DOCTORAL DISSERTATION

BATE ADISU FANTA

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BATE ADISU FANTA

Thesis Summary

DOCTORAL DISSERTATION

On

Investigating the Effects of Entrepreneurial Orientation on Business Performance of Manufacturing SMEs in Ethiopia: The Configurational Approach

Supervisor: Dr. Danka Sandor
Faculty of Business and Economics
University of Pecs, Hungary

Co-supervisor: Prof. Pittaway Luke
College of Business
Ohio University
U.S.A

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Abstract

Entrepreneurial orientation (EO) is an ever-evolving trend in entrepreneurship and strategic management literature; however, little has been known in developing countries. Besides, even though the inextricable influence of EO on business performance has been widely debated, the results have been equivocal pertaining to factors such as national culture, access to financial capital, and market dynamism. The way national culture induces entrepreneurship and business growth remains contestable in the literature, and there is a considerable void concerning how national culture influences entrepreneurship in different countries. This dissertation, therefore, investigates the EO-performance relationship considering national culture, access to finance, and market dynamism in Ethiopia. Both qualitative and quantitative research methods are applied. In all research objectives, the configurational approach and models are pursued. A systematic literature review method was used to investigate the influence of national culture on entrepreneurship. Both hierarchical linear regression and PROCESS Macro moderation models were utilized to unveil the moderating role of the variables.

The systematic review shows that the national culture dimensions: individualism, long-term focus, indulgence, femininity, low uncertainty avoidance, and low power distance, are positively associated with entrepreneurship across countries. I argue that these are a set of pro-entrepreneurship cultural dimensions and propose that bundling these dimensions, not a single dimension, determines how well entrepreneurs do. Ethiopia's national culture is not pro-entrepreneurship because it shows an unfit configuration of high-power distance, very low individualism, high masculinity, high uncertainty avoidance, and low indulgence. It plays an inhibiting role in the performance of the country's SMEs. The study, therefore, suggests establishing a culture

reconfiguration program that goes beyond the usual entrepreneurial attitude training program.

Besides, the empirical result shows that Ethiopian manufacturing SMEs face a shortage of financial capital, political instability, lack of modern technologies, power supply disruptions, and poor market integration or networks, ranking them based on severity. As a result, a moderate level of EO is observed in SMEs. Since the SMEs are not strongly entrepreneurially oriented, adequate EO training on innovativeness, risk-taking, proactiveness, competitive aggressiveness, autonomy, and networking should be given to the owners or managers of the SMEs. EO shows a statistically significant and positive effect on business performance. Hence, SMEs should keep improving their EO to achieve higher business performance. The configurational analysis shows that with adequate access to capital and EOs, SMEs can achieve higher business performance even in a less dynamic environment. High market dynamism weakens the role of access to finance in the EO-performance relationship. Therefore, the configuration of access to finance, high market dynamism, and EO is, not necessary to achieve the desired business performance level.

The study makes invaluable contributions: theoretically, by advancing the discourse on the EO-performance relationship with moderating variables and embracing networking as a new EO dimension; contextually, by uncovering SMEs' challenges and suggesting how to improve the EO and business performance of SMEs in Ethiopia; and methodologically, by pursuing the configurational approach and integrating hierarchical linear regression, and PROCESS macro models with sensitivity analysis.

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CHAPTER ONE

1. Introduction

1.1. Research Background

In the second half of the 20th century, entrepreneurship research focused on defining entrepreneurship and exploring its roles in the economic growth of countries (Marshall, 1930; Schumpeter, 1934, 1942; McClelland, 1961). In the 1960s and 1970s, the focus was on the antecedents of entrepreneurial behavior and factors affecting entrepreneurs in startups, such as work experience, educational influence, family background, need for achievement, locus of control, self-efficacy, risk-taking propensity (Hagen, 1962; Conley, 1974; Weick, 1976; Lachman,1980). From the 1980s up to the whole 1990s, a considerable resource was committed to building and validating the constructs of entrepreneurial orientation (EO) dimensions, the alignment of EO and firm strategies models (Miller and Friesen, 1982; Miller, 1983; Miller and Toulouse, 1986; Covin and Slevin, 1988; Lumpkin and Dess, 1996). This shows that entrepreneurship implication extended from an economics point of view to firms' strategic management, especially after the discovery of EO.

During the 1990s, many studies were conducted on the entrepreneurial opportunity and its recognition and exploitation (Venkataraman, 1989, 1997; Shaver and Scott, 1991; Shane and Venkataraman, 2000). Since then, several researchers paid duly attention to explaining the relationship between EO-business performance and developing a conceptual framework with moderating variables (Covin and Slevin, 1989; Zahra, 2000; Wiklund, 1999; Zahra and Garvis, 2000; Wiklund and Shepherd, 2005; Awang, *et al*. 2010; Gebremichael and Kassahun, 2014; Wales, Gupta and Mousa,

2011; Buli, 2017). Following this research trend, this research investigates the effects of EO on small and medium enterprises (SMEs) business performance, considering the influence of moderating variables such as national culture, access to financial capital, and market dynamism. In addition to the established EO dimensions: innovativeness, risk-taking, and pro-activeness (Miller 1983; Miller, & Toulouse, 1986; Covin and Slevin, 1988), aggressive competitiveness and autonomy (Lumpkin, Cogliser, and Schneider, 2009; Johan and Sven, 2007; Buli, 2017), the newly suggested EO, networking (Saha and Hajela, 2015; Jianga, *et al*. 2018), is incorporated in this dissertation. The dissertation focuses on the EO-performance relationship in the context of the developing country, Ethiopia, and the data were collected from the country's manufacturing SMEs.

1.2.The Rationale for the Research

Ethiopia dreams to be a light manufacturing hub in Africa by 2026. Since 2010, the country has worked immensely on industrialization. It envisions reaching lower-middle-income countries by 2025 (National Planning Commission, 2016). Since 2004, it's among the fastest-growing economies in the world, and the economy has been growing by double-digits, on average 10.5% to 11%, which is much higher compared to 5 percent of Sub-Saharan Africa (UNIDO, 2013; Tekeba, 2018). It became the 7th biggest economy in Africa and the 69th in the world with 118.2 billion USD in GDP PPP as of 2013 (Tekeba, 2018). However, it has been declining since then because of the political unrest. In its Growth and Transformation Plan (GTP) I and II, from 2009/2010 to 2019/2020, building the capacity of manufacturing SMEs was the government's key policy area to create jobs, improve living conditions, promote export, enhance

competitiveness, and enhance the technological capability of the economy.

To ensure these, in 2016, the "Federal Manufacturing Small and Medium Industry Agency" was officially instituted by the Ethiopian government under the Ministry of Industry (Federal Negarit Gazette, 2016, p 8818). Though researching the challenges of SMEs is one of the agency's key activities, problem-solving research has not yet been done, especially in firms' entrepreneurial orientations: innovativeness, risk-taking, pro-activeness, and other EO dimensions. For example, Gebremichael and Kassahun (2014) studied entrepreneurial orientation and its effect on small enterprises getting evidence from the Tigray region of Ethiopia, and Yimer *et al.* (2019) conducted in the Amhara region of Ethiopia emphasizing the manufacturing sector with partial EOs and not considering influencing variables (see also Yehualashet, GE Chiloane-Tsoka 2015; Assefa, Zerfu, and Tekle, 2014; Buli, 2017; Tekeba, 2018).

Therefore, I realized that undertaking this dissertation on the EO of SMEs in the manufacturing sector is worth noting to support the government's development efforts by filling the research gap. Specifically, the textile industry is the key to domestic consumption as well as export trade to generate foreign currency (Yehualashet and Tsoka, 2015) and metal and woodwork (furniture) are well-regarded in job creation (Assefa, Zerfu, and Tekle, 2014; Buli, 2017). However, sectoral office reports show that they face numerous challenges including access to finance and market integration. Hence, I was convinced to investigate the EO and business performance of the SMEs in the textile and furniture industries.

1.3.The Objectives of the Study

The thesis has five objectives to achieve, which are categorized into three research themes as follows: the first research theme qualitatively deals with national culture and EO by applying a systematic literature review methodology. The objective is: -

- ✓ To investigate the influence of national culture on EO and business performance (objective1)

The second research theme addresses the challenges, practices, and significance of EO dimensions and their effect on the business performance of manufacturing sector SMEs in Ethiopia. The following objectives are met: -

- ✓ To investigate the challenges that affect SMEs' EO-performance relationship (objective 2)
- ✓ To assess the level of EO application of EO in Manufacturing sector SMEs in Ethiopia (objective 3)
- ✓ To assess how the dimensions of EO affect the business performance of manufacturing sector SMEs (objective 4)

In the third theme, the three-way interaction or configurative effect of access to capital, market dynamism, and EO on the business performance of manufacturing SMEs is investigated. The objective is:-

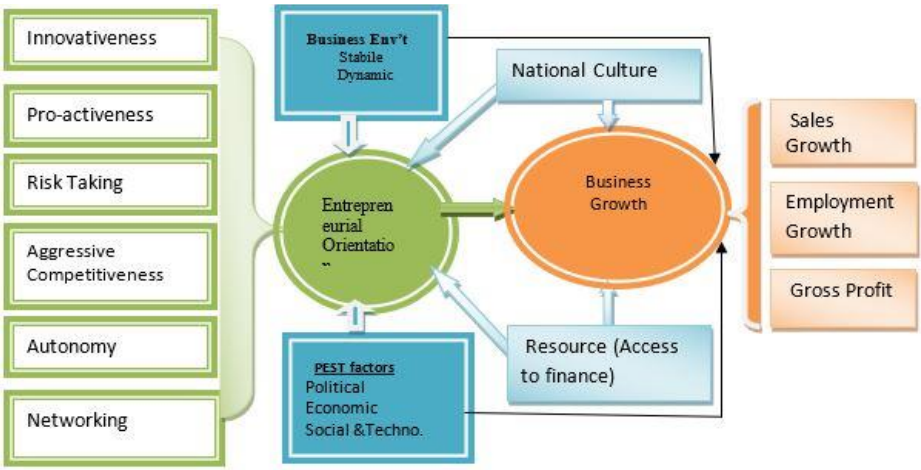
- ✓ To examine the moderating effect of access to capital and market dynamism on EO and business performance relationship (objective 5)

1.4.The Conceptual Framework of the Thesis

Based on the literature background, the research framework of the study is visualized in Figure 1.1 below. Those blue shaded in the figure, such as market dynamism, national culture, and PEST factors,

are moderating variables, but only the first two are emphasized to limit the scope of the study. From an organizational context, resource availability primarily accesses to finance, is studied as a variable that moderates the relationship between EO and business performance.

Figure 1.1 The Conceptual Framework of the Research



Source: Own Creation, 2020

1.5.The Chapterization of the Dissertation

This dissertation is organized into five chapters. The 1st chapter presents the thesis introduction. The 2nd chapter- presents the first research objective and the entire systematic literature review on national culture and entrepreneurship. The 3rd chapter deals with the empirical part of the thesis and addresses the study's second, third, fourth, and fifth objectives. The fourth chapter summarizes and concludes both theoretical and empirical analysis as per research themes. In the end, the fifth chapter displays the policy implications, contributions, limitations, and future research direction of the study from both the systematic review and empirical survey parts.

CHAPTER TWO

2. Entrepreneurial Orientation and National Culture

2.1. Introduction

National culture appears to be one of the predicting as well as moderating factors of entrepreneurial performance measured by sales growth, growth in profits, and market share of firms (Watson et al., 2019; Saeed et al., 2014) and economic growth of nations (Kedmenec and Strašek, 2017; Kreiser et al., 2010; Smale, 2016; Rauch et al., 2013; Peprah and Adekoya, 2020)**.** Nonetheless, the answer to the question is- *how do the dimensions of national culture affect the practice of the EO dimension?* remains far from consensus. This study follows Hofstede's national culture dimensions*: individualism versus collectivism, masculinism versus feminism, long-term versus short-term orientation, power distance, indulgence versus restraint, and uncertainty avoidance culture (Hofstede, 2011).*

2.2. Systematic Literature Review Methodology

2.2.1. The Search Strategy and Conceptualization

The study applies CIMO (context, intervention, mechanism, and output) approach for conceptualization. The concept emphasizes the practice of EO in a different national cultural context, focusing on developing countries to figure out pro-entrepreneurship cultural dimensions. Table 2.1 (in the main doc.) displays the CIMO concept development of the study.

2.2.2. The Keywords and Developing Search Queries

In addition to experts' suggestions, the keywords of EO and national culture adopted from various sources (e.g., Lumpkin and Dess, 1996; Lumpkin and Dess, 2001; Johan & Sven, 2007; Lumpkin, Cogliser, and Schneider, 2009; Kusumawardhani, McCarthy, and Perera, 2009;

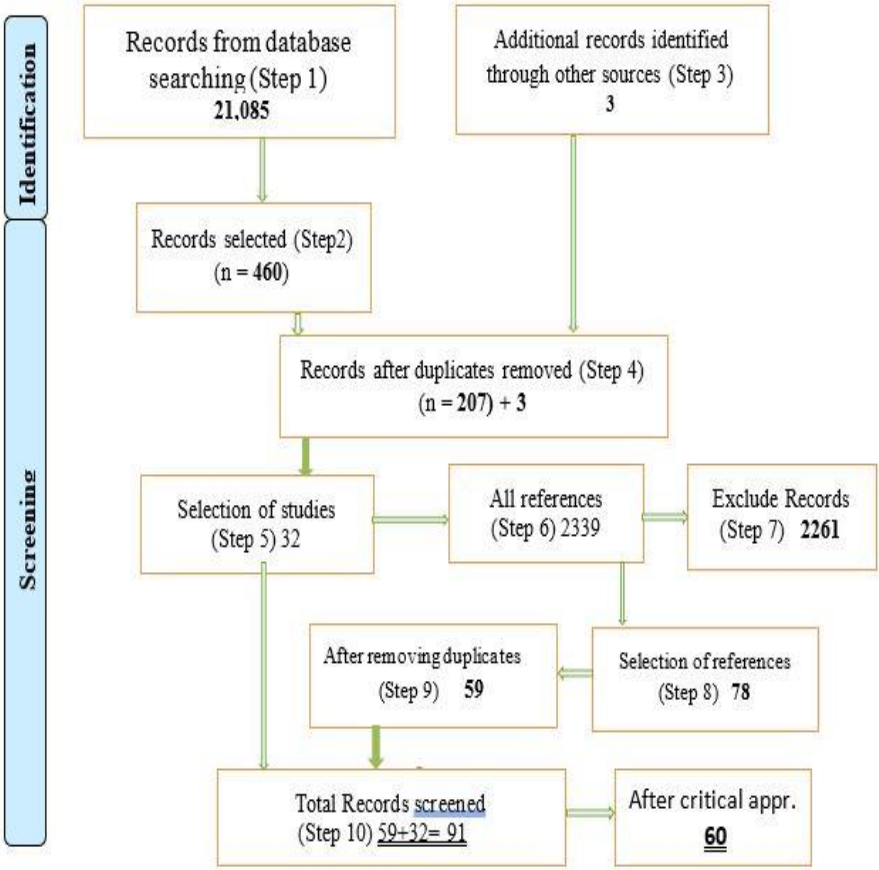
Kraus, Rigtering, Hughes, and Hosman, 2012; Buli, 2017; Yimer et al., 2019) are directly incorporated into the pool of search terms. Table 2.2. (see the main document) displays the series of keywords adopted and conceptualized to set search queries for database searches.

The search queries were tested in both Web of Science core collection and EBSCO databases. The three attempts were made to develop the best-yielding series of search queries. In the third attempt, the final 10 SQs were developed and tested to ensure the best-optimized result, displayed in Table 2.5 (see appendix 2. main doc.). In the inclusion/exclusion criteria, I included only those studies that address the relationship between entrepreneurship/entrepreneurial orientation and business performance and national culture and entrepreneurial orientation vis-à-vis business performance (refer to Table 2.7 main doc.).

2.2.3. The Summary of Search Results

The flow diagram, 2.1. depicts the flow of the search process through the different phases of a systematic review. It maps out the number of records identified, included, and excluded and the reasons for exclusions.

Figure 2. 1. PRISMA Flow Diagram



Source: Author's Creation, 2022

2.2.7. Study Quality Assessment

The study quality assessment tool, Table 2.8, and Table 2.9 (in the main doc.), was adopted from Littell et al. (2008), Pittaway et al. (2004), and Dixon-Woods et al. (2006). Based on the scales and criteria (Table 2.8 main doc.), the quality of each study was critically assessed and shown in Table 2.9 (appendix main doc.). The average

score of the five measures was calculated, and the selection of the final articles for extraction was decided by a cut-off point set by the review panel. The study results with the higher average was considered for data extraction.

2.2.8. Data Extraction The data extraction tool, Table 2.10 (see appendix 3), was developed and applied mainly following Brown (2006) and Green et al. (2013). The extraction of the relevant data was processed by Endnote and NVivo the software program.

2.3. Evidence Base of Data Analysis and Synthesis

Figure 2.2. visualizes the top one hundred words obtained from the text search of all target studies of this review. The key study variables such as culture, entrepreneurial orientation, and entrepreneurship, are well depicted, which gives additional assurance of study validity.

Figure 2.2. The Word Clouds of the Top 100 Words from the Articles

Source: **Own Review NVivo result, 2021**

Figure 2.8(main doc.). shows that entrepreneurial orientation and national culture are being studied mainly from Management 22(37%), Entrepreneurship 17(28%), and Economics 15(25%) points of view. The concepts of entrepreneurship had been embedded in management and economics, but in the last three decades, entrepreneurship has evolved as an independent field of study.

2.4. The Discussion of Review Findings

2.4.1. National Culture and Entrepreneurship

In summary, as seen in Table 2.10 (main doc.), individualism, long-term orientation, and indulgence are the national culture dimensions that positively affect entrepreneurial creativity, attitudes, abilities, aspirations, self-employment rates, and adoption and implementation of new technologies. On the other hand, masculinity, high power distance, short-term orientation, uncertainty avoidance, and restraint culture negatively influence entrepreneurship in these aspects. Therefore, I argue that the configuration of individualism, long-term orientation, indulgence, femininity, low power-power distance, and uncertainty avoidance is ideal for entrepreneurship growth in both organizational and societal contexts.

The following Table 2.11., portrays the relationship between innovativeness and national culture dimensions. Individualism, long-term orientation, and indulgence positively moderate innovation, whereas power distance and uncertainty avoidance negatively correlated to creation. This effect of national culture dimensions on innovation is moderated by pro-market institutions, regional entrepreneurial culture differences, stages of innovation (initiation and implementation), and the configuration of cultural profiles.

Table 2.11. The Effect of Cultural Dimensions on Innovativeness

Dimensions	References	Participants	Findings
Individualism	Xia and Liu, (2021)	19 countries over 2006 - 2011	-ve influence
	Taylor and Wilson, (2012)	62 countries	+ve influence
	Prim et al., (2017)	72 countries	+ve influence
	Castellani, (2019)	97 studies	+ve influence
Power Distance	Anning-Dorson, (2018)	2 countries: India and Ghana	No significant effect
	Prim et al., (2017)	72 countries	-ve influence
	Beyene et al., (2016)	Ethiopia	-ve influence
	Çelikkol et al., (2019)	82 countries	-ve influence
Long-term orientation	Prim et al., (2017)	72 countries	+ve influence
	Çelikkol et al., (2019)	82 countries	+ve influence
Indulgence	Prim et al., (2017)	72 countries	+ve influence
	Çelikkol et al., (2019)	82 countries	+ve influence
	Tehseen et al., (2021)	1 country, Malaysia, 450SMEs	+ve influence
Uncertainty avoidance	Xia and Liu, (2021)	19 countries	-ve influence
	Prim et al., (2017)	72 countries	-ve influence
	Beyene et al., (2016).	Ethiopia	-ve influence

Source: Author's creation, 2022

In summary, as Table 2.12., shows power distance, uncertainty avoidance, and long-term orientation negatively influence risk-taking, whereas individualism, indulgence, and masculinity positively influence the same.

Table 2.12. The Effect of Cultural Dimension on Risk Taking

Cultural Dimension	Reference	Participants/countries	Findings
Power Distance	Kreiser et al., (2010)	6 nations 1048 firms	-ve influence
	Haq et al., (2018)	79 countries	-ve influence
	Kuivalainen et al., (2010).	Systematic review	-ve influence
	Mihet, (2013)	51 countries	-ve influence
	Kutan et al., (2021)	Systematic review	-ve influence
Uncertainty avoidance	Kreiser et al., (2010)	6 nations 1048 firms	-ve influence
	Mihet, (2013)	51 countries	-ve influence
	Haq et al., (2018)	79 countries	-ve influence
	Gantenbein et al., (2019).	88 countries from 1998 to 2014	-ve influence
	Kuivalainen et al., (2010).	Systematic review	-ve influence
Long-term Orientation	Haq et al., (2018)	79 nations	-ve influence
	Gantenbein et al., (2019).	88 countries from 1998 to 2014	+ve influence
	Kuivalainen et al., (2010)	Systematic review	-ve influence
Individualism	Haq et al., (2018)	79 nations over 2000–2013	+ve influence
	Gantenbein et al., (2019)	88 countries from 1998 to 2014	+ve influence
	Mihet, (2013)	51 countries	+ve influence
	Breuer et al., (2014)	2 countries	+ve influence
	Chui et al., (2010)	50 countries	+ve influence
Masculinity	Haq et al., (2018)	79 nations	+ve influence
	Kutan et al., (2021)	Systematic Review	+ve influence
	Gantenbein et al., (2019).	88 countries from 1998 to 2014	-ve influence
Indulgence	Haq et al., (2018)	79 countries over 2000–2013	+ve influence
	Kutan et al., (2021)	Systematic Review	+ve influence

Source: **Author's Creation, 2022**

2.5. Summary of Findings

Based on Tables 2.10, 2.11, & 2.12. above, I summarize the influence of national culture on entrepreneurship and some of its orientations, as shown in Table 2.14. Individualism, long-term orientation, indulgence, femininity, low uncertainty avoidance, and low power distance positively affect entrepreneurship and its dimensions: innovativeness and risk-taking. The main variables that moderate this relationship are the distribution of entrepreneurial talents, the complementarity or configurations of cultural values, institutional environment, psycho-social factors and demographic variables, and implementation strategies and adoption of new technologies.

Table 2.14. The Effects of National Culture and Entrepreneurship and Its Orientations

Dimension of National Culture	Entrepreneurship In general	Innovativeness	Risk-Taking	Proactive
Masculinity	-	*	+	*
Individualism	+	+	+	-
Uncertainty Avoidance	-	-	-	-
Power Distance	-	-	-	-
Long-term orientation	+	+	**	*
Indulgence	+	+	+	*

N.B: * No enough evidence + positive influence
** Indifferent - Negative influence

Referring to Hofstede's national culture country comparison insight, with a high-power distance (70), very low individualism (20), high masculinity (65), high uncertainty avoidance (55), and soft indulgence (47), the national culture of Ethiopia is not pro-entrepreneurship culture. It could inhibit the innovativeness, risk-taking, and proactiveness of the SMEs.

CHAPTER THREE

3. Empirical Study and Hypothesis Development

3.1. Introduction

The empirical study follows the previous research trend of Wiklund and Shepherd (2005), Awang et al. (2010), Wales, Gupta, and Mousa, (2011), Gebremichael and Kassahun (2014), Saha and Hajela (2015), Buli (2017), and Jianga, *et al*. (2018). In this dissertation, I argue that to say firms are entrepreneurially oriented, they must be measured from six dimensions and proved innovative, risk-taker, proactive, aggressive competitors, autonomous, and networked, which forces us to develop sub-hypotheses under EO as shown below. Considering a single or some of the dimensions does not give a full picture of the frims' EO. Therefore, all the dimensions are tested as sub-hypotheses in the Ethiopian manufacturing SMEs context, which was barely scientifically studied previously.

3.2. Entrepreneurial Orientation and SMEs' Business Performance

Firms with higher EO levels outperform those which are at a lower level in it (e.g., Wiklund, 1999; McGrath and MacMillan, 2000; Rauch *et al.*, 2009; Lee & Lim, 2009; Lumpkin, Cogliser, and Schneider, 2009; Rigtering, et al. 2013; Laukkanen *et al*. 2013; Buli, 2017). Since similar scientific researches are rare in developing countries, I test the following hypothesis in the Ethiopian manufacturing SME context.

H1:There is a positive and statistically significant relationship between overall EO and the business performance of Ethiopian SMEs.

H1(a): Innovativeness as a dimension of EO exerts a positive and statistically significant effect on the performance of Ethiopian SMEs in the sector

H1(b): *Under the EO construct, risk-taking will have a positive and statistically significant effect on Ethiopian SMEs' performance*

H1(c): Pro-activeness has a considerable positive association with Ethiopian SMEs' performance.

H1(d): The EO dimension of competitive aggressiveness has a positive and significant relationship with Ethiopian SMEs' performance

H1 (e): Autonomy of EO will have a positive and significant relationship with the performance of SMEs

H1 (f): Networking exerts a positive and statistically significant relationship on the performance of SMEs in the sector

3.2.4. The Configurative Approach in the EO–Performance Relationship

The effect of EO on performance may be different depending on the level of volatility in the market (external) and resources within an organization (internal) (e.g., Zahra, 1993; Wiklund and Shepherd, 2005; Covin and Slevin, 1991; Venkatraman, 1989), which is tested in this study in Ethiopian manufacturing SMEs.

H2: The relationship between EO and small business performance is moderated by environmental dynamism. Small business performance increases with EO but is faster for those in dynamic environments.

H3: The relationship between EO and small business performance is moderated by access to financial capital. Small business performance increases with EO but is faster for those with greater access to financial capital.

H4: (a) Small business performance is explained by configurations of EO, access to capital, and environmental dynamism. (b) Small business performance is higher among firms with a higher degree of EO, greater access to financial capital, and dynamic environments

than other configurations. (c) Small business performance is lower among firms with a high EO, little access to financial capital, and a stable environment than for other configurations.

3.3. Research Design and Methodology

3.3.1. Data Types and Sampling

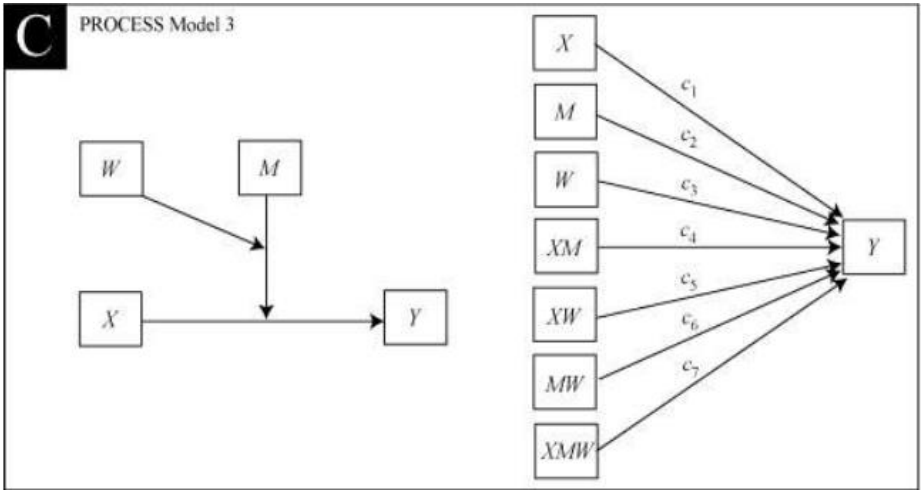
The research applied both quantitative and qualitative approaches. Both secondary and primary data sources were accessed for the analysis. The list of SMEs was obtained from the respective regional offices. A multistage sampling technique was adopted including purposive sampling, the cluster sampling technique, and finally simple random sampling was applied in the cluster to reach out to respondents. A total sample of 191 SME owners or managers were contacted in person by the researcher (me) and four data collection assistants. No questionnaire was sent through mail or email, and all questionnaire was filled in the presence of the researcher or the assistants; hence, there was no unreturned or void questionnaire. On top of descriptive statistics, inferential statistics, such as correlation coefficients, ANOVA, multiple regressions, and hierarchical linear regression were utilized to predict the strength, direction, and effects among IVs and DV. Moreover, PROCESS Macro moderation model 3 and model 2 (Hayes, 2012) were utilized to single out the moderation analysis.

3.3.2. **Model Development; the Configurational approach**

The dissertation addresses the configurational approach from both organizational and methodological perspectives. The configurational model in organizational analysis refers to the interlinked concurrent causation of independent variables against the outcome variable/s and their mutual interaction effects. The basic argument of this study is

that having more access to finance does not compensate for having less EO or human capital or market dynamism and vice versa. Methodologically, a moderated moderation analysis is applied to test whether the magnitude of an independent variable's effect on an outcome variable of interest depends on a third variable or set of variables (Hayes, 2012). Figure 3.1., below, shows that the EO of SME, the main interest independent variable (**X**), directly influences the perceived business performance success and the implicit interaction effect. However, the magnitude of its effect changes with the level of access to finance and its interaction with market dynamism. The impact of EO (**X**) on business performance (**Y**) can also depend multiplicatively on access to finance (**M**), and market dynamism (**W**), a situation that could be called moderated moderation but is better known as the three-way interaction.

Figure 3.1., The Conceptual and Statistical Models for Moderated Moderation



Source: Hayes (2012)

This would be tested by including the product of X, M, and W, along with the outcome of M and W.

$Y= i+ c_1X + c_2M+c_3W+c_4XM+c_5XW+c_6MW+c_7XMW+ey$……equation 1

Three-way interaction (moderated moderation) is present if c_7 is statistically different from zero (Hayes, 2012). Re-expressing equation 1 by grouping terms involving X and then factoring out X, as in

$Y= i+ (c_1+c_4M+c_5W+c_7MW)\ X+c_2M+c_3W+c_6MW+ey$…. equation 2

This shows that the conditional effect of X on Y is a multiplicative function of M and W: $c_1+c_4M+_{C5}W+_{C7}MW$. The conditional nature of the effect of X on Y could be understood by selecting various combinations of M and W of interest, deriving the conditional effect, and conducting a hypothesis test for the conditional effect at those combinations.

As alternative approach focuses on the conditional nature of the XM interaction as moderated by W. The conditional interaction between X and M can be derived from equation 1 by grouping terms involving XM and then factoring our XM:

$Y= I + c_1X + c_2M + c_3W+ c_5XW + {}_{C6}MZ + (c_4+c_7W)\ XM+ ey$…. equation 3

Thus, the conditional two-way interaction between X and M is c4+c7W. The inference is undertaken by selecting values of W and testing whether the conditional interaction between X and M is statistically different from zero at those values.

3.4. Hypothesis Testing of Correlation between EO and Performance

3.4.1. Hypotheses Test Result of EO Dimensions

Table 3.13. Hypotheses Test Result of EO Dimensions

No.	Hypothesis	Result	Decision
H1	H1: There is a positive and statistically significant relationship between overall EO dimensions and Ethiopian SME business performance	+ and significant	Accept
	H1(a): The EO dimension of innovativeness has a positive and statistically significant effect on the performance of SMEs	+ & significant	Accept
	H1(b): Under the EO construct, risk-taking will have a positive and statistically significant relationship on SMEs' performance in the sector	+ but insignificant	Reject
	H1 ©: Pro-activeness has a strongly significant effect and positive association with SMEs performance	+ & significant	Accept
	H1(d): The EO dimension of competitive aggressiveness has a positive and significant relationship with SMEs' performance	+ & significant	Accept
	H1 (e): Autonomy of EO will have a positive and significant relationship with the performance of SMEs	+ but insignificant	Reject
	H1 (f): Networking exerts a positive and statistically significant effect on the performance of SMEs in the sector.	+ & significant	Accept

Source: **Own Survey, 2021**

3.4.2. Hypothesis Testing Result of Moderation and Conditional Effects

Based on the hierarchical linear regression results and PROCESS Macro moderation analysis, the testing results of H2, H3, H4(a), H4(b), and H4 (c) are presented in the following Table 3.12.

Table 3.11. Hypothesis Testing Results of the Moderation Effects

No.	Hypothesis	Result	Decision
H2	The relationship between EO and small business performance is moderated by market dynamism. Small business performance increases with EO but is faster for those in dynamic environments.	Not supported	Reject
H3	The relationship between EO and small business performance is moderated by access to financial capital. Small business performance increases with EO but is faster for those with greater access to financial capital.	supported	Accept
H4	(a) Small business performance is significantly explained by configurations of EO, access to capital, and market dynamism.	Not Supported	Reject
	(b) Small business performance is higher among firms with a higher degree of EO, greater access to financial capital, and dynamic environments than other configurations.	Not supported	Reject
	(c) Small business performance is lower among firms with a high EO, but little access to financial capital, and a stable environment than other configurations.	Supported	Accept

Source: **Own Survey, 2023**

3.5. Summary of Results

3.5.1. The Challenges of Manufacturing SMEs in Ethiopia (objective 2)

The SMEs have only 10 % of customers and suppliers who come to buy or supply from other regions within the country. Their operational capacity is limited regarding economies of scale, the capital paid in, and the employees engaged. On top of COVID-19, the SMEs suffer from the following challenges, ranked based on severity: lack of sufficient financial capital, political instability, lack of modern technologies, power-supply disruption, and lack of market integration or networking.

3.5.2. Assessing the Level of EOs in Manufacturing Sector SMEs in Ethiopia (objective 3)

The SMEs in the textile and wood and metal industries in Ethiopia are not strongly entrepreneurial-oriented. The study reveals a moderate level of entrepreneurial orientation. They, relatively, perform better in being innovative, proactive, and autonomous, but they are low in risk-taking, not aggressive in competition, and poorly networked.

3.5.3. The Relationship between EO and Business Performance (objective 4)

EO, including the networking dimension, shows a statistically significant and positive correlation with business performance ($r=.192^{**}$, $p= .008$). H1, thus, is supported and accepted. Most EO dimensions: innovativeness, proactiveness, competitive aggressiveness, and networking are positively and significantly correlated with the perceived SMEs' business performance. Thus, H1(a), H1 (c), H1(d), and H1 (f) are supported and accepted. Similarly, several researchers claimed a positive relationship between

firm performance and innovativeness (e.g., Kusumawardhani, McCarthy, & Perera, 2009; Kraus, *et al.* 2012) and proactiveness and exploiting business opportunities (Buli, 2017) and business success (Yimer *et al.* 2019). Whereas H1(b) and H1 (e) are rejected because risk-taking and autonomy, respectively, show a positive correlation with the SMEs' business performance; however, the strength of the correlation is weak.

3.5.4. The Moderation Effects of Access to Finance and Market Dynamism in EO-performance (Objective 5)

From the main-effect to the contingency model, access to finance and the interaction of access to finance and EO remain significant moderators against business performance. Therefore, we accept H3 and argue that the relationship between EO and SME performance is moderated by access to financial capital; hence, small business performance increases with EO, but at a faster rate for those with greater access to financial capital. However, market dynamism across models does not significantly contribute to business performance, leading us to reject H2. This means that the dynamism in the market, such as a change in customer demand or technologies or rivals or products, is not a precondition to attaining a maximum output from EO.

The effect of the three-way interaction of EO, high market dynamism, and access to finance on business performance is insignificant. This shows that it is not always necessary to have a configuration of a highly dynamic market, higher access to finance, and EO to obtain a higher business performance. This result, thus, leads us to reject H4 (a) that small business performance is explained by configurations of EO, access to capital, and market dynamism. The small business performance is higher among firms with a higher degree of EO,

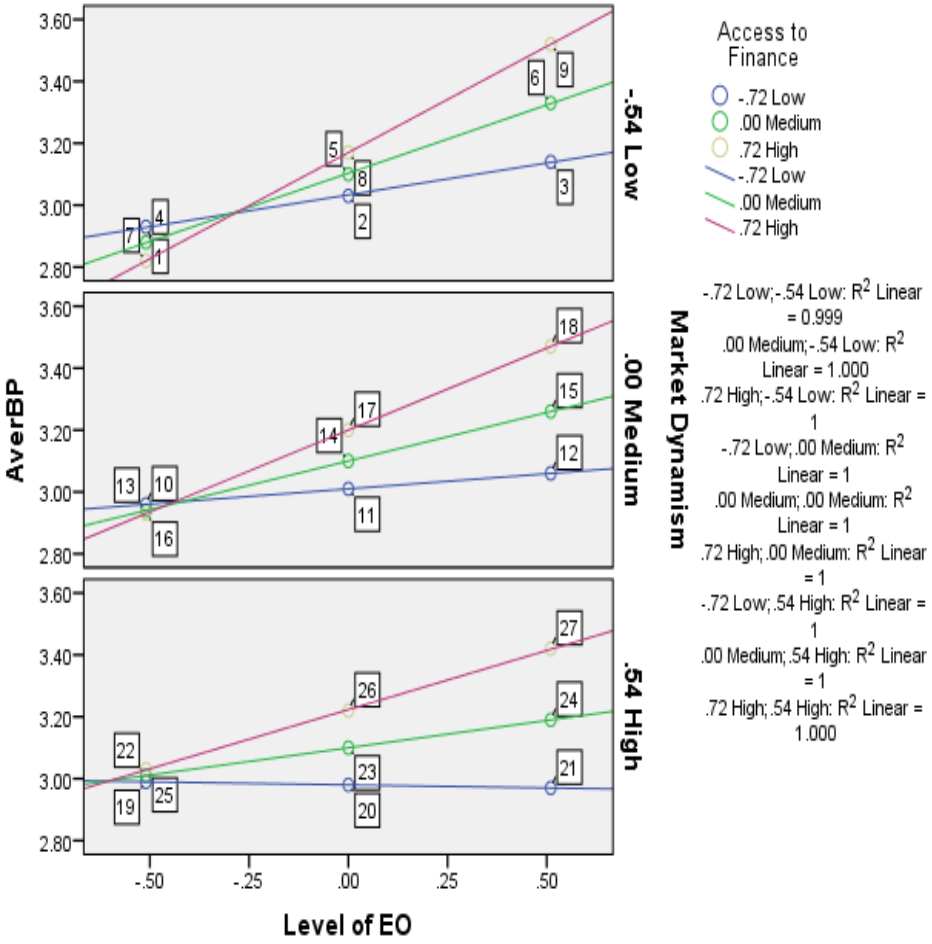
greater access to financial capital, and less or moderate dynamic environments than other configurations, which is against H4b. On the other side, the effect of EO on business performance gets decreased if there is a high market dynamism and low access to financial capital. Hence, I argue that high market dynamism weakens the role of access to finance in the EO-performance relationship. Besides, low access to financial capital weakens the role of EO on performance regardless of market dynamism level, which supports H4c. Moreover, the acceptance of H4c indicates that a low market dynamism along with insufficient access to capital can weaken the effect of EO on business performance. In developing countries, firms need more internal strength and resources like access to finance than market dynamism.

Table: 3.20. The Conditional Effect of the Interaction of MD and AF on EO-performance: the Configuration Model

Market Dynamism	**Access to Finance**	**What happened with the effect of EO on BP?**
Low	Low	EO does not significantly predict
Low	Average	EO significantly predicts BP
Low	High	EO significantly predicts BP
Average	Low	EO does not significantly predict
Average	Average	EO significantly predicts
Average	High	EO significantly predicts
High	Low	EO does not significantly predict
High	Average	EO does not significantly predict
High	High	EO does not significantly predict

Source: **Own survey result, 2022**

Figure 3.3. The Visualization of the Three-way Interaction of IVs and DV



Source: **Own Survey Result, 2022**

CHAPTER FOUR

4. Conclusion

The dissertation has been organized into three research themes. The first theme dictates the influence of national culture on entrepreneurial orientation and answers the following research questions: How does national culture influence entrepreneurship and the EO of firms? Do the practices of EO vary based on national culture, and how does it affect the EO dimensions of SMEs in Ethiopia? The second theme discusses the application and significance of EO in different industries with a focus on manufacturing-sector SMEs and answers the following questions: What are the main challenges facing manufacturing SMEs that affect their EO and business performance? How much EO is practiced in these SMEs? How does EO affect their business performance? In the third theme, the effect of EO on the business performance of manufacturing SMEs, along with moderating variables, is addressed, and the following question is answered: How does the configuration of market dynamism, access to capital, and EO affect the business performance of Ethiopian SMEs?

For the first research theme, related to the first study objective, a systematic literature review methodology was employed to investigate national culture's influence on entrepreneurship. Besides, for the second and third themes, an empirical investigation was conducted on the EO-performance relationship, considering access to finance, market dynamism, and human capital in Ethiopian manufacturing SMEs. The configurational approach is pursued to achieve the research objectives of the thesis. Survey data were analyzed using hierarchical linear regression models and PROCESS Macro

moderation models to uncover the moderating role of market dynamism and access to finance on the EO-performance relationship.

In addressing the first theme's questions, the review reveals that individualism, long-term orientation, indulgence, feminism, low uncertainty avoidance, and a low power distance culture are positively associated with entrepreneurship across both developed and developing countries (configuration 1). I propose them as a set of pro-entrepreneurship cultural dimensions and argue that bundling these cultural dimensions makes a difference in entrepreneurial performance, not an isolated effect of individual dimensions. Since the configurational approach accommodates equifinality - the idea that different forms can be equally effective, relying on the SLR findings, I argue that the same outcome can be expected from a collectivistic culture complemented with masculinity, high power distance, low uncertainty avoidance, and a long-term orientation if collectivism is associated with nationalism or country-belongingness, not localism or familism (Configuration 2). With a high degree of power distance, very low individualism, high masculinity, high uncertainty avoidance, and low indulgence, Ethiopia's national culture is not pro-entrepreneurship. It plays an inhibiting role in the SMEs' innovativeness, risk-taking, and proactiveness. Therefore, I recommend developing the pro-entrepreneurship cultural bundling program, beyond the usual entrepreneurial attitude training programs.

In response to the second theme's questions, related to the second study objective, the empirical survey shows that Ethiopia's small and medium-sized enterprises (SMEs) in the textile and furniture (wood and metal) industries are hurt by a lack of financial capital, political instability, a lack of modern technologies, power supply disruption, and a lack of market integration or networks. Respondents ranked

these problems in order of how bad they are. Therefore, appropriate actions should be taken accordingly. Besides, in achieving the third and fourth study objectives, related to H1, the Ethiopian manufacturing SMEs show a moderate level of EO. Since SMEs are not strongly entrepreneurially oriented, industry-specific EO training should be given to the SMEs owners or managers on how to become innovative, risk-takers, aggressively competitive, proactive, autonomous, and networked. As EO shows a statistically significant and positive effect on business performance, I recommend SMEs keep improving their EO to achieve higher business performance.

In the third theme, related to the fifth study objective and H2, H3, and H4, the moderation role of market dynamism and access to finance is assessed. In PROCESS Macro moderation analysis, high market dynamism negatively affects the role of access to finance in the EO-performance relationship. Controlling for firm age, size, managerial experience, and industry type - if the SMEs have adequate access to capital and a moderate level of EOs, they can achieve a higher level of business performance even in a stable or less dynamic market (configuration 3). Firms cannot achieve a significant performance level in a highly dynamic market with a weak EO even if there is moderate or high access to finance (Configuration 4). Therefore, the configuration of high market dynamism, access to finance, and EO is not required to achieve the desired business performance. I recommend maintaining a moderate, if not low, level of market dynamism that can be predicted for fully applying EO, which includes setting plans proactively, taking a calculated risk, competing aggressively, and introducing innovative solutions.

Across models, access to finance positively moderates and strengthens the relationship between EO and small business

performance. Small business performance improves with EO but at a faster rate for those who have more access to financial capital. This shows that controlling for the above-mentioned control variables, human capital, and market dynamism, adequate access to capital coupled with firms' higher EOs could lead to better performance (configuration 5). Access to finance remains the key determinant for EO and business growth. Notably, all EO dimensions need resources to implement; hence, there should be adequate access to finance. Innovativeness needs experiments and R&D; risk-taking goes with making risky investments that may cost enormous resources and require loan applications; proactiveness is associated with conducting market need assessments and consumer surveys; competitive aggressiveness entails taking an offensive position, including price and quantity discounts and various promotions; autonomy involves employee training, practice on self-decision, and information accessibility; and networking costs commission, membership, and subscription fees, internet bills, and may need hiring additional IT-oriented staff.

CHAPTER FIVE

5. Implications, Contributions, and Future Research Direction

5.1. Policy Implications

To boost the SMEs' business performance and thus economic growth, as the study implies, I recommend the following actions to be taken by the government sectoral offices, concerned development agents, and SME owners or entrepreneurs:

I) Initiate Regional and National Pro-entrepreneurship Cultural Bundling Program

Cultural bundling is an intrinsic configuration of cultural values complementing each other in promoting entrepreneurial orientation. I recommend establishing a culture reconfiguration program on Configuration 1 if individualistic-based and Configuration 2 if collectivistic-based culture as identified above in Chapter 4.

II) Prioritize the SME challenges affecting EO and Business performance

As respondents ranked the intensity: 1st, insufficient financial capital; 2nd, political instability; 3rd, a lack of modern technologies; 4th, power-supply disruption; and 5th, a lack of market integration or poor networking.

II) *Support and Train to Enhance EOs including Networking*

Since the SMEs are not strongly entrepreneurially oriented, adequate industry-specific EO training should be given to the SMEs' owners or managers. The emphasis should be given to all dimensions of EO: innovativeness, risk-taking, proactiveness, autonomy, competitive aggressiveness, and networking.

III) Provide Continuous Technical Capacity Building Program

The SMEs need technical and vocational training, especially in machine operation, maintenance, and repair. Additionally, as seen from the reports of most of the studied regions, there is a shortage of skilled workforce, engineers, and technicians to control and fix problems with machines being used by the SMEs.

IV) Increase the Access to Finance for SMEs

In the overall lending portfolio of the country, SMEs account for only 7%, which is very low compared to other developing countries (16%). To address the financial capital void of these "missing middle," SMEs, microfinance institutions should upscale their services to small businesses, and commercial banks should downscale their services to medium-sized businesses. For alternative financing suggestions, see Appendix Table 5.1.

VI) Reform the SME Administrative Structure

Fill the offices with skilled supportive staff. The formation and structure should not exclusively be based on the relationships and friendships of founding members. To mount skill sets and increase their financial leverage, the minimum number of members or employees & initial capital to run the SMEs should be also increased and diversified. Currently, for small-sized businesses, the minimum requirement is 6 employees or members with an initial capital of 100,001 Birr, here I suggest making it 11 and 200,001 Birr, respectively. For medium-sized businesses, the minimum is 31 employees with an initial capital of 1,500,001 Birr; here I suggest making it 41 and 2,000,001,

respectively. I argue that the smaller the SMEs, the more they are exposed to bankruptcy due to shocks, and vice versa.

VII) Maintain a Moderate level of Market Dynamism

Policymakers should consider market dynamism when applying EO. It affects both those who seek access to finance(SMEs) and those who provide it (financers). High market dynamism negatively affects or weakens the role of access to finance in EO-performance relationships and the application of EO may backfire in a volatile market. Market dynamism can be controlled by taking anti-inflationary measures, controlling industry entry and exit barriers, pace of technology transfer and innovation rate, disseminating knowledge from R&D activities, and increasing networking capacity.

5.2. The Theoretical, Contextual, and Methodological contribution

The study offers invaluable contributions: theoretically, in advancing the discourse on EO-performance with moderating variables and inculcating networking as a new EO dimension; contextually, by uncovering the challenges of SMEs and shedding light on how to improve the EO and business performance of the SMEs in Ethiopia; methodologically, on top of descriptives, applying hierarchical linear regression and PROCESS macro model 3 for configurational analysis is a new methodological approach that helps to get re-boost results and increase the reliability of the results. Further research should assess the effect of market dynamism on providing access to finance for firms from financers' perspectives. Further description of contributions, limitations, and future research directions can be found in the dissertation.

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Conferences and Workshops

- **Presentation in the** XII International Conference on Social and Technological Development (STED 2023)**;** Trebinje, Leotar Hotel**,** Republic of Srpska, **Bosnia and Herzegovina**, June 15-18, 2023 (to be).
- Camp counselor for Camp 2030, a Six-day Global Innovation Lab for United Nations Sustainable Development Goals during United Nations General Assembly Week in New York, September 10-18, 2022, **USA**
- Participated and presented case studies in the Ph.D. workshop on Research Methodology, June 05-11, 2022, Warsaw, Poland
- Presented research paper on the Entrepreneurial Ecosystem of BRICS with a focus on South Africa, on June 9, 2022, Moscow, **Russia** (Online)
- Participated in International Company Analysis, Ohio International Summer Consulting Program, **USA**, in collaboration with the University of Pecs, July 1-30, 2021 (Online)
- Presented at the 9th Ph.D. students conference of the Hungarian Society of Economics at the University of Pecs, 10-11 September 2021, **Hungary**
- Participated and presented case studies in Academic Writing Workshop for Ph.D. in Management and Economics, September 2020, University of Vienna, **Austria** (CESEENet Ph.D. Workshop)
- Participated in Academic Writing, Publication, and Journal Reputability, December 2017, Organized by Wolaita Sodo University, **Ethiopia**

- Presented research work on the contextual analysis of HRM practices in foreign-owned firms in Romania, 2nd Ferenc Farkas International scientific conference, October 2020, **Hungary**
- Presented research paper on the Dichotomy Between Entrepreneurial Leadership and Transformational Leadership at 8th International Doctoral Conference 2019, organized by the University of Pecs, November, 2019, **Hungary**
- Presented researcher paper on the effect of the global financial crisis of 2007/2008 on businesses; pre-& post scenario analysis at the conference of Economic Challenges 2020, RICE Ph.D. seminar, organized by National University of Public Service, Sept. 2020, **Hungary**
- Presented research paper on Entrepreneurs incubation strategies at Entrepreneurship and Business Incubation Conference, organized by Wolaita Sodo University, June 2017, **Ethiopia**
- Presented in an Entrepreneurship development seminar, organized by the College of Commerce and Management Studies, Andhra University, September 2014, Visakhapatnam, **India**