STRATEGIC ENTREPRENEURIAL RESPONSE OF SMALL AND MEDIUM ENTERPRISES

By

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Submitted on partial fulfilment of the requirements for the degree of

PhD (ENTREPRENEURSHIP)

In the
Faculty of Economic and Management Science

UNIVERSITY OF PRETORIA

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FEBRUARY 2013

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The completion of this study took a long way in which several parties played a role. It may not be easier to mention each individual but few people and institutions deserve mention. Firstly, I would like to extend my gratitude to the Programme for Agriculture and Natural Resource Transformation for Improvement of Livelihood (PANTIL) and the Management of the Sokoine University of Agriculture (SUA) to grant scholarship and offer a study leave for the entire period of my study.

Secondly, I would like to extend my sincere thanks to my supervisor Dr. Ingrid le Roux for her patience, support, guidance and motivation throughout the period of my study. Despite her busy schedule, she was available to read my work and give critical and constructive comments that made this work possible. Professor Marius Pretorius is acknowledged for the willingness to offer extended technical support whenever was approached to do so. His flexibility and availability to give advice has enormous contribution to the success of this work. Rina Owen is remembered for the statistical technical support she provided during questionnaire preparation and data analysis. Her advice on data analysis and interpretation is highly appreciated.

Thirdly, to my family, especially my beloved wife Dr. Catherine and my daughters: Elilumba, Elihaika, Elimina and Elinipendo for their prayers and moral support. They were ready to stay alone for quite a number of years while I was away attending my studies. This signifies their love and understanding of the role I was fulfilling.

Fourthly, I would like to thank my parents Mr Michael Bengesi and Mrs Martha Bengesi for laying down the foundation of my education of which without them, I would have not reached this stage I am so proud of today. My younger sisters Victoria, Herrieth, Mecktrida, Stella and my young brother Geoffrey for their moral support and the encouragement which spiked me to fulfil this role.

Lastly, and certainly the most important, I thank the almighty GOD for the love and grace granted to me. I feel privileged for the strength and ability extended to me to accomplish this study.
A growing consensus on suitability of Strategic Entrepreneurship (SE) for firms to face challenges in a competitive environment is anchored on the argument that SE is an intersection of entrepreneurship and strategic management associated with opportunity-seeking and advantage-seeking behaviours. However, this concept is flawed by failure of firms to simultaneously combine opportunity-seeking and advantage-seeking behaviours to attain and sustain performance, a situation that raised contentions on the relevance of constructs chosen to build SE. Recently, other scholars suggested that SE is more than interface between strategic management and entrepreneurship and treat this fusion as a debatable idea. This argument presents a conceptual gap which triggered this study.

This study examined three constructs namely: Market Orientation (MO), Entrepreneurial Orientation (EO) and Networking Capability (NWC), which are collectively referred to as dimensions of Strategic Entrepreneurial Response (SER) as appropriate constructs to enhance simultaneous opportunity-seeking and advantage-seeking behaviours. With the understanding that these constructs were collectively used for the first time to study SER, this study examined if their individual dimensions could successful measure SER, and if they are related to SME performance. Also, examined how much variance in SME performance is explained by scores of the dimensions of SER and whether the interaction of the dimensions of SER explains a significant amount of variance in performance to enhance simultaneous opportunity-seeking and advantage-seeking behaviours.

In the course of the study, a cross-sectional research design was used to collect data from SME’s in Tanzania of which 291 SME owners/managers were randomly selected and interviewed in three types of industries namely: manufacturing, service and retail. A factor analysis after oblique rotation revealed 9 factors and explained 68.16% of total variance. The identified factors were customer orientation, competitor orientation (market orientation), pro-activeness, risk taking, competitive aggressiveness (entrepreneurial orientation), relational skills, internal communication, coordination and partner’s knowledge (networking capability). Subjecting the nine factors into the second order factor analysis converged into a single component suggesting successful measuring SER.
The findings confirmed a relationship between dimensions of SER and SME performance suggesting that emphasis on market orientation, entrepreneurial orientation and networking capability enhance SME performance. However, the interaction of the three dimensions only market orientation and entrepreneurial orientation explained significant amount of variance in SME performance, with large amount of variance accounted for by the market orientation. The findings suggest that emphasis on market orientation is a firm’s strategic choice to generate strategic information which forms a seedbed of opportunities from which entrepreneurial oriented firms identify and proactively seize to build competitive advantage. Contrary to previous studies, which emphasized that opportunity seeking is a domain of entrepreneurial orientation, this study argues that previous studies underplayed the role of market orientation on opportunity seeking. This study views entrepreneurial orientation as more driven by opportunity exploitation which is more of advantage seeking than opportunity seeking. This study suggest that sustained market orientation and entrepreneurial orientation cultures build opportunity seeking and advantage seeking behaviors crucial to create and sustain SME performance.
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LIST OF ABBREVIATIONS

AFRODAD  African Forum and Network on Debt and Development
ANOVA  Analysis of Variance
BEST  Business Environment Strengthening for Tanzania
COMMESA  Common Market for Eastern and Southern Africa
CRDB  Cooperative and Rural Development Bank
DIT  Department of Industry and Trade (South Africa)
DMRT  Duncan’s Multiple Range Test
DRC  Democratic Republic of Congo
EAC  East African Community
ERP  Economic Recovery Program
ESAP  Economic and Social Adjustment Program
FDI  Foreign Direct Investment
GDP  Gross Domestic Product
IFM  International Monetary Fund
MFEA  Ministry of Finance and Economic Affairs (Tanzania)
NEDF  National Entrepreneurship Development Fund
NISS  National Informal Sector Survey
NSIC  National Small Industries Corporation
OPEC  Organization of Petroleum Exporting Countries
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<tr>
<td>ROA</td>
<td>Return On Asset</td>
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<tr>
<td>ROI</td>
<td>Return On Investment</td>
</tr>
<tr>
<td>RTC</td>
<td>Regional Trading Corporation (Tanzania)</td>
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<td>SADC</td>
<td>Southern Africa Development Community</td>
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<td>SELF</td>
<td>Small Entrepreneurs Loan Facility</td>
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<td>SER</td>
<td>Strategic Entrepreneurial Response</td>
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<td>Small Industries Development Organization</td>
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<td>SOE</td>
<td>State Owned Enterprises</td>
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<td>Tanzania National Business Council</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
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<td>URT</td>
<td>United Republic of Tanzania</td>
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<td>USA</td>
<td>United States of America</td>
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<tr>
<td>VIF</td>
<td>Variance Inflation Factor</td>
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