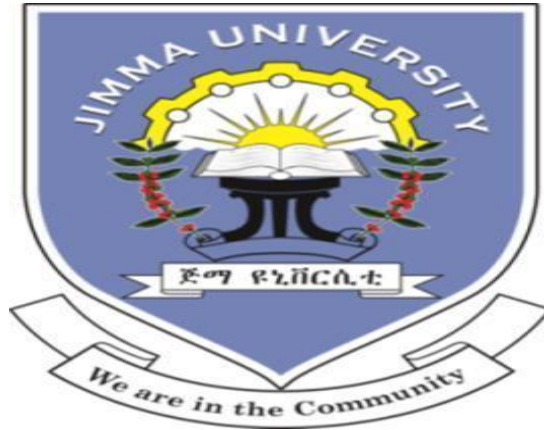*THE EFFECTS OF ENTREPRENEURIAL ORIENTATION ON THE PERFORMANCE OF MICRO AND SMALL ENTERPRISES IN JIMMA TOWN*

A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES OF JIMMA UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTERS IN BUSINESS ADMINISTRATION (MBA)

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JIMMA, ETHIOPIA

Declaration

I, the undersigned, declare that this Thesis on the Topic of the Effects of entrepreneurial orientation on the performance of Micro and Small Enterprises the case of Jimma Town has not submitted to any other college, institution or university other than Jimma University.

Researcher's Name   *Date*   *Signature*

_____   _____   _____

Certificate

This is to verify that the thesis done by Solomon Keno on the Topic of the Effects of entrepreneurial orientation on the performance of Micro and Small Enterprises the case of Jimma Town that submitted to Jimma University for the award of the Degree of Master of Business Administration (MBA) under our guidance and supervision.

Therefore, we hereby declare that no part of this thesis has submitted to any other university or institutions for the award of any degree or diploma.

Main Adviser's Name   *Date*   *Signature*

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Co-Advisor's Name   *Date*   *Signature*

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Approval by Board of Examiners

This is to confirm that the thesis done by Solomon Keno on the Topic of the Effects of entrepreneurial orientation on the performance of Micro and Small Enterprises the case of Jimma Town that submitted to Jimma University for the award of the Degree of Master of Business Administration (MBA).

Dean, Graduate studies   *Signature*   *Date*

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Internal Examiner   *Signature*   *Date*

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External Examiner   *Signature*   *Date*

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Acknowledgements

Abstract

Entrepreneurial Orientation is one interesting area of research in business strategy and entrepreneurship disciplines in the last few decades, as it is influential concept in successful business performance. Although a number of related researches had conducted in different parts of the world, only limited studies had conducted in Ethiopia. This study aimed to examine the effect of entrepreneurial orientation on performance of Micro and Small Enterprises in Jimma town, Ethiopia. Descriptive and explanatory research design had employed for this study. The population was 549registered Micro and Small Enterprises, which have working, experience of at least 3 years in Jimma town. The sample size was 110, which were determined using Yamane sample size, determination technique. Out of total 110 questionnaires distributed, 102 filled and returned. Set of questionnaire on entrepreneurial orientation and performance of Micro and Small Enterprises were self- administered for the collection of the primary data. A pilot study carried out to test the validity and reliability of the research instrument using Cronbach Alpha reliability test, which revealed the coefficient ranging over 0.7. The data collected were analyzed using descriptive, Pearson correlation and multiple regressions. The findings of this study revealed that From four Entrepreneurial orientation dimensions (Risk taking($\beta = 0.24$, $t = 5.36$, $p = 0.000$), innovativeness($\beta = 0.27$, $t = 5.50$, $p = 0.000$), Pro-activeness($\beta = -0.81$, $t = -1.34$, $p = 0.181$) and Competitive aggressiveness($\beta = 0.39$, $t = 5.90$, $p = 0.000$))except proactiveness which has an insignificant effect, all have a significant positive effect on performance of small and micro enterprise in Jimma town. The researcher recommend that, micro and small scale enterprises should embrace the entrepreneurial orientation dimensions of risk taking, innovativeness, pro-activeness, and competitive aggressiveness to increase business performance

Key words: *Entrepreneurial Orientation, Risk Taking, Innovation, Proactive, Competitive aggressiveness, Micro and Small Enterprises' Performance*

Acronyms and Abbreviations

EO – Entrepreneurial Orientation

FDRE – Federal Democratic Republic of Ethiopia

RT – Risk Taking

In - Innovativeness

CA – Competitive aggressiveness

PA – Pro-active

MSE – Micro and Small Enterprises

SPSS – Statistical Package for Social Science

F – Frequency

EC- Ethiopian Callendar

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CHAPTER ONE

INTRODUCTION

The aim of this chapter is to provide background information on the study. The remaining parts of the chapter are organized as follows. The first section of the research presents background for the study, section two presents background of the organization and then statement of problems comes in the third section. The fourth, fifth and sixth section sets out objectives of the research, hypothesis and significance of the study respectively. Finally, section seven eight and nine presents scope, limitation and structure of the study respectively.

1.2. Background of the study

The idea of entrepreneurial orientation (EO) has developed as an important concept in the existence of SMEs over the past two decades (Etim, 2017). EO was considered as a firm critical strategic posture that contributes to firm's performance (Jambulingam, 2005). Entrepreneurial orientations process makes and references to the processes, performs, and decision-making activities that lead up to a new business venture (Odhiambo, 2015). Entrepreneurial orientation is a firm-level behavior that makes a firm have the tendency to innovate, take risks, and become proactive (Callaghan &Vente, 2011). Entrepreneurial orientated SMEs can undertake uncertain and risky investments and proactively reach markets ahead of competitors thereby realizing high returns and is an important phenomenon that plays a vital role in line up businesses to market demands and performance (Okeyo, 2016).

Entrepreneurial orientation (EO) is a firm-level construct that has been closely linked to entrepreneurial achievement through strategic decision-making (Miller, 1983; Covin & Slevin, 1991; Lumpkin &Dess, 1996; Rauch, et.al, 2009). EO is a firm's strategic orientation, one that captures the specific entrepreneurial features of decision-making styles, methods, and practices (Wiklund & Shepherd, 2005). EO, therefore, can consider as a key concept particularly in the performance of small firms, which requires strong entrepreneurial behavior to be competitive in the market. Innovativeness, pro-activeness,

risk taking, autonomy and competitive aggressiveness are important scopes of entrepreneurial orientation by which the firm's entrepreneurial behavior explained.

In various studies, there has been a clear indication that EO influences the performance of small firms (Olubiyi, et.al, *2019).* Other more recent studies focusing on EO have also shown a positive effect on performance (Wiklund& Shepherd, 2005; Clercq, et.al, 2010).In small enterprises, resources are critical to exploit their entrepreneurial behavior and achieve better performance (Sok, et.al, 2017).Given the current economic challenges facing many countries across the globe, the notion of engendering greater entrepreneurial activity has become a prominent goal for many national governments (Cooney, 2012) because entrepreneurial activity increases employment (Kirchhoff and Phillips 1988) and influences the economy at the regional and national levels (Jinpei 2009). Small firms have a potential to provide the ideal environment for enabling entrepreneurs optimally exercise their talents, and to attain their personal and professional goals (Federal Democratic Republic of Ethiopia (FDRE) Ministry of Trade and Industry (MoTI) 1997). However, many small firms operate in a very competitive environment with increased risk and inability to forecast in the current unstable economy (Ndirangu and Mukulu, 2014).

Competitors with access of much larger pools of strategic resource have a greater flexibility in managing their External activities – timing of promotional campaigns, new product launches, and so on (Bianchi et al. 2012). In Ethiopia, small firms contribute less in job creation and development of economy when compared with counterparts in other countries. This was due to financial problem, lack of qualified employees, lack of proper financial records, marketing problems, lack of working premises and raw materials, Lack of information about market opportunities and standards and regulations are some of the underlying factors that hinder their performance (Gebreeyesus, 2009).

MSE Development holds a strategic place within Ethiopia's industrial development strategy. They considered as the key instrument of job creation, so strengthening MSE development should be one of Ethiopia's top development priorities (FDRI, 2014).However, experience shows that, few MSEs Startups may survive; while many others fail in a few years leaving only a small percentage to grow into medium and large enterprises (Commission on Legal Empowerment of the Poor, 2006).Therefore, this

study intended to investigate the effect of entrepreneurial orientation on the performance of micro and small enterprises in Jimma town.

1.2. Statement of the problem

Firms spends huge amount of resources to sustain their business and remain competitive in the market by improving their internal processes (Day & Lichtenstein (2006). Entrepreneurial Orientation in an organization help adjust operation in the dynamic competitive environment, it changes and shapes the environment for organization resources to exploit uncertain opportunities through new and creative ideas as a result of changes in the market(Stevenson &Jarillo (1990). SMEs that are open to learning may identify opportunities to exploit through an EO that facilitates growth (Kirk, 2015) while senior managers may favor innovative activities as a display of high level of pro-activeness in high-risk tolerance environment, which positively influences firm performance (Kreiser, 2010). Ideally, Innovation is the specific tool of entrepreneurs, the means by which they exploit change as an opportunity for a different business or a different service. It is capable of presented as a discipline, capable of being learned, capable of being practiced. Entrepreneurs need to search purposefully for the sources of innovation, the changes and their symptoms (Raod, 2018).

A number of studies in entrepreneurship and business strategy disciplines have addressed the relationship between EO and performance; and many of them concluded positive relationship.(Haileeyesus,2018;Olubiyi, *2019;* Wiklund & Shepherd, 2005; Belgacem, 2015; Sahoo, S. &Yadev, S., 2017; Rigtering, 2013).This shows that EO is significant idea in fruitful business performance. In other ways, some others found out that this relationship is either weak or does not hold at all (Rauch, 2009). Therefore, this explains need for further studies in different contexts for comprehensive of this strategic posture for better firm performance. In Ethiopia, small firms contribute less in job creation and development of economy when compared with counterparts in other countries. Due to financial problem, lack of qualified employees, lack of proper financial records, marketing problems, and lack of working premises and raw materials, lack of information about market opportunities and standards and regulations are some of the underlying factors that hinder their performance (Gebreeyesus 2009).

In Jimma town, Most of entrepreneurial ventures have a low survival rate, as entrepreneurs start business but unable to turn them in to sustainable businesses. Most new MSE's do not move from the first stage of existence to other stages such as survival success, take off and resource maturity all over the world and as well as in Ethiopia, and Jimma town in particular. Several characteristics, factors and problems stated above had identified to be key determinants of lack of MSEs performance and macroeconomic consequences of such problems including poverty, unemployment, increase inflation and other macroeconomic challenges and low performance. Therefore, it is necessary to establish an understanding of key entrepreneurial orientation and business practices that can help in the understanding and promotion of MSE's for better Performance (Jimma town MSE and food security office, 2019). This study, therefore, tries to investigate the effect of entrepreneurial orientation on the performance of micro and small enterprises.

1.3. Research Questions

This study will be guided by the following research questions:

1. What is the relationship between risk taking and performance of MSE in Jimma town?

2. What is the relationship between innovation and performance of MSE in Jimma town?

3. What is the relationship between pro-activeness and performance of MSE in Jimma town?

4. What is the relationship between Competitive aggressiveness and performance of MSE in Jimma town?

1.4. Objectives of the Study

1.4.1. General Objective

The main objective of the study was to investigate the effect of entrepreneurial orientation on the performance of MSE in Jimma town.

1.4.2. Specific Objectives of the study

1. To examine the effect of innovativeness on performance of MSE in Jimma town;

2. To evaluate the extent to which risk taking influence on performance of MSE in Jimma town;

3. To assess the effect of pro-activeness on performance of MSE in Jimma town;

4. To investigate the extent of Competitive aggressiveness on performance of MSE in Jimma town

1.5. Research Hypothesis

This study tested the following hypothesis:

1. H1: Risk taking has a significant positive effect on the performance of MSE in Jimma town.
2. H2: Innovation has a significant positive effect on performance of MSE in Jimma town.
3. H3: Pro-activeness has a significant positive effect on performance of MSE in Jimma town.
4. H4: Competitive aggressiveness has a significant positive effect on performance of MSE in Jimma town.

1.6. Significance of the Study

As MSEs are major employment creation and poverty alleviation, mechanism, their strength and capacity improvement contributes a lot for the economic activity of the town and for improving the livelihood of residents, especially youth population. Therefore, the study could indicate the importance and Significance of entrepreneurial orientation components in the performance improvement of MSEs in the town. Wherever many youth population have the opportunity and accesses of getting involved in different economic activities of the towns through MSEs, they would be motivated and use their potential in the development endeavors of the country as a whole.

1.7. Scope of the Study

The study focused on Jimma town micro and small enterprises established and supported by the government. It aims to investigate the effect of Entrepreneurial Orientation which allows small business to develop ideas and realize them in the form of new products, Participate in risky projects, predict future requirements and find new opportunities to enhance performance of MSEs. Although there are many dimensions of EO, this study covers the four major dimensions which are: Risk taking, inovative, Proactive and Competitive agresiveness as independent variables and performance of MSE as dependent variable. Random sampling was used to cover all the five sectors of MSEs which have at least three years experience in the business. This study employed Descriptive and Explanatory research design to investigate the interaction of entrepreneurial orientation and MSE performance in Jimma town. Descriptive research design used when a particular phenomenon is under study, the research needed to

define it, to clarify and explain its inner relationships and properties (Huczynski and Buchana, 1991). The descriptive researches describe an accurate profile of people, events or condition (Robson, 1993). In other words, descriptive research defines the research aspects of, who, what, where, when, why and sometimes how of the research (Yin, 1994). Further, Explanatory research design used when the focus is on cause-effect relationships, the study can be explanatory explaining which causes produce which effects (Yin, 1994). This study concerns in how one variable affects another variable. Observation was also conducted to know the recent condition of MSEs activity in Jimma town. In addition, questionnaire was used as a mechanism for primary data collection and Secondary data was also collected from concerned Governmental institutions regarding the MSE background. The study carried out within Jimma town between the periods of March to June 2020.

1.8. Limitation of the Study

Jimma town MSEs may not represent all MSEs in Ethiopia. It may have difference in other areas studies because of operational culture of MSE. Since the sample size on this study was low, it advised to have a larger sample size in further research to reflect more accurately the realistic situation of the effect of entrepreneurial orientation on the performance of micro and small enterprises in Jimma town. Only single data gathering technique was used in this study. Therefore, it suggested using more than one data gathering techniques and by expanding scope area for further research.

1.9. Definition of Key Words:

Entrepreneurial Orientation is defined as the firm's degree of *proactiveness* (aggressiveness) in its chosen product-market unit (PMU) and its willingness to *innovate* and create new offerings

Innovativeness *is* the tendency of firms to promote new ideas, new experiments and creative processes that may result in new products, services or technological processes.

Competitive Aggressiveness is the firms' qualities and direct and intensive challenge of the competitors in order to enter the market or to improve the markets' position.

Risk taking is defined as an enterprise's willingness to seize an entrepreneurial opportunity, it involved an enterprise's willingness to tolerate uncertainty.

Entrepreneurial pro-activeness is the ability of the firm to predict where products services do not exist or have become unsuspected valuable to customers and where new procedures of Manufacturing are unknown to others become feasible.

1.10. Organization of the Thesis

The research paper consists of five chapters. The first chapter is the introduction chapter and contains statement of the problems, research questions, objective of the study, and significance of the study and delimitation of the study. Literature reviews are presenting in chapter two. The third chapter dealing with the methodology that used in the research activity. The fourth chapter covered the discussion of result, and the fifth chapter contains conclusions and recommendations.

CHAPTER TWO
LITERATURE REVIEW

The chapter reviews the literature relevant to the role of entrepreneurial orientation to growth of small and Micro enterprises. The chapter was developed the theoretical review, empirical review, knowledge gap and conceptual framework.

2.1. Theoretical Framework

Principles and statements that explain a phenomenon, facts and predictions that are universally tested and accepted represent a theory (Popper, 1963). Theories are tools that help to analytically explain and make predictions about a subject matter thus improving its understanding (Hawking, 1996). Entrepreneurial orientation (EO) is a firm's ability to innovate, take risks, and proactively pursue market opportunities (Rauch et al. 2009; Wiklund and Shepherd 2005). Jinpei (2009) stated that Entrepreneurial orientation is defined as an individual's attitude towards engaging in entrepreneurial activities, be it within an existing firm or creating new venture. On the other hand, the term "entrepreneurial orientation" had used to refer to the strategy making processes and styles of firms engaged in Entrepreneurial activities (Lumpkin and Dess 2001). It captures the entrepreneurial aspects of a firm's decision-making styles, methods, and practices of (Lumpkin and Dess1996; Wiklund and Shepherd

2005). Rauch et al., (2009) conclude that EO represents the policies and practices that provide a basis for entrepreneurial decisions and actions. Pearce, Fritz, and Davis (2010) also stated that "An EO is conceptualized as a set of distinct but related behaviors that have the qualities of innovativeness, proactiveness, competitive aggressiveness, risk taking, and autonomy".

Therefore, EO influences entrepreneurs and small business owners in their engagement in business and product innovation, and market development (Carland et al. 1984).Generally, entrepreneurial orientation allows a firm to develop ideas and realize them in the form of new products and services, participate in risky projects, predict future Requirements, and find new market opportunities (Covin and Slevin 1989).In Nairobi, SMEs had identified as a priority by the government in creating jobs and reducing the high unemployment rate currently estimated at 33.9% (Statistics Kenya 2014). In addition, MSEs play an important role in improving the economic growth and reducing wealth inequalities of Nairobi residents (Pahad 2008). Adeniran and Johnston (2011) note that despite the highlighted importance of the MSE sector, their rate of failure estimated at between 70% and 80%. The limited growth of MSEs in Nairobi and their high failure rate may be associated with them lacking the entrepreneurial orientation needed.

Fatoki (2014) investigated "the entrepreneurial orientation of micro enterprises in the retail sector in South Africa" and the results revealed adeptness by micro enterprises at coming up with 9 New product lines and also changing to the present product lines, but weakness in research and development, pro-activeness and risk-taking. The study by Okeyo et al., (2014) on "performance of small and medium enterprises in manufacturing business in Kenya" found that EO plays a greater role in improving performance of SMEs. Monica Ngetich (2015) on her study; "effect of strategic orientation on the performance of large retail stores in Nairobi" concluded that strategic orientation and EO enabled retail stores to launch New products in the market, adopt aggressive attitude towards competitors and review product development in line with customer needs.

2.1.1. Pro Activeness

According to Alvearez & Barney (2012) Entrepreneurial pro-activeness is the ability of the firm to predict where products services do not exist or have become unsuspected valuable to customers and

where new procedures of Manufacturing are unknown to others become feasible. Kirzner (1997) calls it "Flashes of superior insight" the proactive company focuses on the past, the present and the future with equal zeal, using history to explain and fully understand the present and to challenge and create its own proactive future. (Osaze, 2013), again Barney (1991) defines entrepreneurial pro-activeness as the ability of the firm to predict where Products /Services no longer bring added value to customers or do not exist. In addition, the first mover's advantages identified by mark (2005) occur with a definition of pro-activeness offered by Dess and lumpkin (2005), in the pro-activeness involves recognizing changes and having the willingness to act on those in sights ahead of competitors in an attempt to gain higher profits.

The characteristics of pro-activeness relates to a determined pursuits of identified market opportunities by an organization, aimed at introducing new product or technology in its industry before others, that is being an industry leader rather than follower is an essential future that characterizes a proactive firm (Rauch, wiklund , Lumpkin&frees,2009). In addition, proactive firms are most likely to act and respond first to threats coming from its business environment as well as making the first move towards sizing market opportunities. From the foregoing, it is inferred that pro-activeness is an active response, a forward-looking perspective and a business strategy capable of giving firms that adopts it an edge over its competitors (Agca, et.al, 2009)

2.1.2. Competitive aggressiveness

Bleaker (2011) competitive aggressiveness as a more general Managerial disposition reflected in an enterprise's willingness to desire, take on and to dominate competitors through a combination of innovative efforts and proactive moves. Competitive aggressiveness refers to how enterprises respond to trends demand and "relate to competitors that already exist in the market place" with regard to competitors orientation (chalchisa, Bertrand, 2017; Deakins& mark 2012). Competitive aggressiveness had characterized and associated with a wide range of dimensions including porter's generic strategies (2013), first mover advantages (1988).

Firm's aggressiveness could characterize by its willingness to be unconventional rather than rely on traditional methods of competing through reactive or responsive behavior wang (2008). Re-activeness

involves a direct reaction to a competitors action, for example, a firm might slash prices & sacrifice profitability to maintain its market share when a competitor introduce a new product to the chosen market. In contrast, responsiveness may take the form of head-to-head competition or direct attack on competitors, such as when a firm enters a market where a competitor is already present. Therefore, competitive aggressiveness needed to battle intense acute competition posed by rivals, (lumpkin, et.al, 2510). It is a way of engaging with its competitors, distinguishing between companies that shy away from direct competition with other companies and those that aggressively pursue their competitors' target markets, schillo(2011).

2.1.3. Innovation

Silas and Joyce (2017) defined innovation as the willingness to depart from existing technologies and practices and the creation or adoption of an idea or behavior new to the organization, and venturing beyond that current state which resulted in new products and services. Innovation strategy is a key driver for the performance of SMEs by applying a culture of innovation in a strategic and structured way and it is a form of organizational mindset and a specific set of capabilities that drive innovation activity (olaniran, et.al, 2016). Also innovation is the intentional generation, promotion and realization of new ideas within work role, workgroup or organization by an employee in order to benefit role performance, the group or the organization (Gilbert, 2018) Margaret, Patrick & Dennis, 2009). Innovative work behavior is defined as individual's behavior aiming to achieve the initiation and intentional introduction of new and useful ides, processes, products or procedures and also propensity to adopt new ideas that lead to the development and the launch of new products (Rubera and kirca, 2012)

Furthermore, Innovation is an important component of a firm's strategy mainly because it constitutes one of the principal means through which it can seek new business opportunities (Lumpkin and Dess, 2011). Also, SMEs are highly innovative than large enterprises and they can reach productivity level above those of large companies. But, innovativeness is cumbersome and can be stressful because it entails an employee figuring out new ways to accomplish tasks, thinking in alternative ways, searching for improvements, applying new work methods, looking for new technologies, investigating and securing resources to make new ideas happen (Akpan, 2011)

2.1.4. Risk Taking

Verbano & venturin, (2013) defined risk taking as an enterprise's willingness to seize an entrepreneurial opportunity, it involved an enterprise's willingness to tolerate uncertainty, even though it has no guarantee or way of knowing if the venture will be successful. Also, risk taking is defined as "the perceived probability of receiving rewards associated with the success of a situation that is required by the individual before he/she will subject himself/herself to the consequences associated with failure, the alternative situation providing less reward as well as less severe consequences than the proposed situation"(Brock- haus,2013). Risk taking is simply taking bold actions to commit significant resources to opportunities and new markets. Having a reasonable chance of costly failure with uncertain outcomes and these risks are typically manageable and calculated (Otieno, et.al, 2013; Taylor, 2013; magaji, et.al, 2014).

On a business level, risk taking refers to the tendency to support projects with uncertain expected returns (walter, et.al, 2006). Three types of risks were identities, namely, business risks associated with entering new market or supporting unproven technologies, financial risks relating to heavy borrowing or committing a significant amount of resources for growth, the financial exposure required and the risk /return profile of the new venture (Dess & Lampkin 2010). Aldo risk taking is an important tool that provides opportunities to new inventions and building of new markets (Kuhn & Marisck, 2010)

2.2. Entrepreneurial Orientation and MSE Performance

Wietunge & pushpakumari (2013) stated that the relationship between entrepreneurial orientation and SME performance has extensively discussed conceptually and empirically. Several studies report a positive relationship between the five EO dimensions and performance. As a result many studies have investigated the link between and the effect of EO on firms performance making it a popular area of study (Callaghan &Vente, 2011, Real, et.al, 2014, Engelen, et.al, 2015, Sabrina & Benjamin, 2015). Also the relationship between EO and export performance through a model in which environmental dynamism, hostility and uncertainty played an antecedent role for EO was examined (syed, et.al, 2017).

The level of EO was direct in the dominant part of MSEs in Punjab and there was a noteworthy relationship between innovativeness, pro-activeness and risk taking, and performance of SMEs. Noteworthy positive relationships have reported showing a positive impact of all the three dimensions that have studied. The findings facilitated EO construct empirically, related to business performance of manufacturing sector SMEs can perform better if they put their efforts on innovation. Likewise, if they are proactive to market changes they can maintain their performance by maintaining their position in the market. Lastly, risk taking is vital for growth and performance of SMEs in the manufacturing sector. When SMEs have to invest in innovation they exposed to risk which seems to be beneficial for the survival and growth. Similarly the study of Asad, et.al, (2016), and Ishola, et.al, 2013) empirically assessed the relationship between EO, network capability, institutional environment factors and export performance of 235 Nigerian agricultural firms. The result affirms that there is a strong positive relationship between EO, Network Capability and Institutional Environment factors.

2.3. Empirical Review

2.3.1. Empirical studies in other countries

EO is a strategy making process based on entrepreneurial actions and decisions (G.tom,et.al, 1996). Companies with EO can respond to challenges effectively and prosper in a competitive and dynamic environment (Shane & Eckhardt, 2003). It is the integration of entrepreneurship and strategic thinking. EO considered as a firm critical strategic posture that contributes to firm's performance (Jambulingam, et.al, 2005).

Ishola, et.al, (2013) empirically assessed the relationship between EO, network capability, institutional environment factors and export performance of 235 Nigerian agricultural firms. The study on "effect of intellectual capital on the SMEs growth in Kenya" conducted by Ngugi (2013) established that communication skills, personal management competence and identification of market opportunities influenced largely the growth of small and medium enterprises. These observations had arrived at since managerial skills, which refer to a spectrum of individual capabilities in the enterprise, supplemented by effectiveness of a working team and strengthened by communication skills. Growth of SMEs therefore

relied heavily on the experienced professional to create and maintain knowledge. Findings from longitudinal surveys among a panel of 300 small businesses in Soweto between 2007 and 2009 modeled through a categorical regression model with business survival as dependent variable (http://www.ejobm.org, 2014). The result affirms that there is a strong positive relationship between EO, Network Capability and Institutional Environment factors. Fatoki (2014) investigated "the entrepreneurial orientation of micro enterprises in the retail sector in South Africa" and the results revealed adeptness by micro enterprises at coming up with 9 New product lines and also changing to the present product lines, but weakness in research and development, pro-activeness and risk-taking.

The study by Okeyo et al. (2014) on "performance of small and medium enterprises in manufacturing business in Kenya" found that EO plays a greater role in improving performance of MSEs. Mwangi and Ngugi K. (2014) found significant positive relationship between EO and performance in the MSE's of Kerugoya, Kenya. Monica Ngetich (2015) on her study; "effect of strategic orientation on the performance of large retail stores in Nairobi" concluded that strategic orientation and EO enabled retail stores to launch New products in the market, adopt aggressive attitude towards competitors and review product development in line with customer needs. Another important thing that should kept in mind is that performance of MSEs especially in the developing countries as Pakistan cannot be measured based on ROA or ROE because the owners of MSEs in such countries are unable to keep accounting records. Therefore, the performance has to be measured based on perception of the owners regarding sales growth, customers' growth, assets growth, product growth, employment growth, and the enterprise reputation in the market (Asad et al., 2016c).

Similarly, the study of Asad, et.al, (2016), empirically assessed the relationship between EO, network capability, institutional environment factors and export performance of 235 Nigerian agricultural firms. The result affirms that there is a strong positive relationship between EO, Network Capability and Institutional Environment factors. Corroborating the above, Makinde and Asikhia (2017) revealed positive influence of entrepreneurial characteristics and orientation on the performance of the business. The study conducted by Ming zhai et.al, (2018) on the topic of absorptive capacity and SME's

innovation performance in China by using multiple regression methods, found that, there is significant positive relationship between EO and innovation performance. The study conducted in Tanzania also found Innovation and Risk Taking have positive significant effect while pro activeness have significant negative effect on the performance of construction firms (Okangi, 2019).

2.3.2. Empirical Studies in Ethiopia

Study conducted on the determinants of growth of SME by Tarfasa, et.al, (2016) about 300 MSEs were proportionally and randomly selected for the survey from manufacturing, construction, service, trade and urban agriculture in selected parts of Ethiopia. A structured questionnaire was used to collect the data through face-to-face interview of sample firm operators on selected MSE's. Descriptive and logistics regression used for analysis of data. The findings of the study reveal that MSEs suffer from a host of internal problems such as, weak human resources, other assets and of external factors including lack of access to credit, limited market facilities, policy and regulatory bottlenecks.

Other study also done in Wolkite town by Deksiso Guye (2017) using the questionnaire data collection methods. Descriptive and econometric model used to analyze data. The study revealed that, factors like age, sex, family size, access to business information, access to financial services and access to managerial skills have influence on the performance of micro and small-scale enterprises. Especially, access to infrastructure and low-level education are the main factors that are affecting the performance of micro and small-scale enterprises in the town.

Meresa, (2018) conducted the study in Raya Azebo Wereda used by stratified random sampling through Questionnaires with both open and closed items used to obtain data. A descriptive analyzing method performed. The study finding revealed that factors affecting performance of MSE in Hotel and Restaurants are poor infrastructural facilities (like electricity and water), high rank level of competition, lack of access to finance, lack of knowledge and skill. In addition to this lack of access to market, lack of necessary support from relevant institutions specially to MSE's office, shortage of raw materials, managerial and technical skills, lack of additional facilities and enough space to accommodate the fluctuations in customers' arrival.

The studies of Abdela, et.al, (2018) conducted in central Ethiopia by considering five EO (Risk taking, innovation, Competitive aggressiveness, proactive and autonomous). Using multiple regression methods, the study revealed that; EO has significant positive effects on the firm performance Haileeyesus T. Woldemichael (2018) identified that EO has positive and statistically significant with performance by taking 233 random samples from small enterprises in Addis Ababa. His research, aims to address this gap by taking 233 random samples from small enterprises in Addis Ababa. Both direct EO (Risk taking, Innovativeness and proactive) Performance relationship and interaction effects of access to financing (FNS) and marketing resources allocation (MKT) as moderators were examined in this relationship. Moderated hierarchical regression has applied.

The studies of Ayalew, et.al, (2019)done through a standardized questionnaire from small scale manufacturing enterprises working in the Amhara region. The study shows that, the five entrepreneurial orientation dimensions (autonomy, innovativeness, pro-activeness, competitive aggressiveness, and risk taking) variables were significant in predicting the odds of perceived business success. However, among those strongest predictors, only three of them (Risk Taking, Pro-activeness, and Competitive Aggressiveness) have the positive impact whereas the remaining two variables (Innovation and Autonomy) have a negative impact on the perceived business success of small scale enterprise. Binary logistic regression analysis was applied for the purpose of data analysis.

2.4. Summary and Knowledge Gap

From the above previous studies in entrepreneurship and business strategy disciplines have addressed the relationship between EO and performance; and many of them concluded positive relationship. This shows that EO is significant idea in fruitful business performance. However, this might has different result in different countries. In other ways, some others found out that this relationship is either weak or does not hold at all (Rauch.et.al 2009). So this explains need for further studies in different contexts for comprehensive of this strategic posture for better firm performance. The studies done Ethiopia also show positive relationship. But most of the studies done in Ethiopia do not considered all EO dimensions. Those who considered also used the same methodologies to analyze the data, which focused only on Descriptive and logistic regression. Therefore, this study used different methods from the

previous studies. In addition, this study considered four dimensions of EO. The above studies not represent all areas of MSEs in Ethiopia. Most of the studies used closed questionnaires, which limit the idea of respondents. Most of the studies conducted, by using single question per variables. In this study, there are both close and open questionnaires methods. This study, therefore, investigated the effect of entrepreneurial orientation on the performance of micro and small enterprises in Jimma Town Ethiopia.

2.5. Conceptual Framework

From the theoretical and empirical literature reviews, except some studies, it hypothesized that entrepreneurial orientation has positive relationship with small firms' performance. In that, firms with higher level of entrepreneurial behavior have better operational and financial performances.

Entrepreneurial Orientation usually defined as a multidimensional construct, applied at the organizational or **e**ntrepreneur's level, with entrepreneurial behavior and includes one or several of these four dimensions: risk-taking, innovativeness, pro-activeness and competitive aggressiveness. (Irungu,2008:Lumpkin&Dess,1996;Nyambariga,2012;Otieno,2012;Njeru,2013;Gathenya,2012).Perform ance of MSEs studied as a criterion (dependent variable). (Cooper & Schindler, 2009; Kumar, 2009; Kothari; 2009).The variable was measured, predicted and monitored and it was expected to be affected by the manipulation of the independent variable of the study, namely, Entrepreneurial Orientation. The four dimensions of EO (innovativeness, pro activeness, risk- taking and competitive aggressiveness) modeled by Lumpkin and Dess (1996) have positive and significant effect on the performance of MSE.

Figure 1 - Conceptual Framework

Independent variables   **Dependent Variable**
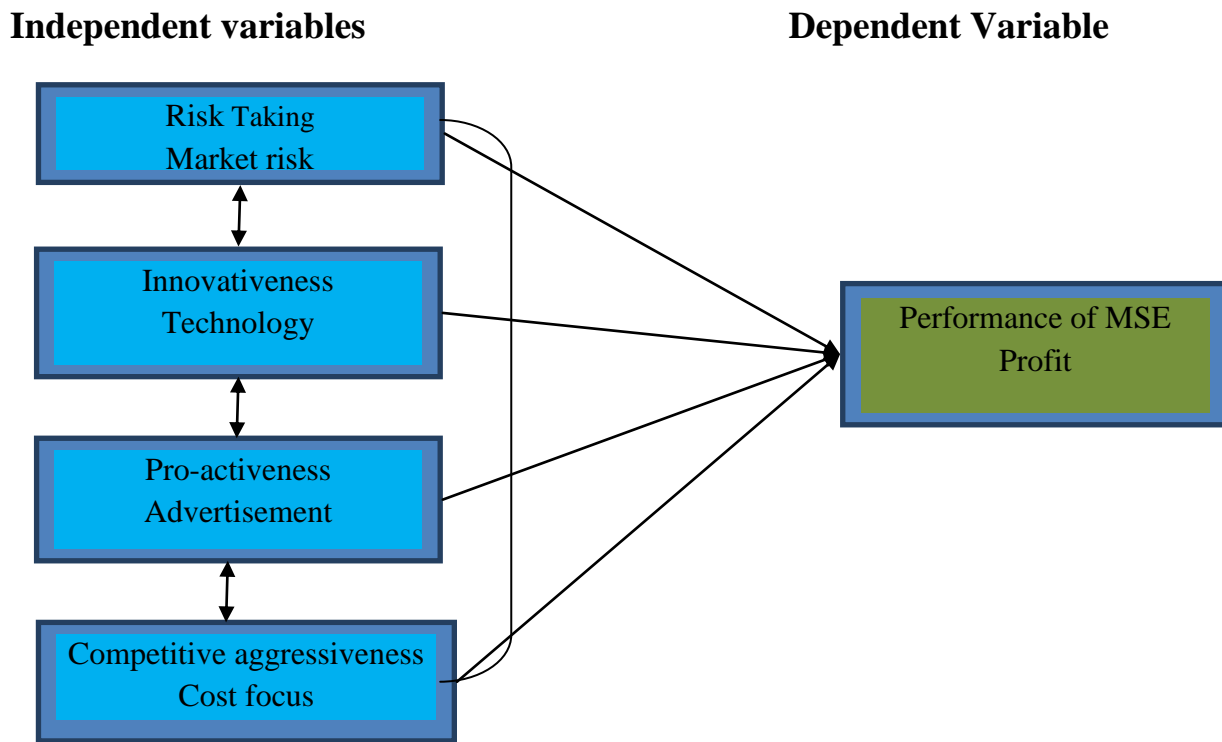
(Source: Adopted from literature review, 2020)

CHAPTER THREE
RESEARCH DESIGN AND METHODS

The general objective of this study was to investigate the effect of entrepreneurial orientation on the performance of micro and small enterprises in Jimma town. This chapter was examined the methodology that was used to carry out the study and the choice of the research design that used throughout the study. It also shows the population of the study and the sampling design, which was the description of the sample size and sampling technique. The chapter then discussed the methods of data collection, data analysis and data presentation methods used.

3.1. Research Design

According to Cooper and Schindler (2014), research design is the plan and structure used to analyze the subject matter under study whose purpose is to answer the research questions. This study employed Descriptive and Explanatory research design to investigate the interaction of entrepreneurial orientation and MSE performance in Jimma town. Descriptive research design used when a particular phenomenon is under study, the research needed to define it, to clarify and explain its inner relationships and properties (Huczynski and Buchana, 1991). The descriptive researches describe an accurate profile of people, events or condition (Robson, 1993). In other words, descriptive research defines the research aspects of, who, what, where, when, why and sometimes how of the research (Yin, 1994). Further, Explanatory research design used when the focus is on cause-effect relationships, the study can be explanatory explaining which causes produce which effects (Yin, 1994). This study concerns in how one variable affects another variable.

3.2. Research Approach

Quantitative approach deals with quantifying analyzing variables in order to get result. It involves the utilization and analysis of numerical data using specific statistical techniques to answer questions like who, how, when, where, how many and what (Apuke, 2017). Therefore, in this study, Quantitative approaches employed with the purpose of achieving data presentation and analysis.

3.3. Sources and Method of Data Collection

The data used to conduct this study is from primary sources. Primary data are those, which the researcher collects through Questionnaires. The sources of data in this study were MSE members in Jimma town. This study used standardized questionnaires prepared in line to the basic research questions and objectives of the study. First questionnaire was prepared in line to the basic research questions and objectives of the study. The first section of the questionnaire was about the demographic features of the respondents, and the rest questions focused on the objectives of the study. The researcher extracted about 25 questions that designed in both close and open-ended questions, which answered by the respondents through scale measurements questions.

3.4. Sampling Design

3.4.1. Target Population

The setting for this study is effect of entrepreneurial orientation on the performance of micro and small enterprise in Jimma town. Therefore, the target population for this study is small micro enterprises in Jimma town. According to Gupta (2007) when the universe small one cannot resort to sampling method because in such situation completeness and accuracy can ensured only by the census method. For the purposes of this research, standardized questionnaire used to gather the necessary information. According to Burns, N. and Grove, S. (1993), a population is defined as all elements (individuals, objects and events) that meet the sample criteria for inclusion in a study.

3.4.2 Sampling Technique and Sample Size

Probability sampling techniques had used in this study. In the case of probability sampling, random sampling techniques adopted to select sample respondents from different sectors of MSEs such as Construction, Manufacturing, Urban Agriculture, Trade and Service sectors. The purpose of using this method (Random sampling) is that it helps to protect unnecessary bias and to avoid concentration on specific areas. The aim of using this method is that it helps to minimize sampling bias and provide equal chance for all population as well as it allows simply draw samples from the lists. The researcher applies Yamane (1976) sample size, determination formula to find the sample size of respondents.

$$n = \frac{N}{1 + Ne^2} = \frac{3249}{1 + 549(0.1)^2} = 97$$

n= sample size need to choose

N= total population size of the study (Micros)

e = error level which is 90% of confidence level

By using this sample size formula from the 3249 target population 97 respondents were calculated. But the researcher decided to select 110 respondents by adding approximately 10% to maximize sample size of the respondents.

3.5. *Methods of Data Analysis*

Descriptive statistics has used to describe the general information about the respondents' demographic situation and characteristics of the small enterprises. Since there are more than one independent and dependent variables in this study, multiple linear regression models, and Pearson correlation used to analyze the data and to check correlation. Multiple regressions are a powerful set of methods for investigative specific scientific hypotheses and relationships among non-experimental data. Typically, multiple regressions used as a data-analytic strategy to explain or predict a criterion (dependent) variable with a set of predictor (independent) variables (Petro celli, 2003).The correlation analysis is used to check relationship between the dependent variable and independent variables. Both the level and direction of their relationship allows for other higher-level analyses in the research. Likert scale used to measure the agreement level of respondents on the variables.

3.6. *Model Specification*

To study the direct effect of entrepreneurial orientation (EO) dimensions (Risk taking, innovation, pro-activeness and competitive aggressiveness) on small enterprises performance (profits),
regression had conducted with the next model. The measurements for independent variables are; Market risk, technology, advertisement and innovative efforts. The measurement for dependent variable was profitability of MSE, which classified under financial profit.

3.6.1. Definitions of Variables

Pro-activeness is the ability of the firm to predict where products services do not exist or have become unsuspected valuable to customers and where new procedures of Manufacturing are unknown to others become feasible.

Competitive aggressiveness as a more general Managerial disposition reflected in an enterprise's willingness to desire, take on and to dominate competitors through a combination of innovative efforts and proactive moves. Competitive aggressiveness refers to how enterprises respond to trends demand and "relate to competitors that already exist in the market place" with regard to competitors orientation.

Silas and Joyce (2017) defined **innovation** as the willingness to depart from existing technologies and practices and the creation or adoption of an idea or behavior new to the organization, and venturing beyond that current state which resulted in new products and services. Innovation strategy is a key driver for the performance of SMEs by applying a culture of innovation in a strategic and structured way and it is a form of organizational mindset and a specific set of capabilities that drive innovation activity.

Risk taking defined as an enterprise's willingness to seize an entrepreneurial opportunity, it involved an enterprise's willingness to tolerate uncertainty, even though it has no guarantee or way of knowing if the venture will be successful. Also, risk taking is defined as "the perceived probability of receiving rewards associated with the success of a station that is required by the individual before he/she will subject himself/herself to the consequences associated with failure, the alternative situation providing less reward as well as less severe consequences than the proposed situation.

The relationship between entrepreneurial orientation and MSE performance has extensively discussed conceptually and empirically. Several studies report a positive relationship between the five EO dimensions and performance. As a result many studies have investigated the link between and the effect of EO on firms performance making it a popular area of study (Callaghan &Vente, 2011, Real, et.al, 2014, Engelen, et.al, 2015, Sabrina & Benjamin, 2015).

Entrepreneurial Orientation: a strategic posture that involves a propensity to be innovative, thatis, to depart from established practices and entertain new ideas and experimentation; proactive, in that it beats competitors to new market opportunities; and open to risk in exploring new products, services, and markets.

MSE Performance: According to Rauch et al. (2009), it is a multidimensional concept that canbe measured with both financial and non-financial indicators. The non-financial indicators include goals such as satisfaction ratings made by owners /business managers. Financial measures include assessments of parameters such as sales and profit through self-reported questions.

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \cdots + \beta_n X_n + \varepsilon_i$$
$$P = \beta_0 + \beta 1 RT + \beta 2 In + \beta 3 PA + \beta 4 CA + \varepsilon i$$

Where: P is dependent variables (MSEs performance);

$$\beta_0 \ is \ the \ intercept;$$
$$\beta_1, \beta_2, \beta_3 and \ \beta_{04} are \ \text{regression coefficients}$$
$$RT - \ \text{is Risk Taking}$$
$$In - Innovativeness$$
$$PA - is \ Proactiveness$$
$$CA - \text{is competitive aggressiveness and}$$
$$\varepsilon_i = is \ the \ error$$

The correlation analysis is used to check relationship between the dependent variable and independent variables. Both the level and direction of their relationship allows for other higher-level analyses in the research. Likert scale used to measure the agreement level of respondents on the variables.

3.7. Validity and Reliability of the Instrument

3.7.1. Validity

The development of a questionnaire raises the issue of validity and reliability. Validity in general looks as if the tool has measured what it set out to measure. The fact that the questionnaire developed based on empirical literature as well as pilot testing on the instrument assures its validity. Pilot test is preliminary version of full survey operations that used to identify whether problems exist before distributed real

survey to the respondents (Lavrakas, 2008). In this study the pilot test phase, sets of the questionnaires distributed to 10 committees of SME from all sectors examined for respondents understanding of the questions, and taken their feedback on the questionnaire. After the pilot test, a number of suggestions adopted and improved the questionnaire.

3.7.2. Reliability

Reliability test was used to determine the extent to which the items in the questionnaire are related to each other. In order to test the reliability of the instrument the student researcher used cronbach's alpha values of multi-item scale. This model was used to measure the internal consistency of the instrument employed in order to get the necessary data from the respondents. For each part of the questionnaire used in this research project Cronbach Alpha value was calculated by using SPSS to determine whether questions are reliable or not. Hair et al (2010) suggested that scales should have a minimum of 0.7 Cronbachs Alpha. The result of reliability test of all variables of the study is above the minimum value suggested which is (0.7). Table below presents

the reliability test result of the study variables.

Table 1 - Results of Reliability Analysis

Reliability Statistics			
Variables	Cronbach's Alpha	N of Items	Result
Risk taking	0.867	3	Very Good
Innovativeness	0.822	4	Very Good
Pro-activeness	0.746	3	Acceptable
Competitive aggressiveness	0.788	3	Acceptable
Firm Performance	0.852	4	Very Good

The Reliability Test for Overall Items Used

Table 2 - Results of Reliability of all Items

Reliability Statistics			
Variables	Cronbach's Alpha	N of Items	
All	0.898	17	Very Good

As the above Table 2 depicts the reliability of items used in this research was about 89.8%. This indicates existence of high internal consistency between the questions used, which is greater than acceptable standard. It indicates that the constructed measurements were appropriate for proposed outcome.

3.8. Ethical Consideration

The method of ethical consideration that utilized for study is to respect the value of research and research ethics, human dignity, integrity, freedom and right to participant, confidentiality. Prevent harm and suffering, inform research objectives, to obtain free and informed consent, respect culture of the society and diversity. Conducting research, its design, data collection strategy, etc. require tolerable ethical consideration (Saunders, Lewis, &Thornhill, 2009). Therefore, it is necessary to be enduring by the ethical research principles. From that point of view, respondents from the targeted MSEs have clearly informed about the objective of the research. The researcher has completed sure that the questionnaires paper contains information about the investigation, the objectives of the data collection, the voluntary participation of the respondents, promise regarding confidentiality and secrecy, the purpose to reveal the findings up on completion of the study.

CHAPTER FOUR

RESULTPRESENTATION AND ANALYSIS

This chapter focused on presentation, discussion and interpretation of data collected through questionnaire. The data collected were analyzed using SPSS version 21. Descriptive statics, Pearson correlation and mainly multiple Regressions had applied in the quantitative analyses to test the hypotheses. One hundred ten (110) questionnaires delivered to individual respondents at the Jimma town SME members and 102 respondents filled and return. Therefore, the response rate is 92.7%, which is a high rate for a questionnaire survey. The main reason for 92.7 percent data collection is that Jimma town MSE office and kebele level MSE Agents supported me in the distribution and collection of the questionnaire.

4.1. Demographic Profile of Respondents

The 102 respondents sample with the characteristics of gender, age, and educational qualification described as follows:

Table 3 - Demographic Composition

Demographic variables		Frequency	Percentages
Gender	Male	62	56
	Female	40	44
	Total	102	100
Age	18-30 year	52	47
	31-45 year	47	42
	46-60 year	10	10
	Over 60 year	1	1
	Total	102	100.0
Education	Who can only read and write	14	14
	Elementary school	11	11
	High school	23	22
	College diploma	44	43
	Degree and above	10	10
	Total	102	100.0

(Source: Survey result, 2020)

4.1.1. Gender of the Respondents

A shown in Table 3, 61 % of the respondents that participated in the study were males, while 39 % were female respondents. This implies somewhat there is the dominance of male respondents in small enterprises of Jimma town. In other way the result shows that, males' population has the tradition to corporate than females in the micro and small enterprises in Jimma town.

4.1.2. Age Profile of Respondents

The age profile of the respondents reveals that most of the respondents (47.3%) were in the age category of 18-30 years, 42.7% were in the age category of 31- 45 years, 9.1% were in the age bracket of 46–60 years and 0.9 % was over 60 years which is the least in number. The results of the age distribution show that most of the respondents in the Jimma town MSE's were in the age category of 18-30 years, which incidentally coincides with the high productive age of the people.

4.1.3. Educational Background

Regarding educational background 14.5% respondents can only read and write. About 10% primary education completed, 22.7 % of respondents are completed secondary school education, 43.6%completed College diploma and 9.09% degree graduates respectively. Figure indicates that most of the participants are educated this indicate that, majority of MSE's in Jimma town are completed secondary school and above, this may help them to manage their business properly.

4.2. Enterprise Related Background

4.2.1. Size of Business

Table 4 - Size of business (Source: Survey result, 2020)

	Frequency	Percent
Micro	66	64.5
Small	36	35.5
Total	**102**	**100**

As shown in Table 4, Sixty-four (64.5%) of the firm is categorized under micro while 35.5% was small enterprises. This show that, Majority of the respondents was under micro, which implies that most of micros were not transfer to small enterprises by their capital in Jimma town

4.2.2. Establishment year of business

Table 5 - Establishment year of business

	Frequency	percentage
2006 EC and before	35	34.3
2007 EC	14	13.7
2008 EC	12	11.7
2009 EC	22	21.5
2010 EC	19	18.6
Total	**102**	**100**

(Source: Survey result, 2020)

From the observed data, 48% of the enterprises established before five years, and about 52% are established with in the last five years. Only 18.6% of the enterprises included in the study are established in the last three years, The result show that, most of MSE's in Jimma town have the age above three years starting from their establishment, but they are now registered under micro enterprises. This indicates that many MSE's in Jimma town could not transform to the next level regarding to their capital. Next, since the maximum age give for one micro was 3-5 years, many micros in Jimma town now have above required period. This shows that, the controlling and supporting system from the government office was weak.

4.2.3. Amount of Members in the Sampled MSE

Table 6 - Amount of members in the sampled MSE

	Frequency	Percent
1-5 members at start up	90	88
6-10 members at start up	12	12
Total	**102**	**100.0**

 (Source: Survey result, 2020)

Regarding the members of the enterprises, 88% have 1-5 members while 12% has 6-10 members. The result shows almost majority of the MSE's have some members. This indicates many micro and small enterprise monopolized by few peoples rather than creating job opportunities for many youths.

4.2.4. The Nature of Business /Business Sector/ of Respondents

Table 7 - Nature of business

	Frequency	Percent
Manufacturing	38	37
Construction	9	8
Urban agriculture	13	13
Service	42	42
Total	**102**	**100**

(Source: Survey result, 2020)

From the Table above 37% of the respondents were under manufacturing, 8% construction, 13% were urban agriculture while 42% of the respondents are incorporated in the service sector which has high percentages of respondents. Since majority of the respondents were from service sector, this implies most of the MSE's were organized on coffee and tea making, food related services, shops and such like enterprises.

4.2.5. Motivation to Involve the Business

Table 8 on the next page show that, 41% of the respondents motivated to inter the business for the Lack of employment job opportunity. Profitability of business count 12%, Government support 31%, and 16 depend on their previous experience to inter the business. The study revealed that most of the

respondents start the business because of job opportunity. This implies that, there were high unemployment rate and low job creation alternatives rather than micro in Jimma town.

Table 8 - Motivation to involve into the business

	Frequency	**Percent**
Profitability of business	12	12
Lack of employment alternatives	42	41
Good government support	32	31
Previous experience	16	16
Total	**102**	**100**

(Source: Survey result, 2020)

4.2.6. Other Works of Respondents Before Starting this Business

Table 9 - Other works of the respondents before this business

	Frequency	**Percent**
Yes	43	42
No	59	58
Total	**102**	**100**

(Source: Survey result, 2020)

The respondents asked if they have other job before starting this business. They responded that, Most of them have no jobs before this business which account 58% and 42% of the respondents have job before this business. This result indicates that, above half percentages of the MSE's members has no job opportunity if this business option not created.

4.3. Pre-condition measures for Enterprises performance

Figure 2 - Capacity building Training
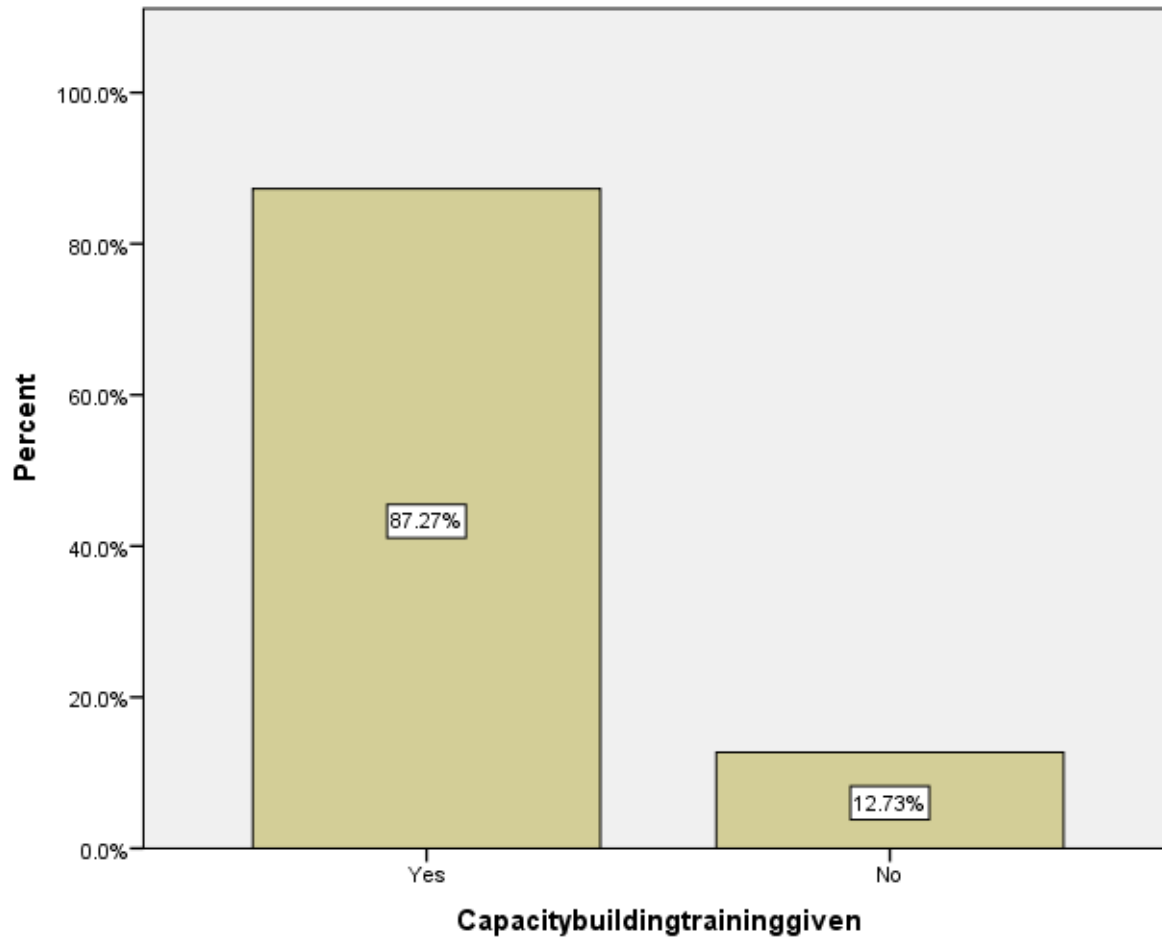
From above figure 87.27% of the respondents, take capacity building training while the rest 12.73% have no training. From this, the study concluded that majority of the enterprises have training before entering the business. This implies that having training before entering the business is essential for their motivation, operation and performance of MSE by making awareness on entrepreneurship, how they used business plan, regarding financial operation and on the technical issues of the micro and small enterprises.

4.4. Types of Training

Figure 3 - Types of training given

Typesoftraining
- Entrepreneurship
- Business plan
- Finance managing
- Technique
- Who have no take training

12.73%
2.73%
18.18%
5.45%
60.91%
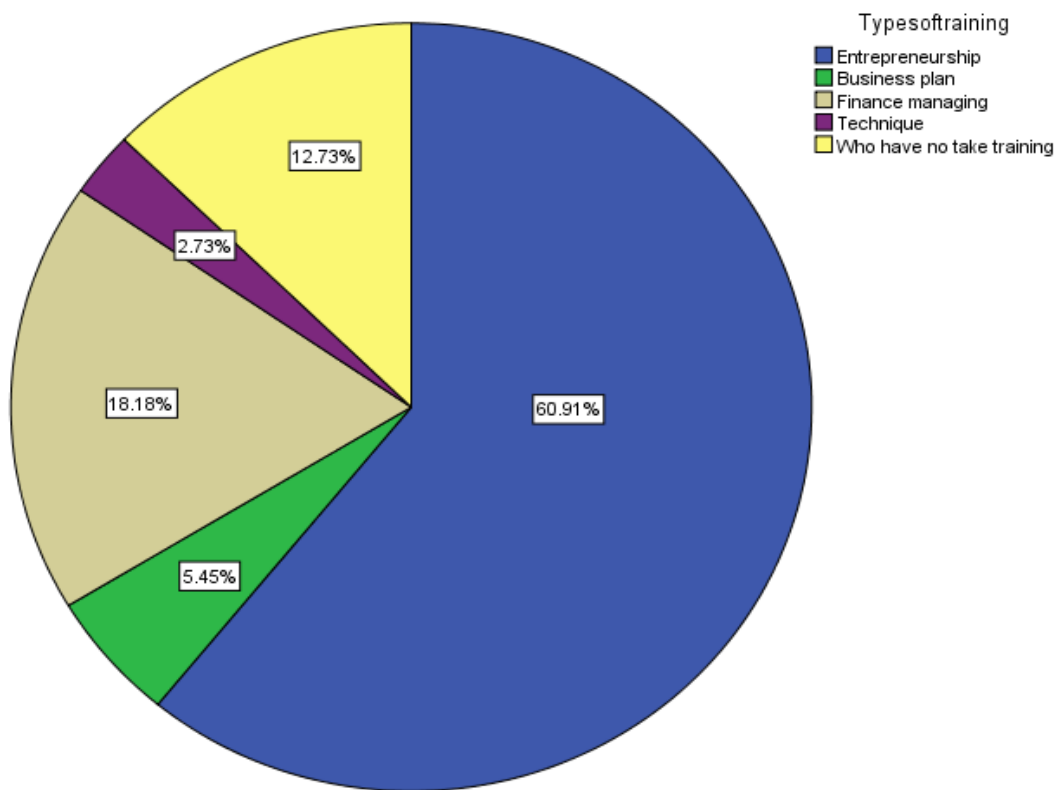
(Source: Survey result, 2020)

The study revealed that, 60.91% of the respondents have been take the training on entrepreneurship, 5.45% take on the business plan, 18.18% trained on finance management, 2.73% take training on technical issue and 12.73% have not get any types of training. The result implies that, most of the respondents have been take training on the entrepreneurship this have major benefits for them in relation with the overall operations of the MSE's specifically business plan, how they create new technologies, how they reduce risk, financial management and how they make competition in the market.

4.5. Benefits of Training

Figure 4 - Benefits of Training
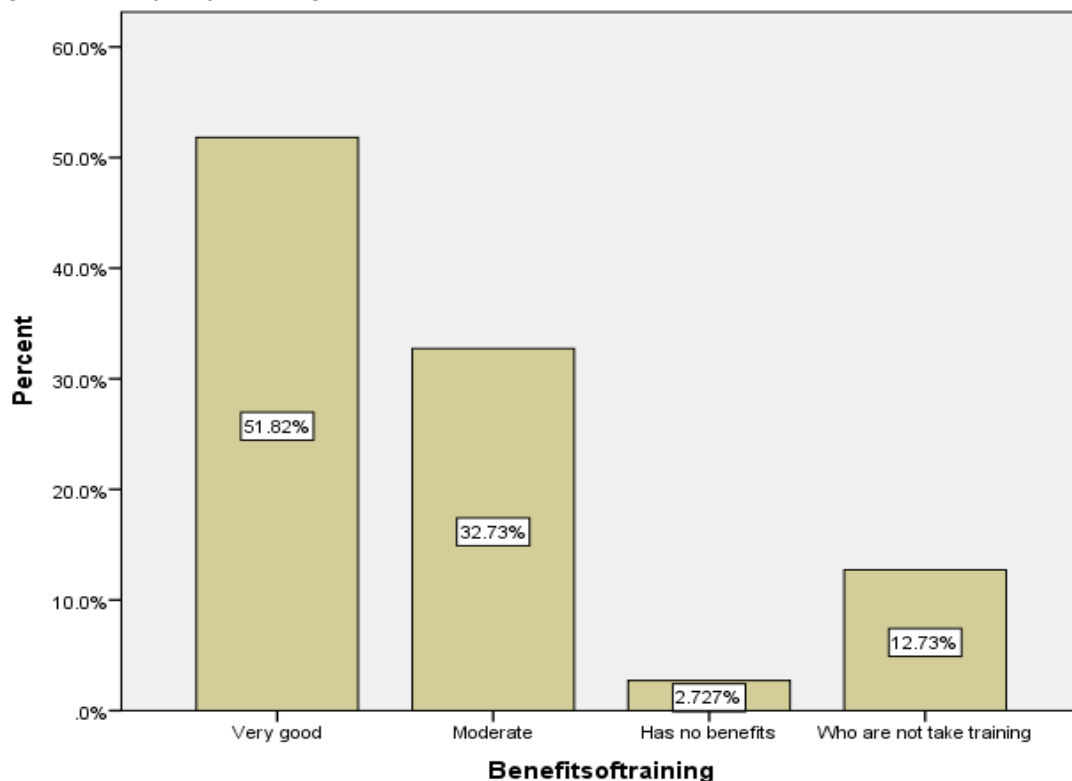
(Source: Survey result, 2020)

Regarding the benefits of training 51.82%, respond the training was very important and have essential benefits. Thirty three percent (32.73%) see it as moderate while 2.72% responded that the training did not have any benefits for them. The rest 12.73% not trained at all and they cannot respond. The result indicates that, most of the respondents respond that training was very important and have essential benefits on their performance. This means they know how to use business plan, how to create new technology and how to manage financial system. Knowing these issues had positive result on the profits of MSE in the past three years in Jimma town.

4.6: Annual Business Plan

Table 10 - Business plan of the year

	Frequency	**Percent**
Yes	66	65
No	36	35
Total	102	100

(Source: Survey result, 2020)

Sixty five percent (65%) of the respondents have annual business plan while 35% has no business plan. This implies most of the micros members use annual business plan. This show that 64 person out of hundred know what they are doing, they know their objectives and goals of their business. Using business plan help them to manage their business appropriately according their objectives.

4.7. Uses of Business Plan

Table 11 - Degree of performance they get from plan

	Frequency	**Percent**
Very good	16	16
Moderate	50	49
We have no guided by plan	36	35
Total	**102**	**100**

(Source: Survey result, 2020)

Sixteen percent (16%) of respondents measure the uses of business plan in very good level. About 49% see as moderate and 35% not guided by plan. The result shows, majority of the respondents measure the uses of business plan in middle way. This may indicates using business plan have moderate effect on the performance of MSE's in Jimma town.

4.8. Status of Loan

Table 12 - Loan given to them

	Frequency	Percent
Yes	58	57
No	44	43
Total	102	100

(Source: Survey result, 2020)

Fifty seven percent of the respondents get loan from micro finance and 43% does not get. Most of them have loan. Since most of unemployment, peoples have lack of starting capital. This implies that, starting capital was important for most of MSE's in Jimma town to begin the business.

Table 13 - Problem they faced to use loan

	Frequency	Percent
High interest rate	13	13
Collateral problem	11	10
lack of capital to save high amount	5	5
Others	17	17
Those who used loan	56	55
Total	**102**	**100**

(Source: Survey result, 2020).

Twelve percent (13%) of respondents were feared high interest rate from loan while 10% have the problem of collateral. Five percent have problem of the capacity to save and 17% are faced by other problems on using loans. Majority of them used loans, which cover 55%. The respondents who were answered other problems; it may relate with religious background and other demographic factors.

4.9. Government Support

Table 14 - Government support

	Frequency	Percent
Very good	31	30
Moderate	55	54
Poor	9	9
No support	7	7
Total	102	100

Source: Survey result, 2020)

Thirty percent of the respondents have seen government support as very good manner while 54% as moderate. 9%, of the respondents response that government support is very poor and 7% say there is no government support at all. Since majority of the respondents give credit in moderate level for government support, it implies that, there is government support in medium way in the MSE's of Jimma Town.

4.10. Descriptive Statistics for Entrepreneurial Orientation Dimensions

Table 15 - Descriptive statistics for Risk Taking

Indicators	1	2	3	4	5	Mean	Me dian	Standard deviation
	F	F	F	F	F			
Our organization produces materials that have high market risk and in other way, our organization highly works to sell goods that have high profit.	11	3	9	43	36	3.88	4	1.23716
People in our business are encouraged to take calculated risks with new ideas.	12	10	3	48	29	3.71	4	1.30185

	1	2	3	4	5	Mean	Median	Standard deviation
Our business emphasizes both exploration and experimentation for opportunities.	8	12	4	35	43	3.83	4	1.24346
$\sum f = 102$		Average of Mean				3.807	4	

Source: Survey result, 2020

As it is presented above, the largest proportions of the sampled respondents agree with median score and most frequent value 4 that their organization produces materials that have high market risk. The mean score of the item is 3.88 which is above the midpoint of the likret scale while the rest either negatively replied that their organization produces materials that have high market risk or remain neutral in deciding on the idea. This implies that most MSE in Jimma town highly works to sell goods that have high profit.On the other hand; the mean, median and mode scores of the second item above indicates managers in Jimma MSE were encouraged to take calculated risks with new ideas to increase performance. Because the majority of the respondents positively replied with the mean, median and mode value of 3.71, 4 and 4 respectively. The rest of the respondents negatively replied to it or abstain from responding to it. This shows that this study confirmed that encouraging managers in the organization to take calculated risk is important to achieve the goal of their organization especially during business startup stage.

For the third item the majority of the respondents reflected positively with Mean value of 3.83. Median and Mode are also 4 and 5 respectively showing that their business emphasizes both exploration and experimentation for opportunities. In general this study revealed the average mean of the three items in risk taking resulted 3.8 showing that the success in their performance in the majority of the MSE in Jimma town comes from risk taking.The result is supported by a research conducted on 132 Tanzanian construction firms by Okangi, 2019 that risk taking influence performance positively.

Table 16 - Descriptive statistics for Innovativeness

| Indicators | 1 | 2 | 3 | 4 | 5 | Mean | Median | Standard deviation |
	F	F	F	F	F			
We actively introduce improvements and innovations in our business.		7	6	56	33	4.13	4	0.80434

Our business is creative in its methods of operation.	1	4	9	70	18	3.98	4	0.71726
Our business seeks out new ways to do things.		9	3	36	54	4.32	4	0.90282
We give service supported by new technology	6		4	33	59	4.36	4	1.01268
$\sum f = 102$	Average of Mean					4.20	4	

Source: Survey result, 2020

As shown in Table 16 above, the first item has a mean value of 4.13 and SD 0.80 with median and most frequent value 4 shows positive feelings of the majority of the respondents to the point raised whether they actively introduce improvements and innovations in their business or not. This implies that organizations of the respondents actively introduce improvements and innovations in goods they produce helped them to maximize profit. Similarly more than half of the respondents (88) with Mean = 3.98, SD = 0.72, median and mode = 4 expressed their feeling positively that their business were creative in its methods of operation. Only some proportion of the respondents either respond negatively or neutral .On the other side, the majority proportion of the respondents were replied positively that their business seeks out new ways to do things with mean = 4.3 S, D = 0.90, median = 4.5 and Mode = 5 only insignificant number of the respondent forwarded their feelings negatively. In addition, the largest proportion of respondents Mean 4.36, SD 1.01, median and most frequent value 5 replied as they give service supported by new technology. The average mean = 4.2, median = 4 and most frequent value in the four items indicate most of the entrepreneurs in the town exercise innovativeness for the success performance.

Table 17 - Descriptive statistics for Pro-active

Indicators	1 F	2 F	3 F	4 F	5 F	Mean	Median	Standard deviation
Our organization plan was focus on competitive advantages to share high market.	7	12	1	46	36	3.90	4	1.206499
Our organization service was better than others competitors in giving quality service.	12		1	50	39	4.02	4	1.210355
Our organization officials have high quality in advertising our new products.	8	7	2	43	42	4.02	4	1.193882
$\sum f = 102$	Average of Mean					3.98	4	

Source: Survey result, 2020

As Table above item 1 has mean 3.90, median, SD = 1.21 and most frequent value 4 indicates that large proportion of respondents agrees that their organization plan focus on competitive advantages for high market share. On the other hand the rest respond negatively on the focus of their organization plan on competitive advantages for high market share. In the same way as showed in the table above, item 2 has a mean value of about 4.02 which indicates most of the subjects of the study replied positively that their organization service was better than others competitors in giving quality service. Only few number of them forwarded their feelings negatively. Moreover, more than half of the respondents (85) expressed their feeling positively with Mean = 4.02, SD = 1.12, median and mode = 4 indicates their organization officials have high quality in advertising new products. Only some proportion of them opposed the quality of organization officials in advertising new products.This means to increase profitability of the firms have to be more and more proactive in their nature.

Table 18 - Descriptive statistics for Competitive aggressiveness

Indicators	1	2	3	4	5	Mean	Median	Standard deviation
	F	F	F	F	F			
Our organization has capacity to dominate competitors through a combination of innovative efforts and proactive moves.	4	6	4	54	34	4.06	4	0.983261
We try to undo and out maneuver the competition as best as we can.	4	5	5	36	52	4.24	4.5	1.028661
In general, our business takes a bold or aggressive approach when competing..	6	10	7	24	55	3.92	5	0.925412
	Average of Mean					4.07		

Source: Survey result, 2020

For the first item mean = 4.06 , SD = 0.98, Median and most frequent value = 4 indicates the majority expressed their feelings positively that their organization has capacity to dominate competitors through a combination of innovative efforts and proactive moves and the rest opposed with the idea or refrain from deciding it. The mean = 4.25, SD = 1.03, Median = 4.5 and most frequent value = 5 on the second item shows that the majority of the respondents replied positivelyindicating their trial to stop the movement of their competitors as much as possible (mean = 4.24 , meadian 4.5 and mode = 5).The rest negatively replied or became neutral on it.Similarly the majority of MSE in Jimma takes a bold or aggressive approach when competing for increasing performance because as clearly depicted in the table above the majority replied for the third item with mean = 3.92, SD = 0.92, meadian and mode = 5.

4.11. Descriptive Statistics for Dependent Variable

Table 19 - Descriptive statistics for dependent variables

Indicators	1	2	3	4	5	Mean	Med ian	Standard deviation
	F	F	F	F	F			
In past three /2017-2019/ years how do you satisfied on the organizational sales, and incomes?	9		1	43	49	4.29	4	0.874142
In past three /2017-2019/ years how do you satisfied on the organizational profits?	1	6	7	45	43	4.21	4	0.882596
How your customers were satisfied on your service when you compare to the other competitors?	5		7	42	48	4.30	4	0.805786
How do you satisfied on your financial operation of your organization?	3	6	6	32	55	4.27	4	1.014025
						4.28	4	

Based on analysis of responses given by the sample respondents shown on Table 20 item 1 above, the significant proportion of the respondents that account the mean value of about 4.29 replied positively to the satisfaction sale and income in the past three /2017-2019/ years, the remaining have shown their opposition or neutral to it. As it has been analyzed in, item 2 above with mean value 4.21, for questions

asked regarding of their satisfaction on organizational profit in the past three years the majority of the respondents expressed their positive feelings, and the rest opposed or neutral to it.

As it was depicted in Table 20 , item 3 above, regarding the satisfaction of their customers to the service delivered by the firm when compared to the other competitors, majority of the respondents that account 4.30 mean value expressed their strong agreement, and the rest disagree or remain abstain.

4.12. **Normality**

Multiple regressions assume that variables have normal distributions (Darlington, 1968). This assumption can be tested by looking at the P-P plot for the model together with histogram of the standardized residuals. The closer the dots lie to the diagonal line, the closer to normal the residuals are distributed.

One assumption of classical linear regression model (CLRM) is the normal distribution of the residuals part of the model. Hence before regression analysis carried out, it should be noted that the normality of data should be tested. This assumption has to be tested and pass the test to use the data for further inference. All of the results from the examined command suggest that the residual or the error terms are normally distributed. The mean and standard deviation values are near to 0 and 1 respectively. For this study, PP plot testing was used in examining the normality of distribution of the residual (MSE Performance).

Figure 5 - Normal P - P Plot

Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Firm Performance
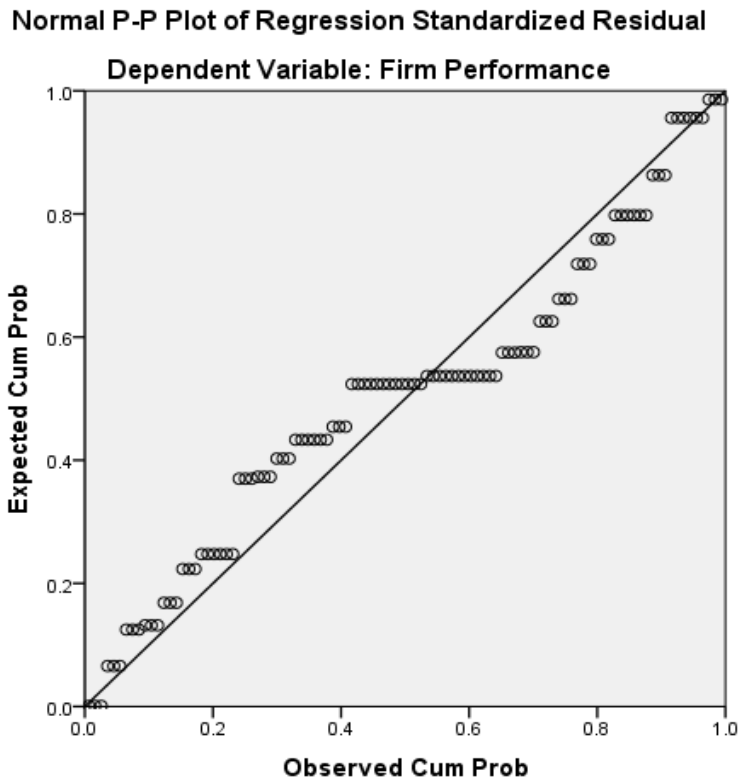
As it is clearly depicted from the histogram and p-p plot above, the residuals seem normally distributed and the residuals are distributed with a mean of 0 and standard deviation of 0.967 which is approximately 1. Thus, the model fulfills the assumption of being normally distributed.

Moreover, in the normal probability plot it is expected that our points will lie in a reasonably straight diagonal line from bottom left to top right which can be confirmed from p-p plot depicted above. This would suggest no major deviations from normality.

Figure 6 - Histogram

Histogram

Dependent Variable: Firm Performance

Mean = -4.26E-16
Std. Dev. = 0.975
N = 102
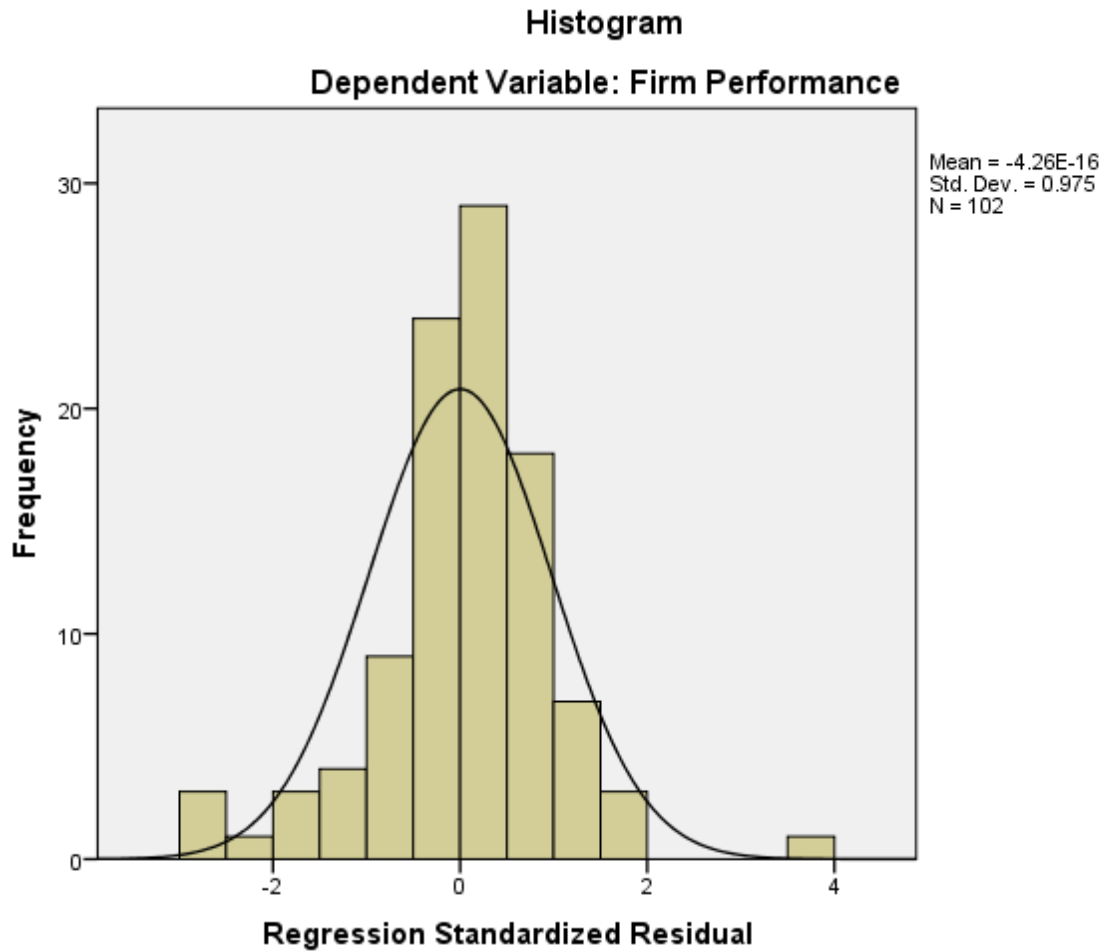
4.12.1. Linearity

The relationship between the dependent variables and independent variables require to linear function to apply linear regression analysis (Darlington, 1968). To test the linearity of associations, scatter plot diagram with line of fit can used to see if the allocation can represented by linear relationship.

Figure 7 - Scatter plot with fit line

43
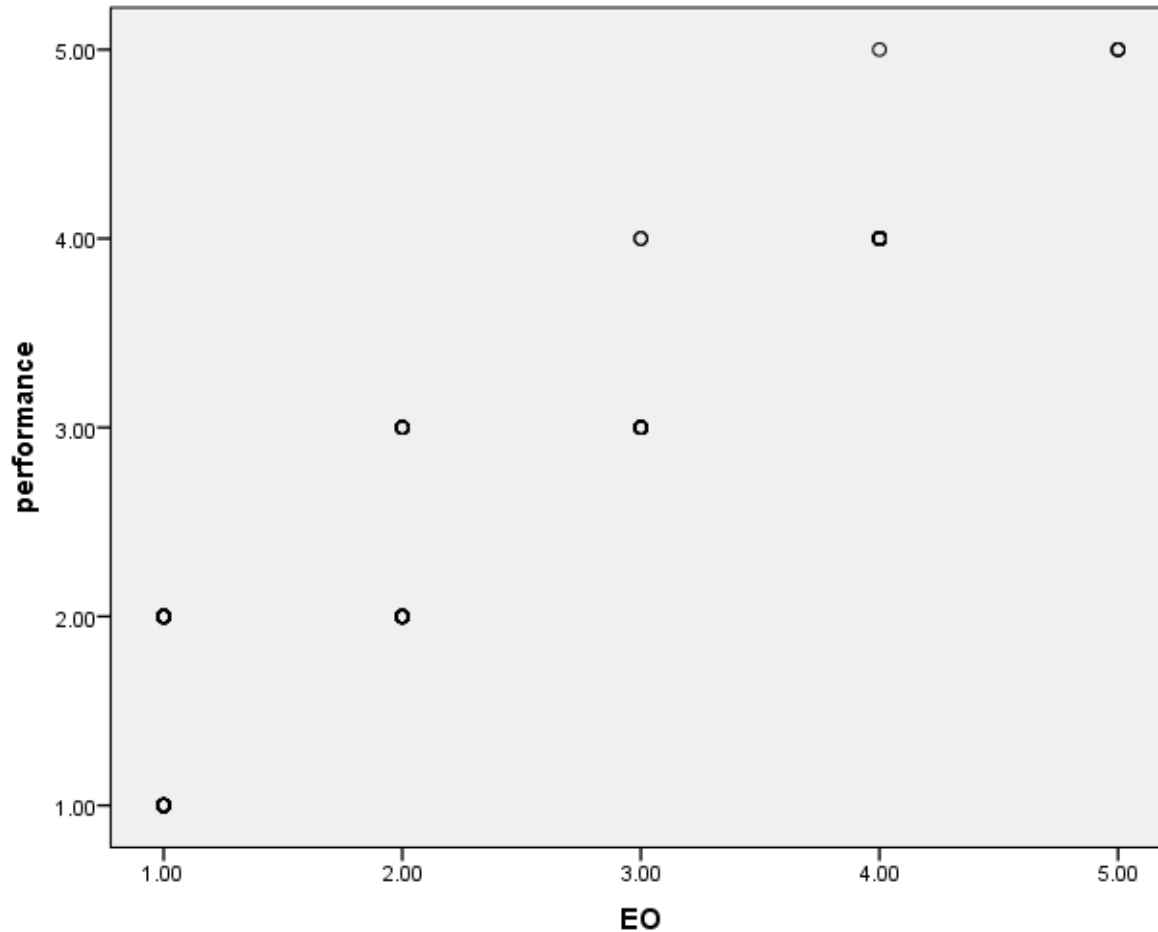
As shown in Figure 4.4, all the four relationships between dependent and independent variables (Performance with EO, Risk taking, Innovativeness, Pro activeness and competitive Aggressiveness) fit reasonably with linear pattern and it holds that linearity assumption is met.

4.12.2. Homoscedasticity Test

Homoscedasity assumptions require even distribution of residual terms throughout the data. Homoscedasticity checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value (Osborn & Waters, 2002). Figure 4.6 below shows that the standardized residuals in this research are distributed indicating Hetroscedasticityis not a serious problem for this data.

Figure 8 - Scatter Plot
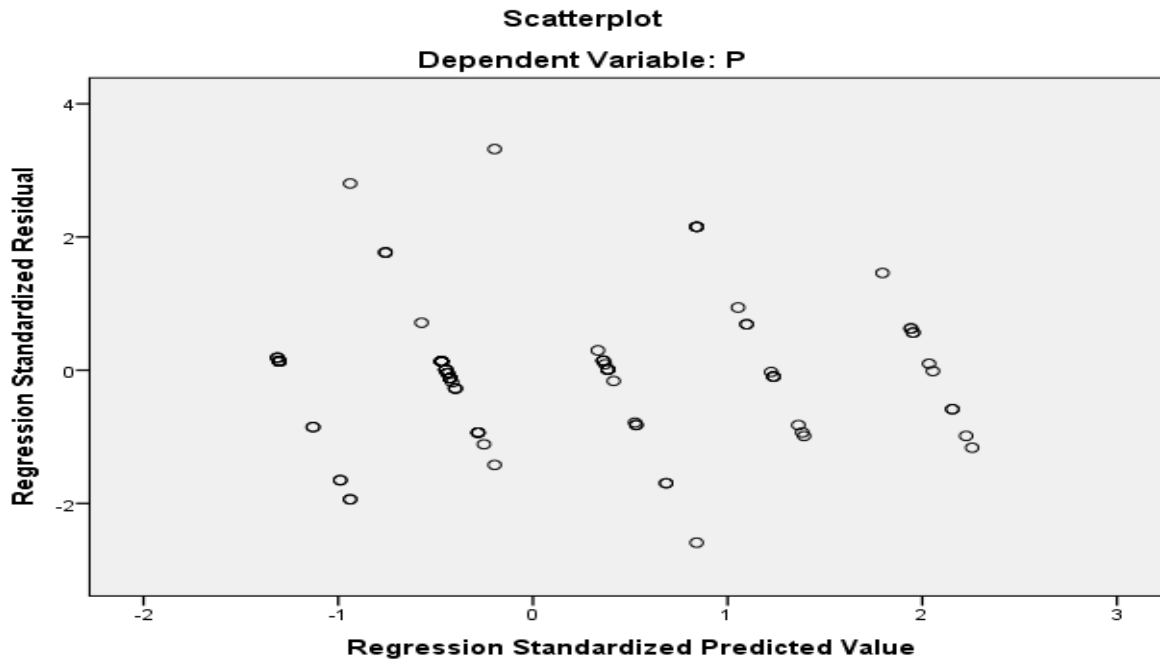
4.13. *Correlation Analysis of EO with Performance of MSE*

Correlation analysis shows the degree of association between variables and indicates the direction in which the variables associate positively or negatively (Saunders, Lewis, &Thorn hill, 2009). The value of correlation ranges from - 1 to 1 and the strength of association can be categorized from very low with correlation coefficient (*r*) less than 0.2 to very high with coefficient greater than 0.9.

Table 20 - The Correlation between Independent variables with MSE Performance

			1	2	3	4	5
1	Risk taking	Pearson Correlation	1	.534**	.660**	.535**	.819**
2	Innovativeness	Pearson Correlation		1	.616**	.650**	.826**
3	Proactiveness	Pearson Correlation			1	.426**	.807**

4	Competitive aggressiveness	Pearson Correlation					1	.938[**]
5	Firm Performance	Pearson Correlation						1

**. Correlation is significant at the 0.01 level (2-tailed).
b. List wise N=102

Table 21 above shows that, The correlation of Risk taking dimension of Entrepreneurial orientation with the MSE performance is positive and statistically significant relations with the coefficient $r(102) = 0.82$, $p<0.10$). The direction of the correlation was positive, which means that firms who have highly calculated risk takers tend to have higher performer and vice versa. Using Cohen's (1988) guidelines, the effect size is high for studies in this area.

In addition, as shown in table, the association between Innovativeness and performance variables was positive and significance correlation with $r(102) = 0.83$, $p<0.10$.Regarding Pro-activeness the analysis indicate that, it has strong relation with firm performance, that is $r = 0.81$, $p<0.10$). Further, competitive aggressiveness and MSE performance have also positive and statistically significant correlation $r = 0.94$, $p<0.10$). These correlation coefficient values indicate that, there was a reasonably well relationship among the independent and dependent variables of SME Jimma town. The result implies that, an increase in the EO dimensions cause increase in performance of MSE in Jimma town. as result the effect size of each of the independent variables was high on the dependent variable performance. This result supported by the study of Kosa et.al, (2018), Okangi, (2019), Ibrahim, and Abu, (2020).This revealed that, four dimensions of EO modeled by Lumpkin and Dess (1996) have positive and a significant relationship with MSE performance.

Once strong associations between dependent and independent variables are confirmed from the correlation analysis, more regression analysis can be conducted to make inferences out of their association.

4.14. Diagnostics of Assumptions in Regression

Before conducting a regression analysis, the basic assumptions concerning the original data must make. This is a mandatory prerequisite in explaining the relationships between dependent and explanatory

variables. Major assumptions have to be checked and proved to meet reasonably well. In this study, these important least square assumptions checked and explained as bellows.

4.15. *Correlation Analysis between Independent Variables to Test Multicolinearity*

Table 21 - Correlation Analysis between Independent Variables

			1	2	3	4
1	Risk taking	Pearson Correlation	1	.534**	.660**	.535**
2	Innovativeness	Pearson Correlation		1	.616**	.650**
3	Proactiveness	Pearson Correlation			1	.426**
3	Competitive aggressiveness	Pearson Correlation				1

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

b. Listwise N=102

Multicollinearity is a situation where two or more predictors are highly linearly related. In general, an absolute correlation coefficient of >0.7 among two predictors indicate the presence of Multicollinearity.As shown in Table 22 the maximum correlation between predicting variables is 0.66 implies there is no problem of multicollinearity between independent variables implies the four independent variables are good predictors of MSE for the study area.

4.16. Multicollinearity Test

Multicolinearity originally it meant the existence of a perfect, or exact, linear relationship among some or all explanatory variables of a regression model.According to (Gujarati, 2004) variable is said to be highly collinear tolerance (TOL) and variance inflation factor (VIF): the larger the value of VIF, the more "troublesome" or collinear the variable Xj. As a rule of thumb, if the VIF of a variable exceeds 10 or the tolerance less than 0.1, it indicates that there is multicollinearity problem among the explanatory

variables.

Table 22 - Collinearity Statistics

Model		Collinearity Statistics	
		Tolerance	**VIF**
1	(Constant)		
	Risk taking	**0.371**	**2.692**
	Innovativeness	**0.358**	**2.795**
	Proactiveness	**0.212**	**4.712**
	Competitive aggressiveness	**0.232**	**7.6**

a. Dependent Variable: Firm Performance

Tolerance statistics in regression analysis helps to detect collinearity problem. Tolerance value runs from 0 to 1 and values closer to 1 indicates no multicollinearity problem (Keith, 2006). The multicolinearity statistics table above shows that the tolerance indicator for Risk taking, Innovativeness, Pro-activeness and Competitive aggressiveness are all greater than $0.12(1-R^2)$, and Variation Indication Factor (VIF) are all less than 8.33. The cut-off value is a tolerance value of 0.11 for this study, which corresponds to VIF of 8.33. This shows that there is no multicolinearity among all independent variables.

4.17. *Regression Analysis and Hypotheses Testing*

Table 23 - Model Summary between EO dimensions and performance of SME

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.97[a]	0.95	0.93	0.411

a.Dependent Variable: Firm Performance

b.Predictors(Constant): Innovativeness, Risk taking, Proactiveness & Competitive aggressiveness

Table 24–ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	159.053	4	39.763	457.049	.000[b]
	Residual	8.439	97	0.087		
	Total	167.492	101			

a.Dependent Variable: Firm Performance

b. Predictors (Constant): Innovativeness, Risk taking, Proactiveness & Competitive aggressiveness

Multiple regressions were used to test the research hypotheses. Since there was more than one independent variable in this study, multiple linear regression models used to check correlation between independent and dependent variables. Multiple regressions are a powerful set of methods for investigative specific scientific hypotheses and relationships among non-experimental data. Typically, multiple regressions are used as a data-analytic strategy to explain or predict a criterion (dependent) variable with a set of predictor (independent) variables (Petro celli, 2003).

The Model Summary Table 24 shows that the multiple correlation coefficient (R), using all the predictors simultaneously, is 0.95 and the Adjusted R square is 0.93, meaning that 93% of the effect of MSE performance in Jimma town can be predicted from Risk Taking, Innovation, Proactive , and Competitive aggressiveness.

ANOVA Table 25 above shows degree of freedom (df) 97, which is calculated as (N-K-1), where N (102), is the total number of respondents and K (4) represent number of independent variables. More over in the same table, The proposed regression model fitted the data well as it was statistically significant and calculated probability is 0.001 ($F_{(4, 102)} = 457.049$, $p < 0.10$).Hence the value of F is large enough to conclude that the set of independent variables as a whole are contributing to the performance of MSEs in the study.

4.18. *Linear Regression Fitted for Measurement of Performance*

Following the correlation analysis, a linear regression analysis was conducted. A linear regression analysis was performed to assess whether the independent variables as determined in this research exert a significant effect on the dependent variable, performance of MSEs. The statistical significance (p-

level) of the results represents a decreasing index of the reliability of the results. The p-value shows the probability of error involved in accepting the observed result as valid, thus as representative of the study population (Sekaran, 2000). This study used 10% significance level as the rejection or accepting region of the hypothesis (Hair *et al*, 2010). Accordingly the proposed hypothesis is rejected if the p-value is greater than 10% significance level. If the p-value is less than the 10%, then the proposed hypothesis is accepted and concluded that there is a statistical significance that the relationship is positive or negative between the independent and dependent variable being investigated.

Table 25 - Linear Fitness

	Coefficients[a]					
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.366	0.139		3.355	0.001
	Risk taking	0.241	0.045	0.211	5.361	0
	Innovativeness	0.271	0.049	0.22	5.494	0
	Proactiveness	-0.081	0.061	-0.07	-1.338	0.184
	Competitive aggressiveness	0.393	0.066	0.384	5.943	0

H1: There is a significant positive relationship between risk taking and performance of small and micro enterprise in Jimma town

As indicated in the above Table 26, Risk Taking investigated in this study, risk taking has (β = 0.24, t = 5.36, p = 0.000), thus, risk taking had positive and significant relationship with performance of the SME in Jimma town.The findings also show that taking all other independent variables at zero, an increase in

risk taking would cause an increase in performance of the MSE by 21%. The positive and significant effect of risk taking on MSE performance in this study is partially consistent with prior empirical researches as mentioned in a literature review on EO-performance relationship by Wales, (2016), Yadev, S., (2017).In other findings Taiwo F. et al., (2018) which identify that, Risk Taking had a positive and significant contribution to the performance of the selected small and medium scale enterprises. Therefore, in this study RT has a positive and significant contribution to the performance. *Thus, H1 is supported.*

H2: Innovation has a significant and positive effect on SME's performance of Jimma Town.

The result of Innovation investigated in this study, Innovation has ($\beta = 0.27$, t = 5.50, p = 0.000), thus, innovation had positive and significant relationship with performance of the MSE in Jimma town. The finding show that taking all other independent variables constant, an increase in innovation would cause an increase in performance of the micro and small enterprises by 22%. This implies that, Increase in supplies many new technological supported items to the market tend to increases organizational sales and incomes of MSE in Jimma town.This finding consistent with prior empirical researches done by Haileeyesus T. Woldemichael, (2018) which identify that, Innovation had a positive and significant contribution to the performance of the small and medium scale enterprises.Theoretically this study also supported by theory of EO which implies that, EO influences entrepreneurs and small business owners in their engagement in business and product innovation, and market development (Carland et al. 1984).*As a result, H2 supported.*

H3: Pro-activeness has a significant positive effect on performance of small and micro enterprise in Jimma town.

The result of Pro-activeness investigated in this study, pro-activeness($\beta = -0.81$, t = -1.34, p = 0.181), thus, Pro-activeness had insignificant relationship with performance of the SME in Jimma town since the p value is more than the confidence level 10% .*Thus, H3 is not supported.*

H4: There is a positive relationship between Competitive aggressiveness and performance of small and micro enterprise in Jimma town.

The result of competitive aggressiveness investigated in this study competitive aggressiveness (β = 0.39, t = 5.90, p = 0.000), thus, competitive aggressiveness had positive and significant relationship with performance of the SME in Jimma town. The findings also show that an increase in competitive aggressiveness would cause an increase in performance of the micro and small enterprises by 38%. This study opposes the study of Taiwo F. et al., (2018) and Olubiyi, T.et.al. (2019) which revealed that, competitive aggressiveness had insignificant negative effect on performance of SMEs. ***Hence, H4 supported.***

Table 26 - Summary of Hypothesis Testing

Hypotheses	Results of findings
H1: *There is a significant positive relationship between risk taking and performance of small and micro enterprise in Jimma town;*	H1 Supported
H2*: Innovation has a significant positive effect on SME's performance.*	H2 supported
H3*: Pro-activeness has a significant positive effect on performance of small and micro enterprise in Jimma town;*	H3 supported
H4: *There is a positive relationship between Competitive aggressiveness and performance of small and micro enterprise in Jimma town.*	H4 Supported

4.19. Nature of Relationship

$$P = \beta_0 + \beta 1RT + \beta 2In + \beta 3PA + \beta 4CA + \varepsilon i$$

Where: P is dependent variables (SMEs performance);

β_0 is the $intercept$;

$$\beta_1, \beta_2, \beta_3 \, and \, \beta_{04} \, are \text{ regression coefficients}$$

$RT -$ is Risk Taking

$In - Innovativeness$

$PA - is \, Proactiveness$

$CA -$ is competitive aggressiveness and $\varepsilon_i = is \, the \, error$

$$P = 3.35 + 5.36\text{RT} + 5.49\text{In} + -1.34\text{PA} + 5.94\text{CA} + \varepsilon i$$

From the regression equation established taking the entire variables(Risk Taking, Innovativeness, Proactiveness and Competitive aggressiveness) constant at zero the performance of MSE would be 3.35.This indicates that other variables other than these have contribution to the performance of MSE in Jimma.

Furthermore if all other variables are kept constant an increase in risk taking,innovativeness and Competitive aggressiveness result in increasing the performance of MSE in Jimma.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECCOMENDATION

This chapter contains summary of findings broadly, conclusions of the study, recommendations, limitations of the study and recommendations for further research had discussed.

5.1. Summary of Findings

This study aimed to investigate the effect of entrepreneurial orientation on the performance of micro and small enterprises in Jimma town. This study attempt to investigate the relationship between risk taking, innovativeness, pro-activeness, and Competitive-aggressiveness with performance of micro andsmall enterprise in Jimma town. Therefore, considering the research objectives the summary of the study brieflydiscussed blow.

- Most of the respondents (47.3%) were in the age category of 18-30 years. This implies incidentally coincides with the high productive age of the people. Regarding educational background most of the participants are high school completed and above indicating that, majority of SME's in Jimma town could at least understand the concept of business and entrepreneurship.this may help them to manage their business appropriately. Sixty-four (64.5%) of the firm is categorized under micro while 35.5% was small enterprises.

- Since the maximum age give for one micro was 3-5 years, many micros in Jimma town now have above the given age.. The respondents asked if they have other job before starting this business. They responded that, Most of them have no jobs before this business which account 57% and 43% of the respondents have job before this which indicate most of them do not have some kind of exposure and experience related to their current business..

- From the study, 87.27% of the respondents take capacity building training while the rest 12.73% have no training. From this, the study concluded that majority of the enterprises have training before entering the business. Regarding the benefits of training 51.82%, respond the training was very important and have essential benefits. The result indicates that, most of the respondents respond that

training was very important and have essential benefits on their performance. Sixty five percent (64.5%) of the respondents have business plan while 35.5% has no business plan.

⌁   Most of the MSE members can get access of loan. Since most of unemployment peoples have lack of starting capital.

⌁   The average mean of all of risks taking measurements is 3,8 which have positive effects on performance of MSE but, even though the market condition is dynamic, the organization does hard for the success has more effect for the performance. Within a past three years the organization supplies many new technological supported items to the market has more effect to the performance of MSE because the average mean of innovation is 4.2.Organization officials have high quality in advertising new products that, mean was 3.8.. In past three /2017-2019 / years, the organizational profit has more influence on the performance of MSE in Jimma town because performance mean is 4.28

⌁   These correlation coefficient values indicate that, there is a reasonably well relationship among the independent and dependent variables in relation EO and performance of SME Jimma town. All the four relationships between dependent and independent variables (Performance with EO, Risk taking, Innovativeness, Pro activeness and competitive Aggressiveness) fit reasonably with linear pattern and it holds that linearity assumption met. The closer the dots lie to the diagonal line, the closer to normal the residuals are distributed. The combinations of both inspections support that the residuals are normally distributed.

⌁   The standardized residuals in this research distributed indicating Hetroscedasticity is not a serious problem for this data. The result of regression analysis shows that from four dimensions of EO (Risk Taking, Innovation, Pro activeness and competitive aggressiveness) except proactiveness which was an insignificant relationship with performance of the MSE in Jimma town.

5.2. Conclusions

The study attempted to investigate the effects of EO dimensions on the performance of micro and small enterprises in Jimma town. By focusing on government supported enterprises the study asses 102 randomly selected MSEs which have at least 3years work experience.).

Entrepreneurial orientated SMEs can undertake uncertain and risky investments and proactively reach markets ahead of competitors thereby realizing high returns and is an important phenomenon that plays a vital role in line up businesses to market demands and performance (Okeyo, 2016). In this regard most of MSEs in jimma town coverd in the study are well motivated to be risk taking and have good attempt to be innovative.   From the correlation analysis it is concluded that there is a strong association between entrepreneurial orientation and small enterprise' performance..

The average mean   of risks taking measurement items is 3.8 which implies positive effect on performance of MSE but, even though the market condition is dynamic, the organization does hard for the success has more effect for the performance. This implies that, even though there is the risk of market condition, the organization does hard for the success of MSE performance in Jimma town.

The average mean of innovativeness is 4.2 which indicate Within a past three years the MSEs in the town try to introduce new technological supported items to the market has more effect to the performance of MSE. Regarding competitive aggressiveness MSE Managers have good performance in advertising new products that, mean was 3.98. This implies thatadvertisement and promotion of products and services have impact to improve the performance of MSE's in Jimma town.

The correlation coefficient values indicate that, there is a reasonably well relationship among the independent and dependent variables of MSE Jimma town. The results of regression analysis show that the Adjusted R^2 is 0.93 implies that Risk Taking, Innovation, Proactive and Competitive aggressiveness explain 93% of the variations in the performance of MSE in Jimma town. *(Risk taking(β = 0.24, t = 5.36, p = 0.000), innovativeness(β = 0.27, t = 5.50, p = 0.000), Pro-activeness(β = -0.81, t = -1.34, p = 0.181) and Competitive aggressiveness(β = 0.39, t = 5.90, p = 0.000)).*This implies that Risk Taking, Innovation,Competitive aggressiveness have significant positive relationship with performance of the SME in Jimma town while Proactive had insignificant relationship with performance of the SME in Jimma town.

5.3. Recommendations

According to the research findings and the concluded ideas the following main recommendations are forwarded:

➢ The study revealed that, there is the dominance of male respondents in MSERs of Jimma town. In other way the result shows that, males' population has the tradition to involve in the micro and small enterprises than females in Jimma town. Therefore, the government should motivate women participation to increase their number in the MSE in order to have access of equal opportunity in the town. In addition to give equal opportunity MSE office have to give continuous entrepreneurial training as well as should provide startup capital (loan) to facilitate the engagement of women in income generating activities.

➢ The result revealed that most of the SME's had not transferred to medium enterprise within the required 3-5 year.Therefore, Employment Opportunity and food security office of Jimma town should focus on the controlling system by using auditing, continues follow up enforcing rules and regulations of MSE to transform the Micros.

➢ Regarding the members of the enterprises, 87.3% have 1-5 members, which show almost majority of the MSE's have a few members. This indicates few peoples monopolized micro and small enterprise rather than creating job opportunities for many youths. This has less value to make job opportunity for large number of unemployed youths. As a result, Employment Opportunity and food security office of Jimma town should enforce and limit the minimum and maximum number of participants in one MSE

➢ Since majority of the respondents were from service sector, MSE office of Jimma town should focus on small scale manufacturing sectors by providing loan to reduce the capital related problems to create wide job opportunity in Jimma town. Small scale and appropriated Manufacturing sector and Urban agriculture should be motivated. The municipality and investment offices should also facilitate market linkage and should provide shops for selling their products.

➢ Government and other supporting partners for small enterprises should consider options such as using printed materials , online training that help to build the entrepreneurial skills of owners and

managers so that even in limited resources availability it could be possible to improve their accomplishment. Further, managers of MSEs should implement the dimensions of EO to transform and improve the performance of their business.

➢ Taking calculated risk is very important aspect to be competitive enough in the business, therefore MSEs in the town should focus on analysing the uncertainty of the market and take calculated risk.

➢ SMEs should focus on selective investment portfolios and special attention to Innovation by improving their products and services continuously

➢ Quality service giving for customers need attention belongs to proactive by promoting and advertising their business products and service.

➢ Finally, the combinations of innovative efforts and pro- active and other dimensions of EO should be focused by the MSE and supporting bodies to improve their performance.

5.3. Limitations and Direction for Future Study

Jimma town MSEs may not represent all MSEs in Ethiopia. It may have difference in other areas studies because of operational culture of MSE. Since the sample size on this study was low, it advised to have a larger sample size in further research to reflect more accurately the realistic situation of the effect of entrepreneurial orientation on the performance of micro and small enterprises in Jimma town. Only single data gathering technique was used in this study. Therefore, it is suggested using more than one data gathering techniques and by expanding scope area for further research. This study does not used moderating variables and other measurements of performance. Additionally, cultural, situational and psychological factors do not considered in this study. Hence, future studies should investigate the interaction of the EO dimensions further, and consider antecedents, moderators, mediators and performance outcomes. Additionally, considering cultural, situational and psychological factors, as these factors could explain and verify results. Further researches are required involving interaction of EO with several social, economic, political, environmental factors and assess its impact on performance.

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Appendices

Appendix – 1: Questionnaire for Primary Data Collection

This formis designed to collect data from MSEs to investigate the effects of EO on the performance of MSEs of Jimma town. Your cooperation in providing genuine answers to the following questions will be very important for the accomplishment of this study. Your responses will be kept confidential.

Part One: General information

1. Indicate your Age:

 1. 18-30

2. 31-43

3. 44-57

4. above 57 years

2. Sex: 1. Male2. Fema

3. Marital status: 1. Unmarried 2. Ma

4. What is your educational level? 1. Does not read and write 2. Read an

3. Elementary School 4. Secondary School   5. TVET graduate

6. College diploma 7. First degree and above

5. What is Size of your business. 1. Micro2. S

6. Establishment Year of your business: _____EC

7. Number of members: 1. at startup------------- 2. At this time-----------------

8. What is the nature of your business? 1. Manufacturing

2. Urban agriculture   3. Service   4. Construction

9. What motivated you to involve in this business? Circle it the answer. You can answer more than one.

1. Profitability of the business 2.Lack of employment alternatives 3. Good government support 4. Previous experience

10. Did you have an employment before you join this business? Circle the answer.

1. Yes 2. No

Part Two: Entrepreneurial Orientation

Responses to statements that pertaining to factors by putting '√' according to your opinion in front of the items.

Instruction: Indicate your level of agreement to the following items that are stated in the table. Express your opinion putting 'X' marks in the appropriate number. **1= Stronglydisagree, 2= Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly agree**

Based on question **D2**.above, please indicate the degree of effects that entrepreneurial Orientation improve your business performance in terms of profit. Show the extent to which you agree or disagree with each of the following statements in the box bellow by marking on appropriate block.

No	Item	Measurement				
		1	2	3	4	5
1	Risk taking					
	RT1: Our organization produces materials that have high market risk and in other way our organization highly works to sell goods that have high profit.					
	RT2: Even though the operation area was dynamic, it is necessary to meet the organization goal.					
	RT3: For the reason that of market condition is dynamic, our organization does hard for the success.					
2.	Innovativeness					
	In 4: Government officials and technology institution support MSEs by innovation and technology leadership.					

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	In 5: Within a past three years our organization supplies many new technological supported items to the market.					
	In 6: Our service giving is very fast and effective.					
	In 7: We give service supported by new technology					
3	Pro-activeness					
	PA8: Our organization plan was focus on competitive advantages to share high market share.					
	PA9: Our organization service was better than others competitors in giving quality service.					
	PA10: Our organization officials have high quality in advertising new our new products.					
4	Competitive aggressiveness					
	CA11: Our organization has capacity to dominate competitors through a combination of innovative efforts and proactive moves.					
	CA12: We try to undo and out-maneuver the competition as best as we can					
	CA13: In general, our business takes a bold or aggressive approach when competing.					

Give your response by putting 'X' according to your opinion in front of the items.

5	Firm Performance	1	2	3	4	5
	P12: In past three /2017-2019/ years how do you satisfied on the organizational sales, and incomes?					

	P13: In past three /2017-2019/ years how do you satisfied on the organizational profits?				
	P14: How your customers were satisfied on your service when you compare to the other competitors?				
	P15: How do you satisfied on your financial operation of your organization?				