

ENTREPRENEURIAL ORIENTATION AND PERFORMANCE OF WOMEN OWNED AND MANAGED MICRO AND SMALL ENTERPRISES IN SOMALIA

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ABSTRACT

Innovative and proactive firms that manage risk in rational way will be more successful by capturing opportunities that rise in changing environment and develop new capacity to attain better performance. All these characteristics are formed by entrepreneur orientation. The main aim of this study is to examine the role of entrepreneurial orientation on performance of women owned and managed enterprises in Somalia. Specifically, the study investigates the effect of 1) innovation, 2) risk taking; and 3) Pro-activeness of entrepreneur orientation on business performance. By using purposive sampling, 200 women from women owned companies in Somalia participated in the study. The findings indicate that innovation ($\beta = .362$, $t = 4.697$, $p < .001$) and risk taking ($\beta = .214$, $t = 2.894$, $p = .004$) were found to have statistically significant and positive effect on firm performance, whereas Pro-activeness has no influence on firm performance ($\beta = .045$, $t = .576$, $p = .565$). Future research scope and implications are further discussed.

KEYWORD: Entrepreneurial orientation, innovation, Pro-activeness, risk taking, firm performance, women owned enterprises, micro enterprises.

1. INTRODUCTION

This current study will carry out to examine the entrepreneurial orientation dimension's relationship with performance indicators among Somali women owned and managed micro and small enterprises In South-central regions.

According to Ahmed (2011) "Women, entrepreneurs are women who can play a significant role in fostering economic and social development, particularly in the small business sector." Mordi & Okafor (2010) "Women entrepreneurs are women who participate in total entrepreneurial activities, and take the risks involved in combining resources in a unique way to take opportunity

identified in their immediate environment through production of goods and services." The definition of women entrepreneurs in this study is adapted from Nawaz, (2010), and it refers to "women, who innovate, imitate or adopt a business activity."

"In Somali community, women are traditionally seen as the backbone of the family, the primary care giver looking after the household and children, while the man protects and provides for the family and acts as its decision maker and representative in the community". (Ali, 2012) However, the situation changed after the collapsed central government in mid 1990, Somali women become more active in variety of places, including entrepreneurship.

According to Abdel Hafiez & Ali, A. Y. (2013) "Somali Women-owned businesses are highly increasing in the economies of almost all regions in the country; the hidden entrepreneurial potentials of women have gradually been changing with the growing sensitivity to the role and economic status in the society"p59.

The today's business world has changed into a rapidly and increasing hostile and competitive environment and posted a challenge for organizations. The globe has evolved into an effort of an entrepreneurial economy; the formation and creation of new firms is at the midpoint of activity (Chung-wen Yang, Taiwan). The premise of Entrepreneurial orientation is that entrepreneurial company differs from other kinds of companies; Successful business entrepreneurship must have an entrepreneurial orientation (Covin & Slevin 1989; Wiklund1999; Wiklund and shepherd, 2003).

EO refers to the willingness and preference of firm manager/owner to take risks, favors innovation and change, as well as competes effectively with other businesses in same industry. On the other hand, (Koontz and Donnell, 1993) referred organizational performance as the ability of a firm to accomplish its goals such as high profit, quality product, large market share, good financial results, and survival at pre-determined time using a compatible strategy for action. Although the entrepreneurial orientation topic has fascinated increasing interest, the majority publication in the field has men enterprises, According to our best knowledge not single study focused in women entrepreneurs owned and running micro and small enterprises. Therefore, the objectives of this study are:

1. To determine the impact of innovation on performance Somali women entrepreneurs in Banadir region.
2. To investigate the impact of risk- taking behavior on performance Somali women entrepreneurs in Banadir region.
3. To examine the impact of pro activeness on performance of Somali women entrepreneurs in Banadir region.

2. LITERATURE AND HYPOTHESIS DEVELOPMENT

2.1: Entrepreneurial orientation and firm performance

Different authors have adopted different definition so most uniform definition that currently is used refers entrepreneur orientation as organization's strategic orientation that covers entrepreneur's actions in decision making methods, process and practices.

Lumpkin and Dess (1996) defined as entrepreneurial orientation as process, practice and decision making activity that lead to new entry.

Zara and Covin (1995) defined entrepreneurial orientation as potential means of refreshing and stimulating existing company, this is done through means of innovation , risk taking and pro activeness in competitive environment.

Most researches directed to entrepreneur orientation such miller (1983) , covin and silver (1989), Lumpkin and Dess (1996) ,wiklund(1999), lee and chio (2000), Kreiser et al.,(2002), investigated the impact of entrepreneur orientation with different dimensions on business performance they found that entrepreneur orientation has positive relationship with business performance. Entrepreneur orientation is positively correlated to business performance but varies with variation of culture and personality traits (Rauch et al, 2004).

2.2: Innovation and its relationship with performance of women owned micro and small enterprises

According to Schumpeter (1934), innovation is widely known as new or improved products, production of techniques, organization of structures, discovery of new markets and the input of new factors. From the above view, we can deduce that innovation is the cornerstone of every business. In addition, innovation itself is a very broad concept and as a result, various classifications of innovation have been developed and applied in the economic field (Cumming, 1998; Gurnet et al., 1997; Johannessen et al., 2001).

In the last decade, organizations have focused on Research and development (R&D) budgets to search for valuable strategies, implement, and utilize them in order to increase competitive advantage, achieve business performance and gain organizational sustainability in the changing environments (Ussahawanitchakit, 2012). These valuable strategies became considerable tools in helping them succeed, survive, and sustain in the competitive markets.

Innovation can't be considered in isolation, innovation is influenced by firms resource whether it's financial or none financial resource, number of studies highlighted that firms that are financial constrained encounter difficulties in pursuing innovation (Hafeezet al.,2012).

Firms that embrace and manage innovation in a effective manner have superb performance than those have less innovative entrepreneur Hafeez (2012), however innovation is more or less correlated to firms performance thus:

H1: Innovation has positive influence on performance of women owned and managed Micro and small enterprises in Somalia

2.3: Pro-activeness and its relationship with performance of women owned micro and small enterprises

Pro-activeness involves taking responsibility and doing whatever it takes to ensure an entrepreneurial venture produces successful outcome and it also involves insistence, flexibility and readiness to assume responsibility for failure (Morris, 1998)

According to Vankatraman (1989) pro-activeness is core ingredient of entrepreneurship; he stated that pro-activeness is seeking new opportunities that are not restrained to current operation, so entrepreneurs are required to keep their eyes in horizon and to take benefits of upcoming opportunities along with affectively competition in current market.

The relationship between organizational performance and Pro-activeness among firms at early growth stages revealed a positive effect on business performance (Hughes & Morgan, 2007), and this highest relationship between Pro-activeness and firm performance was observed when compared with other EO dimensions (Kreiser, et.al., 2002 and Hughes & Morgan, 2007).

An investigating on Pro-activeness and firm performance in South Africa revealed that there is a positive significance relationship between Pro-Activeness and business success (Krauss et.al. 2005) thus:

H2: Pro-activeness has positive influence on performance of women owned and managed Micro and small enterprises in Somalia

2.4: Risk taking and its relationship with performance of women owned micro and small enterprises

The debate regarding what the most appropriate level of risk taking is, and what affect this activity has on firm performance, has varied (Hughes and Morgan, 2007; Zahra, 1993). Some have argued that increased risk taking behavior beyond a particular level may be detrimental to firm performance (Miller and Friesen, 1982), while others suggest that contingent rather than direct relationships are likely to lead to a more accurate explanation of performance (Lyon et al., 2000). Overall, the benefits of risk taking towards firm performance have been established, but how this can be best leveraged, requires further exploration. Trkman, (2009) noted that performance measure is indispensable for entrepreneurial and small firms because it helps them to ascertain the success or failure of the firm and also acts as an indicator to achieve sustainable improvement in entrepreneurial and business activities. Accordingly, Murphy, Trailer and Hill (1996) argued that “accurate performance measurement is critical to understanding new venture and small business success and failure”. However, generally, the concept of performance is very hard to operationalized in the field of research most especially in the field of entrepreneurship and small business. Even though the relationship between risk taking and firm performance is not as obvious as the previous ones, research suggest that when looking in the long run variations in the projects' performance the relationship can go in the favour of a positive link between these two concepts (March, 1991; McGrath, 2001). Thus:

H3: Risk taking has positive influence on performance of women owned and managed Micro and small enterprises in Somalia

3. METHODOLOGY

3.1: Research design and Sample

In this survey we intend to identify the relationship between entrepreneurial orientation and firm performance owned by Somali women. To test the hypotheses, a survey was conducted using questionnaire. The survey of this study was conducted on women entrepreneurs owned and managed Micro and small enterprises in Somalia.

In order to explore the impact of entrepreneurial orientation on the performance of Micro and Small firms; samples of 270 questionnaires were distributed. The survey included questions designed to assess firm's entrepreneurial orientation and their impact of firm performance.

3.2: Measurement of variables

Entrepreneurial orientation is evidenced through visible entrepreneurial tendencies toward innovation, pro activeness and risk taking; EO was measured using a nine item, five point interval scale type scale ranging from strong agreement with the question to strong disagreement adopted from (Knight 1997). Each dimension of entrepreneurial orientation, proactiveness, innovativeness and risk taking, was described by three questions

Firm performance is measured through six indicators which are sales growth, market share, Profit to Sales Ratio Market Development and New Product Development using five point interval scale type scale ranging from 1 indicates that you are highly dissatisfied with the performance of your firm, selecting a 5 indicates that you are highly satisfied with the performance of your firm, and a selection of 3 indicates neutrality.

3.3: DATA ANALYSIS TECHNIQUES

This section describes the data analysis procedure, after answered questionnaires were returned to the researcher. The Statistical Package for Social Science (SPSS Version 16.0) software was used to process and compute the collected data. Both descriptive statistics such as frequency, and inferential statistics such Cronbach's Alpha, Pearson correlation were used for analyzing the data and Regression analysis to test the hypothesis.

3.4: Reliability and validity test

The reliability test conducted to determine the internal consistency of the measures used, the

NO.	VARIABLE	N	Items	CRONBACH'S ALPHA
1.	Innovation	200	3	.714
2.	Pro-activeness	200	3	.769
3.	Competitive aggressiveness	200	2	.770
4.	Autonomy	200	4	.816
5.	Firm Performance	200	6	.819
6.	Overall Alpha	103	35	.886

table 1 shows that all variables have Cronbach Alpha values of more than 0.7. which makes all variables accepted, internally consistent and the scale deemed reliable for further analysis.

Table 1: Reliability test

4. FINDINGS AND DISCUSSION

The researchers distributed 270 questionnaires across Banadir region based on the sample above; fifty respondents did not answer the survey. 220 questionnaires were returned. twenty of them were not complete. Thus, the researchers analyzed 200 questionnaires. The response rate was 74 percent.

4.1: Characteristics of respondents

As shown in table 2 the age of respondents, 48.5% of the respondents were between 25-35 years old, 41% were between 36-45 years old whereas 10.5% are above 46 years. In terms of educational background, near to half of the respondents (46%) had below secondary, 35% had secondary certificate and 19% had university degree. in terms of marital status majority of women entrepreneurs participated the survey are married (56%), percentage of singles are (29) and number of women divorced are 15%. Also the table below indicates that majority of respondents are the owners of the business (73.6) while 24.4 are employees to business owned by women. Majority of the respondents are expert in the market because 27.4% had experience above 11 years, 40.3% between (6-10 years experience) and women had business experience ranged from 1-5 years are 32.2%.

In terms of company size the table below shows that majority of women own micro (1-10 Employees) and small business (11--49 employees) which represent approximately 92.5% while 7.5% are owners of medium enterprises (+50 employees). Finally in terms of their company age, majority of companies owned by women end participated the survey is 53% ranged between (7-10 years old), less than three years represented 15.5% while 31.5% of companies are between 4-6 years.

Characteristics	Classification	Frequency	Percentage
Age	25-35	97	48.5
	36-45	82	41.0
	46-Above	21	10.5
Marital Status	Single	58	29
	Married	112	56
	Divorced	30	15
Educational Background	Below Secondary	92	46
	Secondary	70	35
	Degree	38	19
Ownership	Owner	106	73.6
	Employee	49	24.4
Experience	1-5 Years	65	32.2
	6-10 Years	81	40.3
	11-Above years	55	27.4
Company Size	Micro(1-10 Employees)	115	57.5
	Small (11--49 employees)	70	35
	medium (50+ Employees)	15	7.5
Company Age	Less than 3 Years	31	15.5
	4-6 Years	63	31.5
	7-10 Years	106	53

Table 2: Profile of the respondents

4.2. CORRELATION ANALYSIS BETWEEN THE VARIABLES

The first objective of this study was to identify the relationship between Innovation and performance in women owned companies in Banadir, Somalia. Table3. Shows the results of correlation analysis of the relationships among innovation, pro-activeness, Risk taking, and firm performance Hence, innovation has a significant positive relationship with firm performance ($r=0.491$ and $p<0.01$). Besides, firm actively introduce improvements and innovations in our business, Changes in our product or service line have been quite dramatic and firm encourages development of employees ideas for the purpose of business improvement Then, firms with

greater innovation tend to achieve higher growth rate, increase return on sales and market share, gain better bright future of the organization, and promote higher business performance. In addition, The second objective of this study was to identify the relationship between pro-activeness and performance in women owned companies in Banadir, Somalia. Pro-activeness had positive influence on performance of women owned and managed Micro and small enterprises in Somalia ($r = 0.354$, and $p < 0.01$).

The third objective was to assess the impact of Risk taking on performance in women owned companies in Banadir, Somalia. The correlation between Risk taking and firm performance as table 3 shows is 0.412. It states that a one level increase of risk taking leads to 0.412 higher firm performance. The probability of this correlation coefficient occurring by chance is .000. This coefficient shows that there is a statistically significant moderate positive relationship between risk taking and firm performance ($r = .412$, $p < .01$).

Table 3: Correlations Analysis

		innovation	Proactive	Risk taking	Firm performance
Innovation	Pearson Correlation	1	.536**	.479**	.491**
	Sig. (2-tailed)		.000	.000	.000
	N	200	200	200	195
Proactive	Pearson Correlation	.536**	1	.503**	.354**
	Sig. (2-tailed)	.000		.000	.000
	N	200	200	200	195
Risk taking	Pearson Correlation	.479**	.503**	1	.412**
	Sig. (2-tailed)	.000	.000		.000
	N	200	200	200	195
Firm performance	Pearson Correlation	.491**	.354**	.412**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	195	195	195	195

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

4.3: TESTING OF HYPOTHESIS

Regression analysis was used to test the relationship between innovation and firm performance (H1), the regression analysis result in Table (4) indicates that innovation has positive and significance influence on performance of women entrepreneurs ($\beta = .362$, $t = 4.697$, $p < .001$), therefore, this findings supports H1. Also the below table shows that Pro-activeness has no influence on firm performance ($\beta = .045$, $t = .576$, $p = .565$). Therefore (H2) rejected. Whereas risk taking ($\beta = .214$, $t = 2.894$, $p = .004$) were found to have statistically significant and positive effect on firm performance. Therefore (H3) supported.

Table 4: regression analysis (Coefficients^a)

Model		Unstandardized		Standardized		
		Coefficients		Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.939	.200		9.704	.000
	Risk taking	.159	.055	.214	2.894	.004
	innovation	.275	.058	.362	4.697	.000
	Proactive	.035	.060	.045	.576	.565

a. Dependent Variable: Firm performance

5. CONCLUSION

The current study set out to examine the relationships among entrepreneurial orientation and performance of Somali Women entrepreneurs, and to determine the power of Somali women to innovate, take risks and become proactive to win the men domain markets in Banadir region. All the hypothesized relationships between Entrepreneurial orientation dimensions and performance were supported except the hypothesis two which indicates that pro-activeness of women entrepreneurs will influence their performance.

Successful combination of entrepreneurial orientation into firm's strategic behavior is essential to improve women's ability to grow up and create wealth and sustainability in the business.

Somali women owned business in Banadir region increasingly understood the importance of innovation and risk taking for opportunity holding and succeeding their path of entrepreneurship.

We found that three dimensions of entrepreneurial orientation are positively linked with the performance of Somali women entrepreneurs in Banadir region therefore this study supports the findings made by previous researchers that the company's entrepreneurial orientation is an important factor contributing to the performance of the firms.

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