year 2011, according to Consumer and retail industry solutions (2012), out of the nine provinces in South Africa, the Eastern Cape ranked fourth contributing a total retail Gross Value Added (GVA) of 8.7 percent after Gauteng, the Western Cape and KwaZulu-Natal as shown in the pie chart below. In addition, in the year 2000 the Eastern Cape Province had the highest comparative advantage in the trade subsector.

Figure 1

Retail Industry Contribution by Province, Total Retail Gross Value Added 2011



Source: IHS Global Insight (2012)

According to Ruhiiga (2000:190-192) there has been a strong retail growth in townships and rural areas which are also known by retailers as "emerging economic areas". The ongoing economic development opportunities in the retail industry, particularly within the townships and rural areas have the potential to raise the economic value of various hubs, not only to the surrounding communities, but also to the region as a whole. This has been observed through the establishment of malls as well as the expansion of existing shopping centres within the Eastern Cape Province taking place mostly in outlying rural areas and former townships (Eastern Cape Provincial growth and development plan, 2004-2014). In addition, the Eastern Cape Province's continued development of retail industry plays a key role in not only filling a need within communities, but by contributing to the social upliftment of various communities and the development and upgrading of infrastructure (Kenako Mall sets the tone for future township retail development, 2013).

The Eastern Cape has retail patterns which are quite far removed to those in other parts of the country. Trading densities in the Eastern Cape's small towns are vast and unlike South Africa's more common shopping centers that have a more 'Western' function in that they are often used for entertainment, retailers in small towns exist for the sole purpose of supply (Durham, 2011). Many of these so called 'Western' shopping centers sprout up in small towns with the expectation of pulling trade away from the main street shops and completely change spending patterns.

According to the Human Sciences Research Council (HSRC 2011), the Eastern Cape has been entrenched as South Africa's most poverty stricken province meaning that the greater majority of the people within the Eastern Cape have a low Living Standard Measure (LSM). Therefore, the problem is that the success of these 'Western' shopping centers is dependent on a convenience market.

Due to unstable macro-economic events, the performance of any industry is likely to fluctuate, depending on the nature of economic forces affecting it and the retail industry is not exempt from this. The success of retailers is influenced by the economic conditions and how consumers respond to them (Radebe, 2013). In these tough economic times, businesses in the retail sector need to be entrepreneurially orientated in order to survive and prosper.

Entrepreneurial orientation (EO) is becoming an important and extensively researched topic in the field of entrepreneurship (Melia, Boulard & Peinado, 2007:67). An entrepreneurial firm is defined as one that exhibits five entrepreneurial behaviours, namely autonomy, competitive aggressiveness, innovativeness, pro-activeness and risk-taking (Lumpkin and Dess, 1996; Short, Payne, Brigham, Lumpkin & Broberg, 2009). Turker and Selcuk (2009) assert that firms that undertake entrepreneurially orientated activities are not only incubators for technological innovation, but also provide employment opportunities and increase competitiveness.

Furthermore, Casillas, Moreno & Barbero (2010) assert that the EO literature needs to produce more knowledge of the conditions under which EO as a whole is related to business performance, as well as how the dimensions of EO influence performance separately. This study attempts to address this need.

Problem Statement

Despite the importance of small businesses in the retail sector in South Africa, the fail rate is very high. According to Davies (2013), five out of seven new small businesses fail within the first year. Maswangayi (2012) reported that approximately 440 000 South African small businesses ceased operations during the five years 2007 to 2011. Given the high failure rate of small businesses in South Africa, the need to identify strategies to improve their success is clearly evident.

Various reasons are cited for this high failure rate, amongst others, lack of finance, lack of knowledge, poor strategic management and poor cash flow management (Short *et al.*, 2009; Junehed & Davidsson, 1998). Abedian, Blottnitz, Coovadia, Davel, Masilela & Rees, *(*2008) also suggest that failure to anticipate or react to competition, new technology or other changes in the marketplace, are common reasons why small businesses fail. This failure to react to or anticipate change occurs when the business is not entrepreneurially orientated (Casillas *et al.*, 2010).

According to Lotz and Van der Merwe (2010:131), EO is an important path to competitive advantage and improved performance for all types of businesses. Being entrepreneurially orientated encourages the involvement of ‘multiple management levels’ in the design and execution of entrepreneurial strategies (Callaghan & Venter, 2011:37).

Several studies have also shown a positive relationship between the implementation of entrepreneurially orientated strategies and business performance (Wiklund, 1998; Zahra & Covin, 1995). This implies that the more small businesses implement entrepreneurially orientated strategies and behave in an entrepreneurially orientated manner, the more successful they are likely to be. Very few small businesses do, however, undertake entrepreneurially orientated activities (Fairoz, Hiobumi & Tanaka, 2010: 134-140).

Research objectives

Against this background the primary objectives of this study are to establish the level of EO of small businesses in the retail sector of the Eastern Cape and to establish the influence of this orientation on business performance. EO will be assessed in terms of the five dimensions, namely, pro-activeness, innovativeness, competitive aggressiveness, autonomy and risk-taking, whereas business performance will be assessed in terms of profitability, growth and goal achievement.

Literature Review

The nature of entrepreneurial orientation

EO relates to a process that concerns the methods, practices and decision-making styles that businesses use (Nordqvist & Zellweger, 2010; Lumpkin & Dess, 1996:136). EO is taken from a strategic management perspective, and is concerned with the intentions and actions of the various stakeholders “functioning in a dynamic generative process" within a business (Lumpkin & Dess, 1996:136). Being entrepreneurially orientated encourages the involvement of ‘multiple management levels’ in the design and execution of entrepreneurial strategies (Callaghan & Venter, 2011:37). It is primarily a firm-level construct that is closely linked to strategic management and the strategic decision-making process (Richard, Barnett, Dwyer & Chadwick, 2004:257; Covin & Slevin, 1991).

According to Miller (1983:771), a business’s level of EO can be seen through the extent to which the enterprise innovates, takes risks and acts proactively. Miller (1983) specifically identified three dimensions, namely ‘innovativeness’, ‘risk-taking’, and ‘proactiveness’ to characterise EO. His original conceptualisation of the three-dimensional entrepreneurial construct received much support from Covin and Slevin (1989), Covin and Slevin (1991) and Lumpkin and Dess (1996).

Covin and Slevin (1989) and Lumpkin and Dess (1996), have subsequently extended and refined the ideas originally conceived by Miller (1983) now define EO as shown by a firm that exhibits five entrepreneurial behaviours, namely innovativeness, pro-activeness, risk-taking, competitive aggressiveness and autonomy.

Innovativeness can be described as a business’s tendency to engage in and support new idea generation, novelty, experimentation and research, as well as developmental activities (Lumpkin & Dess, 1996:42; Covin & Slevin, 1989). Lumpkin, Wales and Ensley (2006) refer to innovativeness as the ability of an organisation to cultivate original or unique internal solutions and external offerings. Xaba and Malindi (2010:77) suggest that EO causes change through innovativeness that is brought about by individuals who either generate or respond to ‘value-creating’ opportunities in their businesses. According to Botha and Nyanjom (2011:35), the higher the level of innovativeness in a business, the higher the level of EO of that business will be.

Pro-activeness is concerned with being the ‘first mover’, as well as other actions aimed at seeking to secure and protect market share. Pro-activeness involves having a future-orientated outlook which is seen in actions taken in anticipation of future demand (Casillas *et al.*, 2010; Covin & Slevin, 1989; Miller, 1983). Pro-activeness involves not only recognising changes but also being willing to act on those changes ahead of the competition. Managers who practise pro-activeness have their eye on the future in a search for new possibilities of growth and development (Hyunjoong, 2012:253). The benefit gained by firms that are the first to enter new markets, establish brand identity, implement administrative techniques, or adopt new operating technologies in an industry, is referred to as ‘first mover advantage’ (Lotz & Van der Merwe, 2010).

In an entrepreneurial context, risk-taking is defined as the “degree to which entrepreneurs are willing to make large and risky resource commitments which could have a reasonable chance of costly failure” (Hyunjoong, 2012:252). Lumpkin and Dess (2001) refer to risk-taking as a firm’s willingness to seize an opportunity even though the firm does not know whether the venture will be successful or not, and a firm’s willingness to act boldly without knowing the consequences. According to Al-Swidi and Mahmood (2011:31), the inclination of entrepreneurs to accept a risk, is important to being entrepreneurially orientated. Entrepreneurially orientated businesses tend to take more calculated risks than those who are not, and therefore have a higher chance of success (Al-Swidi & Mahmood, 2011:31).

Competitive aggressiveness refers to a business's tendency to "directly and intensely challenge its competitors to achieve entry or improve position to outperform industry rivals in the market place" (Lumpkin & Dess, 1996:138). Competitive aggressiveness reflects the intensity of a firm's efforts to outperform industry rivals, as seen by a combative posture and a forceful response to competitors' actions. Dess and Lumpkin (2003:408) argue that competitive aggressiveness reflects a willingness to be unconventional rather than relying on traditional methods of competing. Often, businesses are required to be forceful in defending the competitive position that has made them an industry leader. SMEs have to adopt an aggressive mind-set to gain a competitive advantage by exploiting new technologies or serving new market needs (Dess & Lumpkin, 2003:407-409).

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" (Lumpkin & Dess, 1996:136). This dimension of EO is key to allowing the other four dimensions to have an impact on the success of the business; however, it is often very difficult to measure (Gurbuz & Aykol, 2009). If autonomy is to be adopted by business enterprises, the process involves promoting and encouraging entrepreneurial activity within the business as well as nurturing independent thought within the firm (Rauch, Wiklund, Lumpkin & Frese, 2009).

It is now widely acknowledged that the five dimensions of EO may vary independently, with each having a different influence on business performance. An enterprise can exhibit relatively high levels of one or more dimensions and, at the same time, relatively low levels of other dimensions. (Simmons, 2010:16-18; Lumpkin & Dess, 1996). Several studies (Lotz & Van der Merwe, 2010; Short *et al.*, 2009; Gurbuz & Aykol, 2009) have investigated the relationship between EO and business performance. Lotz and Van der Merwe (2010: 131) report a positive relationship between EO and business performance, and conclude that EO plays an important part in the improved performance of a business. The thrust of the argument for a positive influence of EO on business performance is related to the first-mover advantages and the tendency to take advantage of emerging opportunities implied by EO (Fairoz *et al.*, 2010:138). According to Zahra and Covin (1995), businesses with a high level of EO can target niche market segments and set the trend in the market ahead of their competitors. These businesses monitor market changes and respond quickly and take advantage of emerging opportunities. Innovation keeps them ahead of their competitors, and through gaining a competitive advantage, improved financial results occur. Pro-activeness gives firms the ability to present new products/services to the market ahead of competitors, which also gives them a competitive advantage (Gurbuz & Aykol, 2009:321-336).

To cope with business challenges, organisations are increasingly turning to entrepreneurship as a means of innovation, growth and strategic renewal (Bhardwaj, Agrawal & Momaya, 2007:131). Continuous innovation and an ability to compete effectively in international markets are among the skills that are expected to increasingly influence performance in the twenty-first century's global economy (Kuratko & Welsch, 2001:347).

There is a reason to believe that the relationship between EO and business performance may be particularly strong among small businesses. It is implied that smallness fosters flexibility and innovation but limits competitiveness in other strategic dimensions (Stam & Elfering, 2008). Resource constraints may, however, prevent small businesses from pursuing cost leadership or differentiation strategies (Porter, 1999).

According to Chye (2012:77), there are inadequate studies on the impact of the individual dimensions of entrepreneurial orientation on small business performance. Most studies view entrepreneurial orientation as a “composite construct” consisting of different independent but related dimensions (Casillas *et al.,* 2010:28; Lumpkin & Dess, 1996). This implies that a business can show high levels of entrepreneurial orientation in some dimensions but not necessarily in all of them (Casillas *et al.,* 2010:28) and each dimension of EO can be related to performance in a different way (Casillas *et al.*, 2010:29). According to Casillas *et al*. (2010:29), this independence of the entrepreneurial orientation dimensions suggests the need to differentiate the dimensions and investigate them individually.

Business performance

According to Acs, Glaeser, Litan and Fleming (2008:11-12), consensus does not exist on appropriates measures for small businesses success. Prior research has mainly focused on variables for which information is easy to gather. Researchers (Nordqvist & Zellweger, 2010; Wiklund & Shepherd, 2003; Lumpkin & Dess, 1996) are also now viewing business performance as being multidimensional in nature. This suggests that it has become increasingly more important to integrate different dimensions of performance when conducting empirical studies.

Several researchers advocate growth as the most important performance measure for small businesses (Brown, 1996; Tsai, MacMillan & Low, 1991). It is also argued that growth is a more accurate and a more easily accessible performance indicator than accounting measures, and is hence superior to indicators of financial performance. D'Souza and McDougal (1989) believe that sales growth is the best measure of growth. Sales growth reflects both short and long-term changes in the firm and is easily obtainable. Furthermore, these authors, as well as Barkham, Gudgin, Hart and Hanvey (1996), maintain that entrepreneurs consider sales growth to be the most common performance indicator.

An alternative view considers performance as being multidimensional in nature and that it is advantageous to integrate different dimensions of performance in empirical studies (Lumpkin & Dess, 1996). It is possible to regard financial performance and growth performance as different aspects of performance as each will reveal important information (Zahra, 2001). Therefore, it can be inferred that taken together, growth and financial performance give a richer description of the actual performance of the firm than each does separately. For the purpose of this study business performance will be measured in terms of both growth and financial indicators.

Proposed Theoretical Framework and Hypothesis

The literature study has revealed that EO has five dimensions. In this study these five dimensions are used to determine how entrepreneurially orientated small businesses in the retail sector are. The sources of the dimensions of EO influencing business performance are summarised in Table 1 to follow. The five dimensions of EO, namely *Innovativeness, Pro-activeness Risk-taking, Competitive aggressiveness and Autonomy* serve as the independent variables, whereas *Business performance* serves as the dependent variable. For the purpose of this study business performance will be assessed in terms of profitability, growth and goal achievement. The following directional hypotheses have been formulated to test the relationships proposed:

H^1: There is a positive relationship between the level of *Innovativeness* and *Business performance.*

H^2: There is a positive relationship between the level of *Pro-activeness* and *Business performance*

H^3: There is a positive relationship between the level of *Risk-taking* and *Business performance.*

H^4: There is a positive relationship between the level of *Competitive aggressiveness* and *Business performance.*

H^5: There is a positive relationship between the level of *Autonomy* and *Business performance.*

Research Methodology

Development of the measuring instrument

The survey method was used to collect the raw data on the dimensions of EO and family Business performance among the respondents in this study. A measuring instrument was developed for this purpose. The independent and dependent variables investigated were operationalised using reliable and valid items sourced from previous empirical studies (see Table 1).

Where necessary, the items were rephrased to make them more suitable for the present study. The measuring instrument consisted of three sections. Sections A and B contained questions aimed at obtaining demographic information about the respondents, such as age, gender, number of years of employment and education level, as well as information about the small business. Section C contained 46 randomly sequenced statements assessing the five dimensions of EO and family Business performance. Using a five-point Likert-type scale, ranging from *Strongly disagree* (1) to *Strongly agree* (5), respondents were requested to indicate the extent of their agreement with each statement.

Table 1

Sources of items used in the measuring instrument

EO dimensions	Items	Source of items
Innovation	8	Lotz and Van der Merwe, 2010; Stam and Elfring, 2008; Quince and Whitaker, 2003; Lumpkin and Dess, 1996.
Proactiveness	7	Lotz and Van der Merwe, 2010; Stam and Elfring, 2008; Quince and Whitaker, 2003; Lumpkin and Dess, 1996.
Risk-taking	7	Short *et al*., 2009; Stam and Elfering, 2008; Baker and Sinkula, 2004.
Competitive aggressiveness	7	Lotz and Van der Merwe, 2010; Stam and Elfring, 2008; Quince and Whitaker, 2003; Lumpkin and Dess, 1996.
Autonomy	9	Lotz and Van der Merwe, 2010; Lumpkin and Dess, 1996.

Business performance	8	Farrington *et al.* 2011; Eybers 2010; Farrington 2009

Sampling and Data Collection

The focus of this study was on small businesses in the retail sector in the Eastern Cape. To date, no national database or lists of small businesses in South Africa or the Eastern Cape have been compiled. As a result, a convenience sampling technique was employed. Questionnaires were distributed by field workers and collected upon completion. Each questionnaire was accompanied by a covering letter, and respondents were guaranteed that their response would be treated with confidentiality. The survey yielded 153 useable questionnaires.

The data collected from the 153 usable questionnaires were subjected to various statistical analyses using Statistica 12 software package (Statsoft, 2012). An exploratory factor analysis was undertaken and Cronbach-alpha coefficients (CA) were calculated to assess the discriminant validity and reliability of the measuring instrument respectively. Correlation coefficients were calculated to establish the relationships between the factors under investigation. The hypothesised relationships were assessed by means of multiple regression analysis (MRA).

Sample Description

Of the 153 respondents who participated in the study, 71% of the respondents were males and 29% were females. In terms of age, the majority of respondents fell between the ages 40 and 49 (36%), and between 50 and 59 (25%), thereby making up 61% of the respondents. 20% of the respondents were found to be between the ages of 30 and 39, and 11% between the ages of 20 and 29. Most respondents (62%) indicated possessing a post-matric qualification. With regard to the ethnic background of respondents, the majority of the respondents were White (57%), followed by Black respondents (21%). 3% of the respondents declined to disclose their ethnicity.

There was an even split (50-50) between family owned and non-family owned retail businesses. All the businesses were retail businesses that had a workforce of between five and 50 employees, thereby meeting the study's requirements to qualify to participate in the study. The majority of small businesses (80%) employed between 5 and fifteen workers and the average number of employees stood at 13. The majority (67%) of small businesses had been in operation for more than 10 years, with 31% indicating less than 5 years. The average number of years of operation reported by the participating small businesses was 15 years.

Discriminant Validity and Reliability Results

To determine the validity of the measuring instrument, an exploratory factor analysis was conducted to identify the unique factors present in the data, and as such to assess the discriminant validity of the measuring instrument. In identifying the factors to extract for the model, the percentage of variance explained and the individual factor loadings were considered. The items which loaded with factor loadings of greater than 0.5 onto one factor were considered significant. Only one item intended to measure *Business performance* did not load as expected. Factor loadings of between 0.754 and 0.704 were returned for the items loading onto this factor. A Cronbach's alpha coefficient of 0.845, which was greater than the lower limit of 0.7, was returned for *Business performance*. Satisfactory evidence of validity and reliability for the dependent variable was thus provided.

All the items intended to measure the factors *Proactiveness*, *Risk-taking*, and *Competitive aggressiveness* loaded as expected. However, two of the items that were originally intended to measure *Innovativeness* did not. Similarly, two of the items that were intended to measure *Autonomy* did not load as expected. These items were eliminated and were excluded from further analysis. As a result of the factor analysis and certain items being eliminated, the operational definitions of *Innovativeness* and *Autonomy* were rephrased.

Cronbach's alpha coefficients (CAs) were calculated to assess the reliability of the scales measuring the factors under investigation. According to Nunnally and Bernstein (1994), CAs of less than 0.50 are deemed unacceptable, those between 0.50 and 0.69 are regarded as adequate, and those above 0.70 are acceptable. CAs of greater than 0.70 were returned for all constructs. This suggested that the scales measuring *Innovativeness*, *Proactiveness*, *Autonomy*, *Competitive aggressiveness* and *Business performance*, were reliable. Table 2 summarises the operational definitions of the factors as well as details concerning the validity and reliability of the various scales.

Table 2

Operational definitions and validity and reliability results

Operationalisation of factors	**Items**	**Factor loadings**	**CA**
Innovativeness refers to the business regularly and continually introducing new products, services and processes, as well as making necessary changes in terms of product and service lines.	6	Max: 0.820 Min: 0.739	.826
Proactiveness refers to continuously scanning the business environment to identify future opportunities and future needs of customers; placing a strong emphasis on continuous improvement and being the first among competitors to introduce new products or services, administrative techniques and operating technologies.	7	Max: 0.818 Min: 0.726	.856
Risk-taking refers to being first among competitors to introduce new products and/or technologies; having a preference for and a willingness to commit to high-risk projects; and considering risk-taking a positive attribute.	7	Max: 0.783 Min: 0.758	.874
Competitive aggressiveness refers to being aggressive and intensely competitive; offensive in overcoming threats posed by competitors and initiating actions to which competitors respond; striving for first-mover advantage and being bold when facing uncertain situations.	7	Max: 0.779 Min: 0.767	.732
Autonomy refers to a situation in which employees are creative in solving problems and are encouraged to work independently using different steps from idea stage to completion.	7	Max: 0.754 Min: 0.710	.821
Business performance refers to the business showing growth in profits and turnover as well as being profitable, financially secure and achieving the financial goals set.	7	Max: 0.762 Min: 0.704	.845

Correlation coefficients

The correlation coefficient referred to as Pearson's product-moment correlation (*r*), was established to investigate the correlations between the variables (see Table 3). All the factors are positively and significantly ($p < 0.05$) correlated with one another. In relation to the dependent variable *Business performance*, the highest correlation was reported for the independent variable *Proactiveness* ($r = 0.429$), followed by the variable *Competitive aggressiveness* ($r = 0.421$). According to Taylor (1990:37), correlation coefficients from 0.36 to 0.67 represent moderate correlations, thus implying that *Proactiveness* ($r = 0.429$) and *Competitive aggressiveness* (r = 0.421) both had moderate associations with *Family Business performance*. *Innovativeness* ($r = 0.367$), *Risk-taking* ($r = 0.274$) and *Autonomy* ($r = 0.263$) each had low correlations with *Business performance* as reflected by their respective correlation coefficients.

Table 3

Pearson's Correlation Coefficients

Factor	**1**	**2**	**3**	**4**	**5**	**6**
1 Innovativeness	1.000	**0.674**	**0.517**	**0.491**	**0.279**	**0.367**
2 Proactiveness	**0.674**	1.000	**0.649**	**0.663**	**0.402**	**0.429**
3 Risk-taking	**0.517**	**0.649**	1.000	**0.597**	**0.582**	**0.274**
4 Competitive aggressiveness	**0.491**	**0.663**	**0.597**	1.000	**0.446**	**0.421**
5 Autonomy	**0.279**	**0.402**	**0.582**	**0.446**	1.000	**0.263**
6 Business performance	**0.367**	**0.429**	**0.274**	**0.421**	**0.263**	1.000

(Bold = p<0.05)

The extent to which the independent variables have a significant influence on the dependent variable was established by mean of multiple regression analysis.

Multiple regression analysis

Multiple linear regression analysis is a tool for predicting a dependent variable based on several independent or explanatory variables (Cooper & Schindler, 2007; Hair, Anderson, Tatham & Black, 1998) and as such, allows for the simultaneous investigation of the effect of two or more independent variables on a single dependent variable. Multiple linear regression analysis was performed to see whether the dimensions of entrepreneurial orientation, namely

Innovativeness, Pro-activeness Risk-taking, Competitive aggressiveness and Autonomy investigated in this study exerted a significant influence on the dependent variable, *Business performance.*

The results of the multiple regression analysis show that the five independent variables explain only 17.83% of the variance in *Business performance*. As can be seen in Table 4, a significant positive relationship was found between the independent variables, namely *Innovativeness* (2.1702; p<0.05), *Pro-activeness* (2.1573; p<0.05) and *Competitive aggressiveness* (2.6030; p<0.05) and the dependent variable *Business performance.* No relationship was, however, reported between *Autonomy* and *Risk-taking* and the dependent variable *Business performance*. Based on these results, support is found for hypotheses H^1, H^2 and H^4, but not for H^3 and H^5.

Table 4

Influence of the independent variables and Business performance

Dependent variable: Business performance			**R-Square = .1783**
Independent variables	**Beta**	**t-value**	**Sig.(p)**
(Intercept)	2.3275	5.8507	0.0000
Innovativeness	**0.2165**	**2.1702**	**0.0315**
Proactiveness	**0.2003**	**2.1573**	**0.0423**
Autonomy	0.0213	0.2528	0.9018
Competitive aggressiveness	**0.2215**	**2.6030**	**0.0316**
Risk-taking	-0.0051	-0.5454	0.4894

(Bold = p<0.05)

Discussion

The primary objectives of this study were to establish the level of EO of small businesses in retail sector in the Eastern Cape in terms of the five dimensions, and to establish the influence of this orientation on business performance. An exploratory factor analysis was undertaken to assess the validity of the measuring instrument and Cronbach-alpha coefficients calculated to establish the reliability of the measuring scales. EO was assessed in terms of *Innovativeness,* *Pro-activeness, Competitive aggressiveness*, *Autonomy* and *Risk-taking*. The aforementioned dimensions of EO (independent variables), as well as the dependent variable *Business performance* reported satisfactory evidence of validity and reliability.

The results of this study suggest that most of the small businesses participating in this study are entrepreneurially orientated in that innovative and competitive aggressive activities are being undertaken pro-actively in their operating efforts. As such most emphasise technological leadership, innovation and continuous improvement; regularly make changes to and introduce new processes, products and services; encourage creativity and experimentation; and continually pursue new opportunities. Furthermore, most are aggressive and intensely competitive; offensive in overcoming threats posed by competitors and initiate actions to which competitors respond; strive for first-mover advantage and are bold when facing uncertain situations. In addition, most allow their employees to function under autonomous conditions. As such they allow their employees to work independently and without continual supervision; allow them to make decisions; and to be flexible and creative in finding solutions.

However, only a small percentage agreed that they undertook risk-taking activities and very few had a preference for or a willingness to commit to high-risk projects. This reluctance to undertake in risk-taking activities is likely due to the fact that the majority of the businesses who participating in the study had been operating for more than five years (average of 15 years). Whether risk-taking activities are related to the age of the business is, however, not known and therefore, further investigation is necessary in this area.

The results of the multiple regression analysis showed that the independent variables *Innovativeness, Pro-activeness* and *Competitive aggressiveness* have a significant positive influence on the dependent variable *Business performance.* This implies that the more the business undertakes innovative and competitive aggressive activities proactively, the more likely the business is to experience success. No significant relationships were, however, reported between *Autonomy* and *Risk-taking* and the dependent variable *Business performance*. As such whether employees are given autonomy to carry out their jobs or not has not influence on the success of the business. Similarly, whether the business undertakes and encourages risky activities or not has no influence the success of the business.

Implications

This study has implications for both researchers and small business owners. The results of this study show that the independent variables *Innovativeness, Pro-activeness* and *Competitive aggressiveness* have a significant positive influence on the dependent variable *Business performance.* If retail businesses are to be successful they need to be innovative in terms of their process, products and services. Being innovative requires placing a strong emphasis on technological leadership, encouraging experimentation and creativity, and regularly introducing new lines of products and/or services.

Business success also requires that small businesses be competitive and aggressive in their interactions with competitors. In order to do this, small business owners should strive to do things before their competitors do and initiate activities to which their competitors react. In addition, small business owners should continually be on the offensive to overcome threats posed by their competitors as well as develop strategies that defend their market position.

Proactiveness is directly related to an increase in consumer satisfaction through the provision of better and improved products. *Proactiveness* also encourages initiatives which allow the business to acquire what Lumpkin and Dess (1996:146) describe as first-mover advantages. Retail businesses could implement proactive strategies such as introducing new products and brands ahead of their competition, to strategically eliminate operations which are in the mature or declining stages of the life cycle.

Limitations and Future Research

Several limitations of this study are highlighted. Firstly, individual responses were based on perceptions and on one-time self-report measures. Common method bias can potentially occur under these circumstances. However, the use of self-reporting does not necessarily lead to the problem of common method bias, and in many cases the bias may be so small that it does not jeopardise the validity of the results (Meade, Watson & Kroustalis, 2007). The authors, however, acknowledge that common method bias could have influenced the results of this study.

Secondly, the use of convenience sampling introduced a source of potential bias into the study. The findings can thus not be generalised to the entire small business population. Furthermore, this study is limited to small businesses in the Eastern Cape, and generalising the results to all South African small businesses may not be appropriate. Future studies should attempt to identify a database from which probability samples can be drawn, and include small businesses throughout South Africa.

The demographic profile of the respondents was also a factor to consider in this study. The majority of the respondents were from a single ethnic group, and thus not representative of all ethnic groups in the country. Future studies investigating the influence of EO should attempt to obtain a more balanced representation of the different ethnic groups. Possibly a comparison could be done to observe the differences in the levels of EO among small business owners from different ethnic groups.

Despite the limitations, this study has provided insights into the EO of small businesses in the retail sector in the Eastern Cape Province and the influence of being entrepreneurially orientated on business performance. Embracing the appropriate entrepreneurially orientated strategies is a step towards ensuring their future success. As such this study adds to the body of entrepreneurship knowledge and specifically to that relating to entrepreneurial orientation.

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