

ENTREPRENEURIAL ORIENTATION AND SMALL AND MEDIUM ENTERPRISES PROFITABILITY IN GHANA

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Abstract

This study examined the relationship between Entrepreneurial Orientation (EO) dimensions (risk-taking, innovativeness, proactiveness) and profitability of Small and Medium Enterprises (SMEs) in Ghana. The study adapted Covin and Slevin's entrepreneurial orientation scale to collect data from Micro Small and Medium Enterprises (SMEs) owner-managers operating in the handicraft, manufacturing sector in Accra, Ghana. 200 SMEs were randomly selected for the study. Only 150 SMEs owner-managers completed the questionnaires. The authors employed a quantitative research approach to analyse resultant data using descriptive statistics and OLS regression. The study found that SME owner-managers' proactiveness and innovativeness were positively and significantly related to profitability. However, we observe that risk-taking ability of an entrepreneur does not foster profitability. The implication for the findings and suggestions for future studies as well as recommendations for SME owners are discussed.

Keywords: entrepreneurial orientation, profitability, risk-taking, innovativeness, proactiveness.

1. INTRODUCTION

Entrepreneurial activities speed up economic growth and development of national economies (Antoncic & Hisrich, 2004; Kuratko, 2009) and contribute to the survival and growth of Small, and Medium Enterprises (SMEs) by creating value from opportunities (Nwachukwu, Chladkova and Zufan, 2017). Entrepreneurial behaviours facilitate job creation, wealth creation, expansion (Nwachukwu, Chladkova and Zufan, 2017) and competitive advantage (Kuratko et al., 2011). The relationship between entrepreneurial orientation (EO) and performance of SMEs is well documented in the literature (Lim and Envick, 2013; Arief, Thoyib, Sudiro and Rohman; Jia, Wang, Zhao and Yu, 2014; Vojtovič, 2016; Hudakova, Buganova and Dvorsky, 2015) which suggest that EO is important for SMEs continued existence and growth. Some of these studies found a positive connection between EO and performance (Karaoglu, Bayrakdaroglu and San, 2013). While other scholars reported that entrepreneurial orientation does not influence performance (e.g. Slater and Narver, 2010) Thus, the relationship between the constructs is unclear and inconsistent (Rauch et al., 2009). Additionally, these studies were conducted in the United States, Europe and other developed countries. Frank, Kessler and Fink (2010), Wiklund and Shepherd (2005) and Kemelgor (2002) submitted that the relationship between EO and performance may depend on contexts. Some researchers suggest that SMEs in Ghana have performed below expectation and have contributed less to the country's economic growth (e.g. Oppong et al., 2014). In Ghana, past studies on SMEs focused on areas such as capital structure and the debt policy of SMEs (Abor, 2007; Abor and Biekpe, 2005), policy environment of SMEs (Kayanula and Quartey, 2000) and institutional framework for promoting SMEs (Yamoah et al., 2014). Few studies have explored EO and MSME performance (Quaye and Acheampong, 2013) and profitability (Anlesinya, 2015; Boohene et al., 2012) in Ghana. In addition to the