

STRATEGIC ENTREPRENEURIAL RESPONSE OF SMALL AND MEDIUM  
ENTERPRISES

By

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## EXECUTIVE SUMMARY

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 successfully 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

RISS	Rural Informal Sector Survey
ROA	Return On Asset
ROI	Return On Investment
RTC	Regional Trading Corporation (Tanzania)
SADC	Southern Africa Development Community
SELF	Small Entrepreneurs Loan Facility
SER	Strategic Entrepreneurial Response
SIDO	Small Industries Development Organization
SOE	State Owned Enterprises
TNBC	Tanzania National Business Council
UK	United Kingdom
UN	United Nations
UNIDO	United Nations Industrial Development Organization
URT	United Republic of Tanzania
USA	United States of America
VIF	Variance Inflation Factor
WB	World Bank