

THE ENTREPRENEURIAL ORIENTATION AND BUSINESS PERFORMANCE RELATIONSHIP: A STUDY OF YOUNG ADULT-OWNED SMALL BUSINESSES

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ABSTRACT

The high unemployment rate of the South African youth has resulted in the government turning to the promotion of youth entrepreneurship as a solution. For youth entrepreneurship to be successful, the young-adult owned businesses need to be entrepreneurially orientated. The main aims of this study are to establish the level of entrepreneurial orientation of young-adult owned small businesses in the Nelson Mandela Bay and to establish the influence of this orientation on their business performance. Entrepreneurial orientation will be assessed in terms of the five dimensions, namely, proactiveness, innovativeness, competitive aggressiveness, autonomy and risk-taking. A measuring instrument was distributed to respondents identified by means of a convenience sampling technique. The data collected from 154 usable questionnaires were subjected to various statistical analyses. An exploratory factor analysis was undertaken and Cronbach's alpha (CA) coefficients were calculated to assess the validity and reliability of the measuring instrument respectively. Descriptive statistics were calculated to summarise the sample data and the hypothesised relationships were assessed by means of multiple regression analysis. The results of this study showed that *Proactive-innovativeness* and *Autonomy* have a significant positive influence on the performance of young-adult owned small businesses, whereas the dimensions *Competitive aggressiveness* and *Risk-taking* do not.

INTRODUCTION AND BACKGROUND

As essential innovators in today's economy, small businesses are considered to be the driving force of the economic growth of a country (Weimei and Fenge 2012:12). Small businesses are seen as important players in remedying the unemployment problems faced by many developed and developing countries through job creation and income generation in regions of a nation (Sunter 2000:23). In South Africa, the high youth unemployment rate in particular has led to the government turning to the promotion of youth entrepreneurship as a solution (Fatoki and Chindoga 2011). The government has set up various frameworks to encourage young-adults to start small businesses. However, despite this assistance Singer, Amoros, and Moska (2014) document in the GEM report that the involvement in early stage entrepreneurial activity of individuals aged 18-34 years is still very low. Furthermore, the failure rate among small businesses that do manage to start up remains high (Singh and Chiloane-Tsoka 2015). It is estimated that the failure rate of small, medium and micro sized enterprises in South Africa is between 70 and 80 percent (Statistics South Africa 2014). This high failure rate suggests that small businesses are failing to effectively manage the challenges that they face in the uncertain, dynamic business environment that they find themselves in (Callaghan and Venter 2011:28; Lotz and van der Merwe 2013:15). Corporate entrepreneurship literature postulates that adopting an entrepreneurial

approach is critical to the growth, survival and profitability of a business (Lotz and Van der Merwe 2010:131).

Businesses that act entrepreneurially are able to exploit new market opportunities and are better equipped to respond to the challenges of a competitive and uncertain business environment (Anderson and Eshima 2013:414; Li, Huang and Tsai 2009:441). When a business has a willingness to innovate and take risks, a tendency to be aggressive towards competitors and a proactive approach to opportunities, it is said that the business is entrepreneurially orientated (Frank, Kessler and Fink 2010:177). Entrepreneurial orientation is enacted through five dimensions; namely innovativeness, competitive aggressiveness, risk-taking, autonomy, and proactiveness.

To date, as far as can be established, few studies have looked at the entrepreneurial orientation in the context of South African small businesses that are owned and managed by young entrepreneurs. This paper aims to contribute to the body of entrepreneurial orientation literature by focusing on young adult owned small businesses.

PROBLEM STATEMENT AND RESEARCH OBJECTIVES

The South African youth, coupled with the high failure rate of small businesses in the country has resulted in the government turning to the promotion of youth entrepreneurship as a solution. Today's dynamic business environment requires businesses to be entrepreneurially orientated to ensure its growth and survival. It is especially true for young-adult owned small businesses who face the added challenge of being inexperienced. According to Andersén and Samuelsson (2016), the relationship between entrepreneurial orientation and the various dimensions of performance still needs further examination in the context of small and medium-sized enterprises. Therefore, the primary objective of this study is to determine the level of entrepreneurial of young-adult owned small businesses in the Nelson Mandela Bay and to establish the influence of this orientation on their business performance.

LITERATURE REVIEW

The literature review presents a discussion of the nature and importance of young-adult entrepreneurs in South Africa. Furthermore, entrepreneurial orientation and business performance will be discussed with specific reference to the five dimensions of entrepreneurial orientation.

Nature and importance of young-adult entrepreneurs

It is a concerning fact that South Africa suffers from a high unemployment rate, even more concerning is that 70 percent of the unemployed are South African youths aged between 15 and 34 years old (Altman, 2007:4; Fatoki and Chindoga 2011:162; Mthente 2008:3). Altman (2007:4) adds that South African youths are twice as likely to be unemployed despite being graduates. According to Kew, Herrington, Litovsky and Gale (2000:31), obtaining a formal qualification at tertiary level does not guarantee employment as the labour market is saturated due to slow economic growth in South Africa. Furthermore, it is believed that graduates entering the labour market are not adequately equipped with the skills required by employers (Kew *et al.* 2000:31).

Persistent youth unemployment results in lost growth opportunities, wasted investment in education and training, a reduced taxation base and higher social welfare costs which has a negative impact on the economy (Brunero 2008:2; Fatoki and Chindoga 2011:162) and jeopardises long-term prosperity and stability (Mthente 2008:3). In addition to economic drawbacks, youth unemployment also gives rise to various social issues. According to Altman (2007:4) if one is unemployed or underemployed for a long period of time it may have adverse effects on one's self-esteem which could permanently impair employability, future earnings and access to quality jobs. Brunero (2008:2) adds that youth unemployment may lead to social exclusion and alienation from society, giving rise to social issues such as crime or substance abuse.

Entrepreneurship is considered to be a way of integrating more young individuals into the economy by Beeka and Rimmington (2011:142). This is supported by Fatoki and Chindoga (2011:162) who add that

youth entrepreneurship improves the standard of society by reducing crime, poverty and income inequality and inducing economic independence and economic development. Kew *et al.* (2000:12) consider youth entrepreneurship as important as youth entrepreneurs are more likely to hire fellow youths, they are more responsive to new economic opportunities and trends and they are more innovative than older entrepreneurs. This implies that the businesses that these youth manage are likely to exhibit the dimensions related to entrepreneurial orientation.

Entrepreneurial orientation and business performance

The entrepreneurial orientation construct has received considerable interest in entrepreneurship research, with several theoretical and empirical studies conducted by different scholars, researchers and professionals of business and management sciences over the years (Covin and Wales 2012). The foundation of the concept of entrepreneurial orientation can be traced back to the writings of Miller in 1983, who defined entrepreneurial orientation as the inclination of a firm to engage in product-market innovations, embark on risky adventures, and be the first to come up with proactive innovations while beating the competition (Miller 1983 in Lumpkin and Dess 1996:136). Miller's idea of the construct was made up of three dimensions, namely innovativeness, proactiveness and risk-taking. Covin and Slevin (1989) and Lumpkin and Dess (1996) have subsequently built on Miller's concept and suggested autonomy and competitive aggressiveness as additional dimensions in their definition of entrepreneurial orientation. They defined entrepreneurial orientation as the processes, practices and decision-making activities that lead to new entry.

The majority of studies that investigated entrepreneurial orientation from the perspectives of Miller (1983), Covin and Slevin (1989) and Lumpkin and Dess (1996) focused on the relationship between the construct as a whole and overall business performance, whereas fewer studies have focused on the individual dimensions of entrepreneurial orientation in relation to individual business performance variables. This paper will focus on the influence of the individual dimensions, namely innovativeness, proactiveness, competitive aggressiveness, risk taking and autonomy, in relation to the business performance of young-adult owned small businesses.

Innovativeness refers to moving from established practices and technologies due to a propensity to engage and support new ideas through experimentation and creative processes which leads to new products and services. (Wiklund and Shepherd 2005:75; Lumpkin and Dess 1996:142). New opportunities can be pursued through a high rate of technological and product market innovation (Wiklund and Shepherd 2005:75). Innovations may be built off existing skills that lead to improvements (incremental) , or it may require brand new skills to develop new ideas that result in the destruction of existing skills and competencies (radical) (Certo, Moss and Short 2009:321).

The forward-looking perspective of taking initiative and anticipating future needs and wants in the marketplace or emerging markets relates to *proactiveness*, hence creating an advantage over competitors (Wiklund and Shepherd 2005:75). Proactive firms seek new opportunities, introduce new products and services and strategically disregard operations in the mature or declining phases of the life cycle of products or services. These firms are pioneers as they are the first to enter and capitalise in new and emerging markets, and they are fast followers as they improve the initial efforts of first movers. (Certo *et al.* 2009:321).

Risk-taking as a dimension of entrepreneurial orientation refers to a firm's inclination to engage in high-risk projects in order to achieve firm objectives. This involves management taking bold decisions as opposed to cautious decisions. (Certo *et al.* 2009:321). Risk-taking includes the incurrence of heavy-debt, the carrying on of other risk in order to seize an opportunity, or the commitment of significant resources to a project in order to ensure high returns (Certo *et al.* 2009:322). The adoption of risk-taking is evident within a firm where there is a willingness to commit large resources to a project where the cost of failure maybe high and where the outcome is unknown in the interest of high returns (Lumpkin and Dess 1996:142). A risk-taking firm that aims to be the first to creatively satisfy demand in emerging markets or to introduce new products or services in the market indicates a high level of entrepreneurial orientation (Frank *et al.* 2010:177).

Autonomy refers to the independent actions undertaken by entrepreneurial leaders, individuals or teams directed at bringing about a new venture, idea or vision and seeing it to execution (Lumpkin and Dess 1996:142). It leads to the desire to express individuality in the workplace environment unobstructed by strict organisational traditions and strategic norms, resulting in highly motivated investigations of market opportunities (Certo *et al.* 2009:320; Krauss, Frese, Friedrich and Unger 2005:320). Working in the absence of strict guidelines and formal supervision encourages innovation and effectiveness as workers are more motivated to realise and execute their visions (Krauss *et al.* 2005:320).

Lastly, *competitive aggressiveness* is a firm's inclination to intensely challenge its competitors directly to achieve entry or improve their position and outperform competition in the marketplace (Lumpkin and Dess 1996:142). A competitively aggressive firm will engage in aggressive marketing, quality improvements and value compared to competitors. Such a firm will also develop proposals that specifically react to, or anticipate the actions of competitors (Certo *et al.* 2009:322). A competitive advantage in the market can be achieved through obtaining market information relating to the demands and preferences of customers and acting upon the information obtained before other industry rivals.

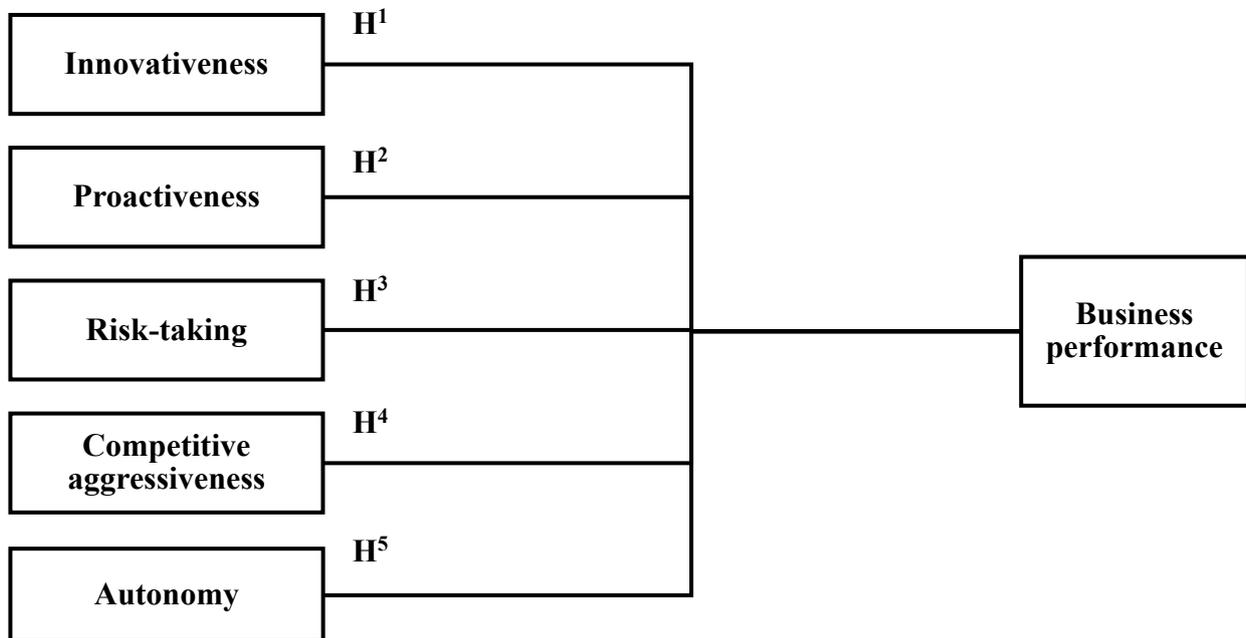
Numerous empirical studies have suggested and shown the positive link between entrepreneurial orientation and performance (Tang, Tang, Marino, Zhang, and Li 2008; Rauch, Wiklund, Lumpkin, and Frese 2009; Madsen, 2007; Stam and Elfring 2008b). However, there still exists the absence of generally acknowledged standard performance measures in the context of small businesses (Akinleye Dayo 2016). Some authors further argue that only a few of the performance measures are relevant to small businesses such as growth and turnover

Blackburn, Hart and Wainwright (2013:9) point to recent research that states the importance of considering growth as a key indicator of firm growth and business performance as a whole. More specifically, financial growth due to increasing profits has been widely adopted by most researchers and practitioners in business performance models. (Alasadi and Abdelrahim, 2007:7). Turnover is an objective performance measure that is relatively easy to obtain and is a good indicator of overall business growth (Alasadi and Abdelrahim, 2007:7). For the purposes of this study, turnover and financial growth formed the foundation of business performance.

ENTREPRENEURIAL ORIENTATION FRAMEWORK AND HYPOTHESES

Against the background provided, Figure 1 indicates the relationships between the independent variables (*Innovativeness, Proactiveness, Risk-taking, Competitive aggressiveness and Autonomy*) and the dependent variable (*Business performance*).

FIGURE 1
ENTREPRENEURIAL ORIENTATION FRAMEWORK AND HYPOTHESES



The hypotheses are as follows:

- H¹: There is a positive relationship between the level of *Innovativeness* and *Business performance*.
- H²: There is a positive relationship between the level of *Pro-activeness* and *Business performance*.
- H³: There is a positive relationship between the level of *Risk-taking* and *Business performance*.
- H⁴: There is a positive relationship between the level of *Competitive aggressiveness* and *Business performance*.
- H⁵: There is a positive relationship between the level of *Autonomy* and *Business performance*.

RESEARCH METHODOLOGY

Given the problem statement and the objective of this paper, the study adopted a quantitative research methodology, as the focus of the study was to identify the influence of each independent variable on the business performance of young-adult owned small businesses. The formulated hypotheses were analysed using various statistical techniques, confirming that the quantitative research methodology was the most appropriate. The paragraphs to follow provide a brief description of the sample and data collection methods. Thereafter the development of the research instrument is discussed as well as the data analysis.

Sampling and data collection and analysis methods

The population for this study consisted of young-adults aged between 20 and 30 years old who are owners of small businesses that operate within the Nelson Mandela Bay region. As an up to date database of young-adult business owners was not available to the researchers to draw a sample from, potential respondents were identified by means of snowball and convenience sampling. Thus the sample was chosen due to the availability of the respondents (Battaglia, 2008:525). A questionnaire was used as a means of data collection, and was administered to the respondents that agreed to participate in this study and these were collected by the fieldworker once completed. Each questionnaire was

accompanied by a cover letter, and respondents were guaranteed that their responses would be treated with confidentiality. The completed questionnaires were examined and the usable questionnaires were captured using Microsoft Excel. A total of 200 questionnaires were distributed to the respondents by the field workers, and 154 questionnaires were returned resulting in a 77 percent response rate. Only 151 questionnaires were considered usable which further results in an effective response rate of 75.50 percent. The data was then analysed using the Statistica 12 software package to determine descriptive as well as inferential statistics.

Development of the measuring instrument

A measuring instrument was developed to collect the raw data necessary for this study. The independent and dependent variables investigated were operationalised using reliable and valid items sourced from previous empirical studies on entrepreneurial orientation conducted in the South African context (Matchaba-Hove, Farrington and Sharp 2015; Lotz and Van der Merwe 2014; Fatoki 2014). Where necessary, the items were rephrased to make them more suitable for the present study.

The measuring instrument consisted of two sections. Section A of the questionnaire requested information pertaining to demographic information about the respondents, such as their age, gender, and education level, as well as information about the small business being studied. Section A also contained a set of qualifying questions to determine whether the respondents met the criteria to participate in the study. The criteria being that the business has been in operation for at least one year, the business did not employ more than 50 full-time employees, and lastly that the respondent is under the age of 30 and actively involved in the business. Section B contained randomly sequenced statements assessing the dimensions of entrepreneurial orientation and business performance. Respondents were required to indicate the extent of their agreement with each statement using a five-point Likert-type scale, ranging from strongly disagree (1) to strongly agree (5).

RESULTS

The following section provides an overview of the empirical results of the study. The demographic information of the sample is described and the results of the validity and reliability statistics are described with reference to certain descriptive statistics. Thereafter the results of the inferential statistics that were calculated is described.

Sample description

Table 1 provides an indication of the demographic profile of the respondents that were interviewed, of which approximately half were male (51.66%). Most of the respondents possessed tertiary qualifications (82.78%) and were either of Black (35.10%) or White (38.41%) ethnicity.

The data collected also requested demographic information pertaining to whether the business is a family business and if so, respondents were requested to indicate which generation established the business. In addition, the number of employees and the industry of operation was also requested. Only 35.76 percent of the small businesses interviewed were family businesses which was primarily established by the first (44.44%) or second (35.19%) generation. Approximately more than half (56.29%) of the small businesses employed at least 20 employees and mostly operate in the service industry (50.99%).

TABLE 1
DEMOGRAPHIC INFORMATION OF THE RESPONDENTS

Gender	Frequency	Percentage
Male	78	51.66%
Female	73	48.34%
Total	151	100.00%
Ethnicity	Frequency	Percentage
Asian	14	9.27%
Black	53	35.10%
Coloured	26	17.22%
White	58	38.41%
Total	151	100.00%
Education	Frequency	Percentage
<Matric	3	1.99%
Matric	23	15.23%
National Certificate	18	11.92%
Diploma	46	30.46%
Bachelor's degree	33	21.85%
Honours/Post graduate diploma	19	12.58%
Masters	5	3.31%
Doctorate (PhD)	4	2.65%
Total	151	100.00%
Family Business	Frequency	Percentage
Yes	54	35.76%
No	97	64.24%
Total	151	100.00%
Generation	Frequency	Percentage
First generation	24	44.44%
Second generation	19	35.19%
Third generation	7	12.96%
Other	4	7.41%
Total	54	100.00%
Number of employees	Frequency	Percentage
0-10	59	39.07%
11-20	85	56.29%
21-30	4	2.65%
31-40	1	0.66%
41-50	2	1.32%
Total	151	100.00%
Industry	Frequency	Percentage
Retailer and/or wholesaler	38	25.17%
Manufacturer	22	14.57%
Service industry	77	50.99%
Other	14	9.27%
Total	151	100.00%

Validity and Reliability Results

Validity refers to the degree to which the measuring instrument and the items that make up the measuring scale actually measure what they are intended to measure. The researchers tested for construct validity which identifies the extent to which a test measures the theoretical construct (Struwig and Stead 2013:143). In order to do so, an exploratory factor analysis was conducted. For the purposes of this study, items with a factor loading of 0.5 or greater that did not cross load were accepted as valid.

Reliability is the extent to which test scores are accurate, consistent or stable. The researchers tested for internal consistency which measures whether several items that propose to measure the same general construct produce similar scores (Cooper and Schindler 2003:236). In order to do so, the researchers calculated Cronbach's alpha coefficients to test the inter-relatedness of the items in the construct. For the purposes of this study, coefficients of 0.7 or greater were accepted as reliable. The results of the validity and reliability tests are presented in Table 2 below.

TABLE 2
FACTOR LOADINGS AND CRONBACH'S ALPHA COEFFICIENTS

Factors	Number of items	Factor loadings		Cronbach's alpha
		Min	Max	
Proactive-innovativeness	11	0.514	0.733	0.940
Competitive aggressiveness	5	0.518	0.683	0.859
Risk-taking	6	0.550	0.767	0.842
Autonomy	9	0.517	0.683	0.924
Business Performance	8	0.570	0.812	0.911

All of the eight original items intended to measure *Business performance* loaded together as expected. Factor loadings of between 0.812 and 0.570 were reported for this factor. A Cronbach's alpha coefficient of 0.911 was reported for *Business performance*. The scale measuring *Business performance* was thus accepted as valid and reliable.

All seven of the original items intended to measure *Proactiveness* loaded together as expected. Four items that were originally intended to measure *Innovativeness* also loaded onto this factor. This new construct will be referred to as *Proactive-innovativeness*. Factor loadings of between 0.733 and 0.514 were reported for this factor. A Cronbach's alpha coefficient of 0.940 was reported for *Proactive-innovativeness*. The scale measuring *Proactive-innovativeness* was thus accepted as valid and reliable. As a result of the factor analysis, the operationalisation of *Proactive-innovativeness* was adapted and presented in Table 3.

Five of the seven original items intended to measure *Competitive aggressiveness* loaded together as expected. Factor loading of between 0.677 and 0.518 were reported for this factor. A Cronbach's alpha coefficient of 0.860 was reported for *Competitive aggressiveness*. The scale measuring *Competitive aggressiveness* was thus accepted as valid and reliable.

Six of the seven original items intended to measure *Risk-taking* loaded together as expected. Factor loadings of between 0.767 and 0.550 were reported for this factor. A Cronbach's alpha coefficient of 0.842 was reported for *Risk-taking*. The scale measuring *Risk-taking* was thus accepted as valid and reliable.

All of the nine original items intended to measure *Autonomy* loaded together as expected. Factor loadings of between 0.683 and 0.518 were reported for this factor. A Cronbach's alpha coefficient of 0.924 was reported for *Autonomy*. The scale measuring *Autonomy* was thus accepted as valid and reliable.

As a result of the factor analysis, some of the original operational definitions of the factors of entrepreneurial orientation were adjusted in order to align with the items in the measuring scale. The reformulated operational definitions are presented in Table 3.

TABLE 3
REFORMULATED OPERATIONAL DEFINITIONS

Independent variable: Proactive-innovativeness
Refers to a firm's tendency to competitively increase the rate of innovation and change, resulting in new products, services or technological processes. This involves acting in anticipation of future problems and needs, while continuously monitoring market trends and improving products and services in the pursuit of new market opportunities.
Independent variable: Competitive aggressiveness
Refers to a firm's aggressiveness to intensely challenge its competitors to achieve entry or improve position and outperforming rivals in the market place. This involves initiating actions which competitors respond to and devising strategies aimed at defending market position.
Independent variable: Autonomy
Refers to the independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion. It refers to the ability of employees to manage their own work, solve problems and to make decisions without continual supervision.
Independent variable: Risk-taking
Refers to the degree to which managers are willing to make large and risky resource commitments which have reasonable chances of costly failure. This involves employees taking calculated risks and adopting bold postures in order to maximise the probability of exploiting opportunities.
Dependent variable: Business performance
This refers to the growth in turnover, employee numbers and profits in a business. It involves businesses achieving planned growth rate, financial security and achieving financial goals set in advance for the business.

Formulated from validity and reliability results

The originally proposed hypotheses were revised and reformulated in order to align with the results obtained from the exploratory factor analysis. The revised reformulated hypotheses are as follows:

- H¹: There is a positive relationship between the level of *Proactive-innovativeness* and *Business performance*.
- H²: There is a positive relationship between the level of *Risk-taking* and *Business performance*.
- H³: There is a positive relationship between the level of *Competitive aggressiveness* and *Business performance*.
- H⁴: There is a positive relationship between the level of *Autonomy* and *Business performance*.

Descriptive statistics

Table 4 provides descriptive statistics pertaining to the mean scores and the percentage of respondents who indicated their agreement and / or disagreement with the statements measuring the different factors. The mean scores indicate that all of the respondents agreed that they are proactive-and-innovative, competitively aggressive, autonomous and show risk-taking abilities within their business. Even more so, the respondents agreed that these abilities enhance their business performance. The factor *risk-taking* did however score the lowest mean (3.516) and this is further evident in the dispersed responses among respondents who either mostly agreed (35.756 %), disagreed (40.269%) or were neutral (23.975%) about their risk-taking within the business. Approximately half of the respondents agreed that they exhibit proactive-innovativeness (53.833%) and competitive aggressiveness (53.692%) within their businesses.

**TABLE 4
 DESCRIPTIVE STATISTICS**

Factor	Mean	Std. Dev	Disagree	Neutral	Agree
Proactive-innovativeness	3.644	0.754	24.290	21.876	53.833
Competitive aggressiveness	3.595	0.754	12.238	34.070	53.692
Autonomy	3.650	0.725	25.237	27.345	47.418
Risk-taking	3.516	0.728	40.269	23.975	35.756
Business performance	3.762	0.774	13.347	30.599	56.054

(N=151)

Multiple regression analysis

Multiple regression analysis was performed in order to determine whether the independent variables (*Proactive-innovativeness*, *Competitive aggressiveness*, *Autonomy* and *Risk-taking*) had any significant effect on the dependent variable (*Business performance*). From Table 5 below, it can be seen that the independent variables explain 65.32% of the variance in the dependent variable.

**TABLE 5
 RESULTS OF THE MULTIPLE REGRESSION ANALYSIS**

Dependent Variable: Business performance		R-Square = 0.6532; N= 151	
Independent Variables	Beta	t-value	Sig.(p)
Proactive-innovativeness	0.542	4.507	0.001*
Competitive aggressiveness	0.043	0.389	0.698
Autonomy	0.051	6.467	0.001*
Risk-taking	-0.191	-1.762	0.080

***Bold = p<0.001**

A significant positive relationship (0.542; $p < 0.001$) was reported between *Proactive-innovativeness* and *Business performance*. Furthermore, a significant positive relationship was reported between *Autonomy* and *Business performance* (0.051; $p < 0.001$). No statistically significant relationships were reported between *Competitive aggressiveness* and *Risk-taking* and the dependent variable *Business performance*. Based on these results, support is found for hypotheses H¹ and H⁴, but not for H² and H³.

MANAGERIAL IMPLICATIONS AND RECOMMENDATIONS

The primary objectives of this study were to establish the level of entrepreneurial orientation of young-adult owned small businesses in the Nelson Mandela Bay and to establish the influence of this orientation on their business performance. The results of the multiple regression analysis showed that a significant positive relationship existed between *Proactive-innovativeness* and *Business performance*. This finding implies that business performance increases among young-adult owned small businesses who diversify and increase the number of services they offer. Furthermore, it also implies that placing a stronger emphasis on new and innovative products and services will significantly improve *Business performance*. Young entrepreneurs must anticipate future problems and needs, so as to create innovative need satisfying solutions.

Another significant positive relationship was reported between *Autonomy* and *Business performance*. The finding suggests that young-adult owned small businesses perform better when employees within businesses are given the independence to bring an opportunity from the idea stage to completion. Furthermore, it also suggests that allowing employees to make decisions without going through elaborate justification and approval procedures will improve the performance of young-adult owned small businesses. When employees are encouraged to be creative and try different methods to complete their jobs, the business will perform better. To become more autonomous, young-adult-owned small businesses should allow individuals within the business to identify and implement entrepreneurial opportunities by having flatter organisational structures or hierarchies which will allow for faster decision making and more rapid responses to changes in the business environment.

No statistically significant relationships were reported between *Competitive aggressiveness* and *Risk-taking* and the dependent variable *Business performance*. As such, whether a young-adult owned small business decides to challenge its competitors to achieve entry or to devise strategies aimed at defending market position. This finding is in-line with the findings of Stam and Elfring (2008a) who suggested that smallness limits competitiveness aggressiveness in strategic decision. Similarly, whether the business undertakes and encourages risky activities or not has no influence the performance of young-adult owned small businesses.

LIMITATIONS AND FUTURE RESEARCH

As in the case of most studies, several limitations should be highlighted. Firstly, this study was limited to young-adult owned small businesses in the Nelson Mandela Bay region and generalising the results to all South African small business may not be appropriate. Future studies should attempt to identify a database from which probability samples can be drawn and include young-adult owned small businesses from throughout South Africa.

Furthermore, this study investigated entrepreneurial orientation in terms of the five dimensions, namely *Innovativeness*, *Pro-activeness*, *Competitive aggressiveness*, *Risk-taking* and *Autonomy*. Existing items found valid and reliable in previous studies conducted in the South African context were used for this purpose. However, the items used to measure *Pro-activeness* were not perceived by respondents as distinguishable from those measuring *Innovativeness*. As such, these two dimensions of entrepreneurial orientation were combined when subjected to further testing. In future studies, the researchers should develop a scale measuring *Pro-activeness* and *Innovativeness* so that the two constructs are clearly distinguishable from one another.

Despite the limitations identified, this study makes a contribution to the field by identifying the dimensions of entrepreneurial orientation that can contribute to the success of young-adult owned small

businesses. Youth entrepreneurship is playing a crucial role in South African, and as such the success of these businesses is vital to the economy. Embracing the appropriate entrepreneurially orientated strategies is a step towards ensuring the future success of young-adult owned small businesses.

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