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

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Abstract

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

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

Introduction

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

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

Problem statement

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

Research aim

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

The objectives of this study were to:

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

Literature review

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

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

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

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

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

**Risk-taking**

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

**Innovativeness**

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

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

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

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

Approaches to entrepreneurial orientation

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

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

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

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

Immigrant entrepreneurs and entrepreneurial orientation

Immigrant entrepreneurship is defined as the process by which immigrants establish and operate growth-oriented business ventures in a country which they will have migrated to (the host country), which is not their country of birth or origin (Tengeh, Ballard & Slabbert, 2011; Chinomona & Maziriri, 2015). It has been observed that immigrant entrepreneurs are willing to take risks, and they are also innovative and proactive (Hohn, 2012). Kloosterman and Rath (2003) stated that the skilled immigrants are often known to be more entrepreneurial and risk averse than native born entrepreneurs. Osorio, Urquiza, and Rodriguez (2015) observed that immigrant-owned businesses are generally entrepreneurially oriented. Besides the fact that immigrant entrepreneurs are comprehensively educated, possess connections and adequate technical training (Zolin & Schlosser, 2013), they are also described as risk-taking, proactive,
motivated and able to use social capital (Osorio et al., 2015). Most immigrants are in fact highly entrepreneurial (Fatoki & Oni, 2014).

**Firm performance**

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

**The relationship between entrepreneurial orientation and performance**

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

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

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

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

There is evidence supporting the view that entrepreneurial orientation has a positive influence on the performance of businesses (Chye, 2012; Lotz & Van der Merwe, 2010; Junehed & Davidsson, 1998; Brown, 1996; Aziz, Mahmood, Tajudin & Abdullah, 2014; Pratono & Mahmood, 2015; Saeed et al., 2014). Researchers have also reported a positive relationship between entrepreneurial orientation and the performance of businesses (Fatoki, 2012; Gurbuz & Aykol, 2009; Zahra & Covin, 1995). On the other hand, Hart (1992) and Andersén (2010) suggested that it is possible that negative consequences may be as a result of entrepreneurial orientation and stated that entrepreneurial strategy-making can lead to lower rather than higher performance because of role imbalances between top management and lower-level workers. Simmons (2010) also insisted that entrepreneurial orientation does not always result in improved performance because of the possible strain that would be placed on a firm to
allocate its scarce resources to risky projects (Kreiser, Marino, Kuratno, & Weaver, 2013; Qureshi & Kratzer, 2012). Other reasons include business cycle (Runyan, Droge, & Swinney, 2008) and ignoring the failure of risk-taking behaviour (Andersén, 2010). From the review of literature, hypotheses were formulated.

**Hypothesis**

\[ H_{01}: \text{Entrepreneurial orientation has no effect on the performance of immigrant-owned SMMEs.} \]

\[ H_{02}: \text{Risk taking has no effect on the performance of immigrant-owned SMMEs.} \]

\[ H_{03}: \text{Innovativeness has no effect on the performance of immigrant-owned SMMEs.} \]

\[ H_{04}: \text{Proactiveness has no effect on the performance of immigrant-owned SMMEs.} \]

**Methodology**

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

**Results**

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

**General information of respondents**

Of the 400 questionnaires distributed, only 378 were deemed usable. Thus the response rate was 95%. Ninety six (25%) of the respondents were female while 282 (75%) were male. Twenty-eight percent of respondents identified themselves as owners of SMMEs, 8% identified themselves as managers and the majority (64%) identified themselves as both owners and managers. About 2% of the respondents were below 25 years of age, 8% were between the ages of 25 to 30 years, and 27% of the respondents were between 31 and 40 years of age. The majority (64%) of respondents were above 40 years of age. Twenty-two percent of the respondents have been operating their businesses for three years or less while the majority (78%) have been in business for more than three years. Using the number of
people employed as a basis of classification, 25% of respondents in this study operated micro businesses, 72% operated small businesses and only 3% operated medium businesses.

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

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

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

**Entrepreneurial orientation and the performance of immigrant-owned SMMEs**

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

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

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

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

**Performance of immigrant-owned SMMEs in South Africa**

A total performance score was calculated for the 14 items in the questionnaire. The performance score had a possible minimum value of 1*14=14 and a possible maximum value of 5*14=70. With a sum of means (55.42) above the expected average and an average mean
score (M=3.96; SD=0.99) close to 4 (agree), there seemed to be an agreement among respondents that businesses operated by immigrants are performing well in the Eastern Cape Province of South Africa.

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

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

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

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

**Table 1: Regression analysis for H₀₁**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.922a</td>
<td>.851</td>
<td>.850</td>
<td>4.771</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), EO

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

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

**Table 2: Coefficients (entrepreneurial orientation)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardised Coefficients</th>
<th>Standardised Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
</tbody>
</table>
The results show that there is a relationship between these two variables since the p-value (sig.) of 0.00 is less than 0.05. These results also show that the relationship is positive, with a unit increase in entrepreneurial orientation increasing performance score by 1.4 units.

**Multiple regression**

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

**Table 3: Multiple regression**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.928</td>
<td>.862</td>
<td>.861</td>
<td>4.607</td>
</tr>
</tbody>
</table>

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

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

**Table 4: Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>7.069</td>
<td>1.061</td>
<td>6.663</td>
<td>.000</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>2.695</td>
<td>.262</td>
<td>.607</td>
<td>10.273</td>
</tr>
<tr>
<td>Risk taking</td>
<td>1.155</td>
<td>.229</td>
<td>.269</td>
<td>5.046</td>
</tr>
<tr>
<td>Proactiveness</td>
<td>.327</td>
<td>.245</td>
<td>.072</td>
<td>1.336</td>
</tr>
</tbody>
</table>

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

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

Testing indicators of entrepreneurial orientation individually

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

Regression analysis for proactiveness

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

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Table 6: Coefficients (proactiveness)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
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<tr>
<td>-------</td>
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<tr>
<td></td>
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<tr>
<td>-------</td>
</tr>
<tr>
<td>1</td>
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<tr>
<td></td>
</tr>
</tbody>
</table>

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

Given these results, the null hypothesis is rejected at a 95% confidence level in favour of the alternative hypothesis. It can therefore be concluded that proactiveness had a positive effect
on the performance of immigrant-owned SMMEs operating in the Eastern Cape Province of South Africa. These findings are in line with those of Kraus et al. (2015) and Matchaba-Hove et al. (2015) who found that firm performance can be improved if managers and operators of businesses are forward looking.

**Regression analysis for risk-taking**

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

**Table 7: Regression analysis for risk-taking**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.891a</td>
<td>.795</td>
<td>.794</td>
<td>5.590</td>
</tr>
</tbody>
</table>

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

**Table 8: Coefficients (risk-taking)**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardised Coefficients</th>
<th>Standardised Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>10.428</td>
</tr>
<tr>
<td></td>
<td>Risk-taking</td>
<td>3.825</td>
</tr>
</tbody>
</table>

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

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

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

Table 9: Regression analysis

<table>
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<th>Model Summary</th>
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<td>Model</td>
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a. Predictors: (Constant), Innovativeness

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

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

Table 10: Coefficients (innovativeness)

<table>
<thead>
<tr>
<th>Coefficients*</th>
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<td>Model</td>
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a. Dependent variable: Total SMME performance score

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

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

Discussion of results

It was found that entrepreneurial orientation has an effect on the performance of immigrant owned SMMEs. Results from a multiple regression model showed that although innovativeness had the greater effect on the performance of SMMEs than risk-taking, both indicators of entrepreneurial orientation had a significant effect on the performance of
immigrant owned SMMEs. Proactiveness only showed a significant effect on performance when it was tested separately from other indicators of entrepreneurial orientation. This may mean that proactiveness is still very important in improving performance of firms.

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

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

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

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

References


