Addis Ababa University Faculty of Business and Economics Department of Management

The Moderating Role of Firm Age in the Relationship betweenEntrepreneurial Orientation and SMEPerformance

A Thesis Submitted to Addis Ababa University Faculty of Business & Economics Department of Management in Partial Fulfilment of the Requirement for the Award of Master of Science Degree in Management Specialization in Total Quality Management and Organizational Excellence.

BY: - Ananya Samuel

Research Advisor: LakewAlemu (PhD)

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FACULTY OF BUSINESS AND ECONOMICS

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DEPARTMENT OF MANAGEMENT

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Internal Examiner: _Zelalm Gebretsadik (PhD) _Signature_____ Date _____

External Examiner: _Taye Amogne (PhD) _____Signature _____ Date _____

Advisor: Lakew Alemu (PhD)_____Signature _____Date _____

DECLARATION

I, the signatory declare that this study entitled "The Moderating Role of Firm Age in the Relationship between Entrepreneurial Orientation and SME Performance" is my personal work. I have conducted the research work self-reliantly with the sole guidance and support of my research advisor. This research work has never been submitted for any degree or diploma fulfillment program in this or any other institutions and that all sources of materials used for the research have been rightly acknowledged.

Declared by

Name: **Ananya Samuel**

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Place: Addis Ababa, Ethiopia

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CERTIFICATE

This is to certify that Ananya Samuel G/Egziabher has undertaken her research work on the topic study entitled "The Moderating Role of Firm Age in the Relationship between Entrepreneurial Orientation and SME Performance". The work is appropriate for submission for partial fulfillment of Master of Science Degree in Management Specialization in Total Quality Management and Organizational Excellence

Board of Examiners

Advisor: Lakew Alemu (PhD) Signature _____Date _____

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External Examiner: Taye Amogne (PhD) Signature_____Date _____

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Contents

Acknowledgments i
List of Figures iv
List of Tables v
List of Abbreviation and Acronyms vi
ABSTRACT vii
CHAPTER ONE 1
INTRODUCTION 1
1.1. Background of the Study 1
1.2. Background of SME Sectors and Their Performances in Ethiopia 2
1.3. Statement of the Problem 3
1.4. Research Question 4
1.5. Objectives of the Study 4
1.6. Significance of the Study 5
1.7.Organization of the Paper 5
1.8.Key Definitions and Concepts 7
CHAPTER TWO 8
REVIEW OF RELATED LITERATURE 8
THEORETICAL LITERATURE REVIEW 8
2.1. Entrepreneurial Orientation 8
2.2. Small and Medium Enterprises 9
2.3. Entrepreneurial Orientation and SME Performance 10
2.4. Entrepreneurial Orientation Dimensions 11
2.5. The Moderating Role of Firm Age 12
EMPIRICAL LITERATURE REVIEW 13
2.6. Conceptual Model 19
CHAPTER THREE 20
METHODOLOGY 20
3.1. Research Design 20
3.2. Data Collection and Procedure 20
3.3. Description of the Study Area 22

3.4. Target Population 22
3.5. Bole Sub-City Population 22
3.6. Sampling Design 23
3.7. Variable of the Study 25
3.8. Variable Measurement 25
3.9. Ethical Considerations 26
CHAPTER FOUR 27
DATA ANALYSIS AND DISCUSSION 27
4.1. Introduction 27
4.2. Descriptive Statistics of Demographic Profile of Respondents 27
4.3. Descriptive Statistics of Variables 33
4.4. Descriptive Statistics of Firm Age 34
4.5. Inferential Analysis 35
4.6. Bivariate Correlation 40
4.7. Regression Analysis 42
4.8. Moderation Analysis 46
4.9 Discussion 49
CHAPTER FIVE 51
CONCLUSION, RECOMMENDATION, LIMITATIONS AND FUTURE RESEARCH 51
5.1. Conclusion 51
5.2. Recommendation 53
5.3. Limitations of the Study and Recommendations for Future Researches 54
5.3.1 Limitation of the Study 54
5.3.2 Future Research 55
References 56
Appendix 61
Amharic Questionnaire 76
English Questionnaire 81

List of Figures

Figure 1: Conceptual framework of the study 19
Figure 2: Bole sub-city map..... 22
Figure 3: Normality Test Histogram..... 35
Figure 4: Normal P-P & histogram plot of regression of standardized residuals 36
Figure 5: Scatter plot of error terms..... 37
Figure 6: plot of the standardized residuals 40
Figure 7: Graphical demonstration of the Conditional effect of Entrepreneurial orientation on Firm performance..... 48

List of Tables

Table 1: Small and Micro enterprises definition..... 2
Table 2: Proportional Sample Distribution for each SME Sectors..... 25
Table 3: Frequency distribution of Gender..... 28
Table 4: Frequency distribution of Age..... 29
Table 5: Frequency distribution of Education level..... 30
Table 6: Frequency distribution of the role of the participants..... 31
Table 7: Frequency distribution of the type of sector..... 32
Table 8: Descriptive Statistics..... 33
Table 9: Frequency distribution of Firm Age..... 34
Table 10: Multicollinearity coefficients..... 38
Table 11: Autocorrelation model summary..... 39
Table 12: Pearson‘s Coefficient of Correlation..... 40
Table 13: Regression model summary..... 42
Table 14: Hierarchical regression results for the effects of Entrepreneurial Orientation subscales on SME performance..... 43
Table 15: Result of testing the first hypotheses..... 45
Table 16: Hierarchical regression results for testing the moderating effect of Firm age between Entrepreneurial orientation and SME performance..... 46
Table 17: Model summary..... 47
Table 18: Result of Testing the Second Hypothesis..... 48

List of Abbreviation and Acronyms

EO – Entrepreneurial Orientation

ETB – Ethiopian Birr

MSE – Micro and Small Enterprise

MoT – Ministry of Trade

MSME– Micro, Small and Medium Enterprise

SME- Small and Medium Enterprise

SPSS - Statistical Program for Social Sciences

UNDP – United Nations Development Program

ABSTRACT

The aim of the study was to analyze the Moderating Role of Firm Age in the Relationship between Entrepreneurial Orientation and SME Performance. To undertake this research Descriptive and Explanatory research design was implemented. The total population was divided into strata and a simple random sampling was employed. A total of 209 standard questionnaires were distributed, collected and analyzed from the SME Owners/Managers (i.e. 92 % of response rate). Descriptive statistics, Correlation and Hierarchical Regression Analysis were used to analyze both the study variables and the moderating variable using the data by applying SPSS version 26. In addition, Hayes process model version 3.5 was used for computing and describing the moderation analysis. Evidence from the study showed that all the study variables (Innovativeness, risk-taking and proactive-ness) significantly influenced the level of SME Performance. Firm age is found to have a moderating role in the relationship between the three Entrepreneurial Orientation dimensions (Innovativeness, risk-taking and proactive-ness) and SME Performance. The study shows that younger firms are more Entrepreneurial than older firms. Based on the findings, it is recommended that older firms should practice Entrepreneurship in their businesses. However further research is necessary to consider the impact of other factors and the moderating effect of other factors in predicting SME performance.

Findings in the form of tables are recorded and relevant recommendations have been provided. The study recommends the introduction of strategies by SME owners/managers that will help in improving their businesses, increase the degree of entrepreneurial orientation, to have a deep organizational dedication in investing in innovative ideas and promoting them.

Key words: Entrepreneurial Orientation, Firm age, performance, SMEs

CHAPTER ONE
INTRODUCTION

1.1. Background of the Study

Entrepreneurial orientation is a corporate framework, which has been closely connected through strategic decision-making to entrepreneurial success (Lumpkin & Dess, 1996). When a country manages to grow economically as well as lowers its unemployment rate and reduces poverty, it secures its success. The better firm owners adopt EO, the morethey achieve a competitive advantage (Covin & Slevin, 1989).

According to world employment and social outlook, the world in general and Africa, in particular, are currently confronted with a job crisis (Kühn, 2019). For economic growth the presence of well-established Small and Medium Enterprises (SMEs) is vital. In both developed and developing countries, the SME sector has been widely recognized as an important engine of economic development, innovation, employment, and social integration(Ngek* & Smit, 2013).

Early study findings show the younger firms experienced significantly higher rates of short-term growth than older firms (Carr, Haggard, & Zahra, 2010). However, as compared to developed markets, new ventures suffer from a higher failure ratio due to institutional challenges (Anwar & Issah, 2021). Despite knowledge of the effect of innovation on SMEs' competitive advantage, the more recent research suggests that younger firms are more likely to innovate, thus give even more benefits for competitiveness (Higón, 2012). The researcher found that the age of the company had a significant impact on the effects of innovation on competitive advantage. He suggested that young firms behave more proactively, are flexible and aggressive.

Findings from (Loderer & Waelchli, 2010) suggest older firms are less efficient compared to their industry peers, as manifested in higher costs, slower growth, older assets, and reduced R&D and investment activities. Therefore, the current study intends to examine the moderating effect of firm age in the relationship between entrepreneurial orientation and firm performance in SMEs.

For small and medium-sized companies operating under globalization, internationalization, and regional integration regimes, entrepreneurial orientation has a major impact on company performance (Osoro, 2012).Entrepreneurship has long been seen as a

catalyst of creativity and economic growth. The need for organizations to become more entrepreneurial in order to thrive and succeed has been illustrated by growing interdependence, rapid technological growth, uncertain economies, and several other factors.

In today's intensifying global competition. The sustainability and success of an organization needs continuous organizational renewal, creativity, risk-taking, and proactivity, i.e., the aspects of entrepreneurial orientation(Lumpkin & Dess, 2001). In developing the economy of a country Entrepreneurship is considered a major component.Entrepreneurship has a great impact on the health of small businesses.Continually seeking opportunities, innovativeness, independence of mindset, and the necessity to take risks in order to achieve success are critical behaviors to prospering in a competitive marketplace(Lepnurm & Bergh, 1995). Even though EO has been widely established as having a positive influence on firm performance and growth, this EO to performancegrowth relationship has been identified to be contextual in nature (Rauch, Wiklund, Lumpkin, & Frese, 2009).

1.2. Background of SME Sectors and Their Performances in Ethiopia

For developing countries like Ethiopia where there is a shortage of capital, managerial knowledge, and skilled labor it is important to promote small enterprises and entrepreneurship foreconomic development.

According to the National MSE development Strategy and the Development Bank of Ethiopia (see table below), Micro, Small and Medium Enterprises are defined by the number of employees and net worth. In this study, we only take the small and medium enterprises. Generally, the aim of this study is to investigate the impact of Entrepreneurial Orientation on the performance of SME sectors in Addis Ababa, Ethiopia.

Table 1: Small and Micro enterprises definition

	Micro Enterprises		Small Enterprises		Medium Enterprises	
Economic sector	**Services**	**Industry**	**Services**	**Industry**	**Services**	**Industry**
Employees	≤ 5	≤ 5	6-30	6-30	31-100	31-100
Capital	< 50,000 Or < EUR 2,000	< 100,000 Or < EUR 4,000	50,001-500,000 Or EUR 2,001 - 20,000	100,001–1,500,000 Or EUR 4,001 - 60,000	500,001 - 7,500,000 Or EUR 20,001 -300,000	

Source: federal micro and small enterprise development agency

1.3. Statement of the Problem

As it is summarized on the background of the study prior researchers have studied the impact of Entrepreneurship on SME's performance in various countries; and many of them conclude a positive performance (Covin & Miles, 1999; Covin & Slevin, 1989; Fairoz, Takenouchi, & Tanaka, 2010; Neneh & Zyl, 2017; Osoro, 2012) this shows that Entrepreneurial Orientation is an important and influential factor on the performance of SME's. However, there is no research work found to show the moderating role of firm age in the relationship between entrepreneurial orientation and SME performance.A study by Anderson & Eshima (2013) cited that the inclusion of firm age as a moderator draws on recent research that found that the age of an organization has a theoretically significant impact on the relationship between innovation-centric strategic postures (of which EO is a subset) and performance outcomes(Rosenbusch, Brinckmann, & Bausch, 2011).However they indicated the void in their research that they only used cross sectional research design and alsothe performance-EO relationship remains underexplored in the EO literature, and merits increased scholarly attention. In that regard this paper used both descriptive and explanatory research designs and also explored on EO and performance relationship and intended to find out whether or not firm age have a moderating effect in the relationship between entrepreneurial orientation and SME performance.

According to Ministry of Trade (MoT), past statistics show 12,810 failed SMEs within the last four years (MoT, 2018). The majority of them around 11,090 (86.57%) are small enterprises and the other 1,720(13.43%) are medium enterprises.This shows how critical it is to give attention to the SME sectors performance. Here in Ethiopia, there are new SMEs registered every month according to the information received from bole sub-city, butmany of them fail to sustain the business for more than a year.This vital rationale motivated this research to consider firm age to be a moderator in the relationship between entrepreneurial orientation and firm performance. To the best understanding of the researcher, no study has also been conducted in Ethiopia, specifically in theSME sector, on the relationship between entrepreneurial orientation and firm performance by considering firm age as a moderating factor. Besides, in Ethiopian context, there is insufficient academic literature in the area of firm age to examine its relationship with entrepreneurial orientation and firm performance.

Thus, to fill such gap, more academic research is imperative. In view of this, the present study sought to investigate the moderating role of firm age in the relationship between entrepreneurial orientation and firm performance of SME sectors.

For the purpose of this study, only the three original dimensions of entrepreneurial orientation were used (innovation, risk-taking and pro-activeness). These dimensions are widely used and also validated as shown in (Anderson & Eshima, 2013; Gürbüz & Aykol, 2009; Tang, Selvanathan, & Selvanathan, 2008). Based on these studies, the original three-factor EO model was believed as suitable for use in this study.

1.4. Research Question

This research has tried to answer the following research questions:

- Does entrepreneurial orientation dimensions affect SME's performance?
- Which dimension of entrepreneurial orientation practices has the most effect on SME's performance?
- Does firm age moderate the relationship between the independent and dependent variables (SME's performance)?

1.5. Objectives of the Study

1.5.1. General Objective

The main objective of the study was to investigate the influence of entrepreneurial orientation on the performance of SMEsand the moderating effect of firm age between the two with a particular emphasis on Bole Sub-City in Addis Ababa.

1.5.2. SpecificObjective

- To investigatethe relationship between Entrepreneurial Orientation and SME performance.
- To show which dimension of Entrepreneurial Orientation practices have the most effect on SMEs performance.
- To investigate the moderating role of firm age in the relationship between EO and SME performance.

1.6. Significance of the Study

The uniqueness of the study lies in its framework, as the research attempted to analyze the relationship between entrepreneurial orientation and SME performance while investigating the moderating role of firm age. It was mentioned in the problem statement, most of the research done focuses on the assessment of entrepreneurial orientation and SME performances.

The study gives both theoretical and practical contributions to the performance of SME's with the application of Entrepreneurship.

- Theoretically the study fills an important gap in the literature review on the success factors that will affect the long-term goals of SME's. Therefore, the finding of this study can add to the existing literature and give a better understanding to the performance of SME's and their
- Entrepreneurial practices.Here we can also identify the dominant entrepreneurial dimension that positively contributesto the performance of SMEs in Bole sub-city.
- Practically this research is helpful to SME owners and also to people who are planning to open a business to gain an understanding of how to sustain and achieve the long-term goals also practice Entrepreneurship on their business.

1.7.Organization of the Paper

This paper is organized into five chapters.

- The first chapter includes a background of the study, Background of SME sectors and their performances in Ethiopia, statement of the problem, objectives of the study, research questions, and significance of the study and limitations of the study.
- The second chapter contains a review of different related literature on SME's and Entrepreneurial Orientation. In this section, the concepts of EO and SME enterprises performance.
- The third chapter discusses the research methodology for conducting the research. It presents the chosen research design, ways of information gathering, how the questionnaires are organized and how theyare distributed for the determined target SMEs in bole sub-city,also, how the results are analyzed.
- The fourth chapter is about the results and discussion of the study.

- Finally, the fifth chapter contains a summary of findings, conclusion, and recommendations based on the findings of the research.

1.8.Key Definitions and Concepts

Entrepreneurship:

Entrepreneurship is adynamic process of innovation and newventure creation, and by nature includes the assumption of risks and rewards of the new venture (Hisrich & Peters, 1989).

Entrepreneurial Orientation:

EntrepreneurialOrientation is the propensity of firms to be innovative, be proactive to marketplace opportunities, and be willing to take risks (Lumpkin & Dess, 1996)

Innovativeness:

Innovativeness is defined as a firm's ability and attempt to engage in new ideas or to innovate and create processes that may result in new products(Rauch, Wiklund, Lumpkin, & Frese, 2009)

Pro-activeness:

Pro-activeness refers to how firms relate to market opportunities in the process of new entry, and seize such opportunities to shape the environment. In other words, pro-activeness explains the extent to which a firm anticipates and acts on future needs.(Adegbuyi et.al., 2018)

Risk Taking:

Risk-taking is the degree to which managers are willing to make large and risky resourcecommitments, which have a reasonable chance of costly failures. (Rauch et al., 2009)

Small Enterprise:

Small Scale Enterprise is an enterprise that consists of 6-30 employees and a total asset of 100,001-1,500,000 ETB for the industrial sector and 50,001-500,000 ETB for service sectors.

Medium Enterprise:

Medium Scale Enterprise is an enterprise that consists of 31-100 employees and a total asset of 500,000 – 7,500,000 ETB

Firm Age:

Firm age is measured as the number of years since the firm's establishment (Shirokova, 2015)

CHAPTER TWO

REVIEW OF RELATED LITERATURE

THEORETICAL LITERATURE REVIEW

2.1. Entrepreneurial Orientation

The concept of Entrepreneurial orientation has been around for the past several years and its relationship with business strategies is a popular concept. Miller (1983)defines an entrepreneurial firm as one that "engages in product marketing innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations, beating competitors to the punch." The paper suggested three dimensions to characterize and testentrepreneurship: "innovativeness", "pro-activeness", and "risk-taking".A study on fifty-one research papers of(Rauch, Wiklund, Lumpkin, & Frese, 2009) indicated that a number of researchers in entrepreneurship and strategy have adopted Miller's conceptualization and dimensions namely innovativeness, risk-taking and pro-activeness.

Covin & Slevin (1989)stated that entrepreneurial orientation allows a firm to develop ideas and realize the form of new products and services, participate in risky projects, predict future requirements, and find new market opportunities. (Lumpkin & Dess, 1996) Latter suggested autonomy and competitive aggressiveness as two more dimensions of the EO construct, but this conceptualization has not been widely adopted (Wales, Gupta, & Mousa, 2011). According to a study by (Davis J. L., 2007) competitive aggressiveness is closely related and partially explained by the pro-activeness measure of EO. While this has been a major argument against the inclusion of competitive aggressiveness as a component of EO, it also seems competitive aggressiveness is not unique to entrepreneurial firms. The study also states thatautonomy is closely tied to the innovative and proactive behavior of the firm. Therefore, for the purpose of this study, only the three original dimensions of entrepreneurial orientation were used (innovation, risk-taking and pro-activeness). The reason is that only three of the dimensions are widely used and also validated as shown in different research studies (Anderson & Eshima, 2013; Gürbüz & Aykol, 2009; Tang, Selvanathan, & Selvanathan, 2008). Based on these studies, the original three-factor EO model was believed as the most suitable for use in this study.

2.2.Small and Medium Enterprises

There is no universally accepted definition of small and medium enterprises. The term SME covers a wide range of definitions and measures, varying from country to country and varying between the sources reporting SME definitions(Fitane, 2018). In most countries, SMEs are the dominant form of business organization, accounting for over 90% of registered enterprises.They play a key role in driving sustainable economic growth and job creation. From previous studies it can be concluded that the more successful the SMEs, the wealthier the country.

In the case of Ethiopia Ministry of Trade and Industry (MoTI) classifies SMEs based on capital investment and on the basis of establishment:

Micro enterprises: are small businesses with total capital investment not exceeding Birr 20,000 and excludingtheseenterpriseswithhightechnicalconsultancyandotherhigh-tech establishments.

Smallenterprises:arebusinesseswithatotalinvestmentbetween Birr 20,000upto Birr 500,000anddonotincludetheseenterpriseswithadvancedtechnologyandhightechnical consultancy.

Mediumenterprises:arethesebusinessenterprises with a total investment between Birr 500,000uptoBirr1millionandincludingthoseenterprisesthathavehightechnical consultancy and other high-tech establishments.

For developing countrieslike Ethiopia, promoting SMEs is a winning approach, which decentralizes the wealth greater equitably as compared to the huge industry. SMEs create localemployment; directly & indirectly also they can be feeders to the huge industries.

According to the Central Statistical Authority (CSA, 2009) survey the contribution of the small-scale establishments to the gross domestic product (GDP) or the national economy during the year 2009 E.F. Y, the small-scale manufacturing establishments, value added was to the tune of 32.5 billion Birr. Accordingly, all the small-scale manufacturing establishments, together, created employment opportunities for 2,140,668 people. Furthermore, out of the 2.1 million, 831.5 thousand or 38.85 % were permanent employees. This shows that how much the SMEs contribute to a countries growth and a better living of the citizens. For a country like Ethiopia where the economy is not stable and the unemployment rate of the youth is increasing from time to time, concentrating on developing and encouraging SMEs is the way to a countries growth.

2.3.Entrepreneurial Orientation and SME Performance

It has been very difficult to define and measure firm performance. According to a study (Murphy, Trailer, & Hill, 1996) found that more than half of the most frequently used SME performance measures were not significantly correlated and even if they were, over one-fourth of the significant correlation were in fact negative. The result suggested that a random mix of performance measures would not help capture SME performance successfully. According to (Nambisan & Zahra, 2016), recognizing an opportunity is heavily reliant on entrepreneurial qualities. Research in this subject has found that companies with high EO and awareness can spot new market prospects (Lumpkin & Dess, 2001; Renko et al., 2012; Su et al., 2011; Tang et al., 2012). Another study by (Osoro, 2012)defined Entrepreneurial performance as a construct comprised of earningsand satisfaction, which was taken from the broader framework of a conceptualization of entrepreneurial performance as offered by (Lumpkin & Dess, 1996). Theyalso showed the usefulness of viewing the firm's EO as a multi-dimensional construct. They show that all the EO dimensions may be present when a firm isentering a new market (the essential act of entrepreneurship), but that a successful newentry does not require all these EO dimensions in equal measure, and that some of thesedimensions may play a more prominent role during new market entry. Research has revealed thathigh growth shows a relationship with a firm's entrepreneurial orientation. Hence, growth can be linked with innovativeness, pro-activeness and risk-taking behavior of the business, which suggest an entrepreneurial orientation (EO) dimension.

If the relationship between EO and performance differs across samples with different attributes, this suggests that the attribute can act as a moderator(Rauch, Wiklund, Lumpkin, & Frese, 2009). Studies also imply that the relationship between EO and firm performance is not that straightforward, rather it is influenced by the interference of various elements of the organizational and industrial environment (Lumpkin & Dess, 1996; Wiklund & Shepherd, 2005; Woldemichael, 2018).Relating this to Entrepreneurial orientation

H1: *Entrepreneurial orientation will have a significant positive effect on SME performance*

2.4.Entrepreneurial Orientation Dimensions

According to Rauch, Wiklund, Lumpkin, & Frese (2009) EO is a combination of three dimensions: innovativeness, pro-activeness, and risk-taking. Many people, in fact studied e.g., (Covin & Slevin, 1989; Kemelgor, 2002; Naman & Slevin, 1993; Zahra & Garvis, 2000) this three-dimensional model created by (Miller & Friesen, 1983). Lumpkin & Dess (1996)Suggested thatnot all of the dimensions of EO would directly or positively affect businessperformance under different circumstances. Thus, to more fully appreciate theinfluence of EO, assessing the relative impact of each dimension of EO separately isarguably necessary.

2.4.1Innovation and Firm Performance

Covin & Miles (1999)Defined"innovation as the firm's tendency to support new ideas, experimentation and creative process earlier than competitors". They also agreed that without innovativeness, entrepreneurship cannot exist. According to Schumpeter (1934), one of the key aspects of entrepreneurship is the innovativeness of the individual, which may not necessarily involve ownership. When we come to Ethiopia (Kosa, Mohammad, & Ajibie, 2018) explained it as there is a high control of employees who are trying to apply for their work because the owner/managers believe that employees are not capable of improving the existing system. Most researchers in leadership recommend a close relationship between the manager and employees, but such kinds of relationships do not exist between owners/managers and workers in most of the Ethiopian firms. This leads to the poor innovativeness of firms, which depends only on the leader even if small firms are a mechanism ofinnovation.

2.4.2Pro-activeness and Firm Performance

Pro-activeness involves shaping the environment by introducing new products, technologies, administrative techniques instead of merely reacting to plug change.(Lumpkin & Dess, 1996).Venkatraman (1989)defined pro-activeness as seeking new opportunities, which may or may not be related to the present line of operations. He also noted that firms are often proactive by shaping the environment, introducing new products and makes before the competition, strategically eliminating operations that are within the mature or declining stages of the product life cycle, participating in emerging markets, and anticipating and pursuing new opportunities. (Adegbuyi et.al., 2018)

A powerful proactive propensity capacitates a firm's capability to gauge upcoming changes in the business environment and in the customers' preferences and proactive attitudes will help to leverageexternal environmental opportunities (Lumpkin & Dess, 1996).According to a study on the relationship between pro-activeness and performance of small and medium enterprises in Ethiopia (Kosa, Mohammad, & Ajibie, 2018; Tang, Selvanathan, & Selvanathan, 2008) noted that Most firms generated new actions that other competitors are following but in introducing new products/services or ideas they rely on a leader. However, the leaders were not providing sufficient incentives for individuals who are proactive in identifying and applying new ways before others.

2.4.3Risk-Taking and Firm Performance

Risk-taking refers to the ability of a firm to take calculated risks and to experiment while taking into account the risk associated with it. Firms that embed the rightunderstanding of risk-taking are those that have the ability to analyses the risk and potential impact and design adequate strategies in response (Lumpkin & Dess, 1996; Urban & Verachia, 2019).Firms with high risk-seeking tendencies tend to obtain superior growth and profitability in the long run(Wang & Poutziouris, 2010).Risk aversion prohibits firms from exploiting new opportunities regarding production systems, marketing, and technology.

Extreme risk-taking can also hurt a firm due to facing undesirable risks, such as loss of money, equipment, key personnel, and customer leading a firm to failure(Kosa, Mohammad, & Ajibie, 2018). Risk taking ability is the most important quality that entrepreneurs must process. They must have the courage to accept business risk. An entrepreneur is not a 'risk-avoider' but a 'risk-taker'.Entrepreneurs love to face challenges. Hence, they accept moderate risks / calculated risks. They are not gamblers and so they do not accept blind risks.

2.5. The Moderating Role of Firm Age

A study by (Coad, Segarra-Blasco, & Teruel, 2013) showed that although firm growth generally increases with time, the growth outcomes tend to vary significantly with the age of the firm. This view is also supported by evidence from(Haltiwanger, Jarmin, & Miranda, 2013)which shows that younger firms tend to have a greater net effect on employment growth than their older counterparts, even though older firms might be larger in size.

Furthermore, (Coad, Segarra-Blasco, & Teruel, 2013)clarified that even though older firms were more effective at transforming sales into other growth outcomes, their sales generally declined with age, thus negatively affecting other growth outcomes. As such, it is necessary to uniquely isolate and control for the influence of firm age when evaluating how EO affects firm growth (employment growth and sales growth) as the age could play an important role in the SME growth dynamics.

On another study by Medase (2019) firm age affects reputation and good will. According to the study younger firms may need to work much harder to develop their customer base and the relationship with their customers than older firms that have longer standing customers, which shows the performance is affected by the firm's age.

Henderson & Clark (1990)demonstrate that architectural innovations tend to destroy the existing knowledge embedded in the structure and systems of established firms.This shows that older firms may or may not be better at innovating than new (young) firms, depending on the nature of innovative process. Experienced firms may be advantageous when it comes to incremental innovation but when it comes to new technology a significant departure is required from their core capabilities.

Based on the above arguments, we propose the following hypothesis

H2: *Firm age will moderate the relationship between Entrepreneurial orientation and SME performance.*

EMPIRICAL LITERATURE REVIEW

This section of the literature review presented several research and empirical studies that have looked into the relationship between the study's key factors.

A study was conducted by Kraus, Rigtering, Hughes, & Hosman (2011)stating that,"Entrepreneurial orientation and the business performance of SMEs: a quantitative study from the Netherlands".In this study they used the multidimensional model of EO and test a series of hypotheses pertaining to its performance effects using survey data gathered from 164 Dutch SMEs.The present research shows that proactive firm behavior positively contributes to SME performance during the economic crisis. They further show that innovative SMEs do perform better in turbulent environments, but those innovative SMEs should minimize the level of risk and should take action to avoid projects that are too risky.

Anderson & Eshima (2013) conducted a research on"The Influence of Firm Age and Intangible Resources on the Relationship between Entrepreneurial Orientation and Firm Growth among Japanese SMEs" the study adopts the resource based view and investigates the moderating influence of firm age and intangible resources on the EO-firm growth relationship among small to medium sized enterprises (SMEs) in Japan. Further, they propose a three-way interactive model between EO, firm age, and intangible resources to better identify entrepreneurial configurations that promote superior SME growth.

Sørensen & Stuart(2000)conducted a research on "Aging, Obsolescence, and Organizational Innovation". This paper investigates the relationship between organizational aging and innovation processes to illuminate the dynamics of high-technology industries, as well to resolve debates in organizational theory about the effects of aging on organizational functioning. They assembled large samples of firms from two very different high-technology areas, semiconductors and biotechnology, to test the predicted effects of firm age on innovative activity. Their findings raise a number of questions about the general consequences of aging for organizational functioning and dynamics and of the effects of aging on innovation in particular. One intriguing issue is the relationship between organizational aging and the demography of the organizational workforce. For example, differences across firms in the pattern of recruitment and turnover over time may mediate the relationship between aging and organizational innovation.

Rosenbusch et al. (2011)conducted a study "Is innovation always beneficial? A meta-analysis of the relationship between innovation and performance in SMEs" by using meta-analyses techniques and multivariate regression analyses, they found that innovation–performance relationship is context dependent. Factors such as the age of the firm, the type of innovation, and the cultural context affect the impact of innovation on firm performance to a large extent.Results of both methods of analyses demonstrate that firm age affects the innovation– performance relationship negatively. Thecorrelation between innovation and firm performance is significantly higher in new ventures (r = .206) than in mature firms(r = .069). A significantly negative coefficient for firm age in the meta-regression confirms the results found in the bivariate analysis.

Osoro (2012) Conducted a research entitled “Entrepreneurial Orientation Effects on Business Performance of Small and Medium Enterprises in Information Technology Sector in Nairobi” The study adopted an exploratory approach using a descriptive survey design, which will ensure ease in understanding the insight and ideas about the problem.The study findings revealed that contextual factors didpotentially shape entrepreneurial orientation and that certain entrepreneurial orientation dimensions and contextual factors were associated with entrepreneurial performance. These findings suggest that an increase in potentialperformance is possible through individual behavior associated with an entrepreneurialorientation. The findings support the conclusion that an increase in earnings potential is possible through individual behaviorassociated with an entrepreneurial orientation and learning related factors.

Kraus et al. (2011) conducted a study on “Entrepreneurial orientation and the business performance of SMEs: a quantitative study from the Netherlands” In this study they usedthe multidimensional model of EO and test a series of hypotheses pertaining to itsperformance effects using survey data gathered from 164 Dutch SMEs. Theresearch shows that proactive firm behavior positively contributes to SME performance during the economic crisis. They further show that innovative SMEs do perform better in turbulent environments, but those innovative SMEs should minimizethe level of risk and should take action to avoid projects that are too risky.

Fairoz et al. (2010)conducted a study on “Entrepreneurial Orientation and BusinessPerformance of Small and Medium Scale Enterprises of Hambantota District Sri Lanka” Both qualitative and quantitative methods were used to analyze data. Multiple regression analysis was used to determine the relationship among EO dimensions and business performance variables.Findings showed about 52% of SMEs in HDSL represented moderate level of EO. Pro-activeness, innovativeness, risk taking and overall EO were significantly correlated with market share growth. Results further indicated there were positive correlations among pro-activeness and EO with business performance. This study could be useful for policy makers to plan their activities towards entrepreneurship development of SMEs in HDSL.

Neneh & Zyl (2017) conducted a study on “Entrepreneurialorientation and its impacton firm growth amongstSMEs in South Africa”. The empirical approach comprised of data

collection using self-administered questionnaires. The findings established the emergence of pro-active innovation (a combination of pro-activeness and innovativeness) which showed a significant positive association on sales growth. Risk-taking was the only factor that showed a significant influence on employment and asset growth. This study also showed that controlling for the effect of firm age on growth significantly reduced the error of predicting sales growth by 2.3%. This study culminates with recommendations on enhancing EO amongst SMEs in South Africa.

Adegbuyi et.al. (2018)conducted a study on "Assessing the influence ofentrepreneurial orientation on small and medium enterprises' performance". A descriptive research design was adopted to gather information from registered SMEs as captured by Corporate Affairs Commission in Nigeria.The results from statistical analysis indicates a significant impact from alldimensions of entrepreneurial orientation, such as business opportunity, inclusive innovation, dynamic operations, value adding activity, risk taking and innovative decisions havesignificant influence on SMEs performance.

Hossain & Asheq (2019)conducted a research on "The role of entrepreneurial orientationto SME performance in Bangladesh". Convenience sampling method was used.It has been revealed that the scales of EO formulated in western developed economies, can also be adapted to a developing country likeBangladesh. The results of the current research provide with some directional courses and implications for both SMEbusiness owners/managers and researchscholars. Entrepreneurial endeavors are required by the SME firms to leverage their distinctive capabilities for enhanced performance and sustainability. Hence, business managers can arrange a periodical training session for the employees to enhance their level of EO so that they could improve firm performance by tapping potential entrepreneurial opportunities.

Kosa, Mohammad, & Ajibie (2018)Conducted a research entitled "Entrepreneurial orientation and ventureperformance in Ethiopia: the moderatingrole of business sector and enterpriselocation" The study used a descriptive and explanatory research design.The finding of the study indicates that entrepreneurial orientation positively influences ventures performance, but it will determine more when enterprises are established in city areas and involved in the industry sector. Therefore, the owner/managers of enterprises should improve their practice s of

entrepreneurial orientation by introducing new lines, technologies, and market; improve workers' participation in developing new ideas and design; and compete aggressively by taking a calculatedrisk.

Seyoum, Aragie, & Tadesse (2016)conducted a study on the "Growth of Micro and Small Enterprises in Addis Ababa City Administration: A Study on Selected Micro and Small Enterprise in Bole Sub City." In this study both descriptive as well as exploratory research methods is employed.Results revealed that Micro andSmall Enterprises (MSEs) whose owners attained training,started business with high initial investment, engaged on theservice sector, and established in non-cooperative form have better growth than those whose owners/operators did not attendtraining, who started with low initial investment, those engaged on production sector, and those working in cooperatives respectively. Hence, the concerned government officials,nongovernmental organizations and other national economicdevelopment players have to work hand in hand in the area oftraining, availability of finance, formation and business sectors of Micro and Small Enterprises (MSEs) in the country.

Woldehanna, Amha, & Yonis (2018)Conducted a research on the Correlates of business survival: empiricalevidence on youth-owned micro and smallenterprises in Urban Ethiopia. A descriptive research was used.The nonparametric estimation results reveal that MSEs' risk of dropout was high during the first two to four business operation years in Ethiopia. The analysis also confirms that there was survival differential between micro and small enterprises.Particularly, the risk of dropout reached its maximum at 4 years after establishment for micro enterprises while it was after 2 years for small enterprises.This could be due to inclination of most support programs towards small enterprises or overlooking of the importance of micro enterprises in the process of creating viable and sustainable medium and large industries from both sidestheMSE promoters and micro scale enterprise owners.Gender, age, previous work experience, motivation, entrepreneurship training, initial size, ownership type, type of industry, and legal status (registration) were important factors in explaining the probability of MSEs' survival in Ethiopia. Thesurvival of MSEs was also highly influenced by business strategy features. Marketing and financial management strategies played a significant role on reducing therisk of dropout. Moreover, human capital development and use of Internettechnology were also important elements to increase the probability of MSEs 'survival.

Fitane (2018)conducted a study on "Factors Affecting Sustainability of Small and Medium-ScaleEnterprises: The Case of Addis Ababa, Ethiopia". The selection of respondents was done using census and stratified random sampling procedures for closed and existing SMEs respectively.According to the participants' perception, the study revealed that the most importantinternal factors that determine SMEs sustainability is work-related factor and marketing,financial and political-legal factors are major external factors that affecting SMEssustainability. The major implication of the study is that improving financial and work-related problems is critical in guaranteeing the survival of the SMEs.

2.6. Conceptual Model

Based on the literature review mentioned on the chapters this paper presents the conceptual frame work as shown on Fig-1.According to this model thethree components are constructed generally containing ofFirm age as moderating variable, Entrepreneurial Orientation dimension as an independent variable and Performance as a dependent variable.

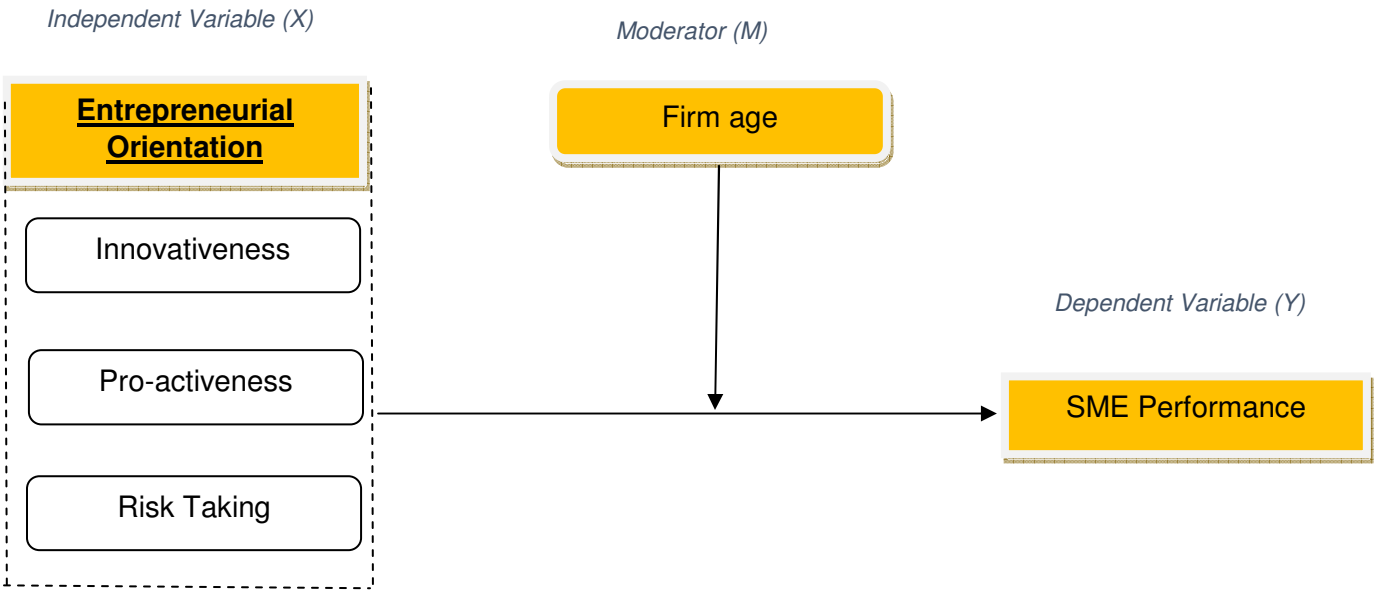


Figure 1: Conceptual framework of the study

CHAPTER THREE
METHODOLOGY

This chapterpresents methodology; the plan and procedure on how the research systematically answers the objective of the study. Therefore, under this part of the study, the researcher provided an overview of the Research Design, Variables, Target Population, Sampling Method, and Procedure for Data Collection, Research Procedure, and Data Collection, and Presentation.

3.1. Research Design

"Thefunction of research design is to provide for the collection of relevant evidence with minimal expenditureof effort, time and money"(Kothari, 2004). This research adopted Descriptive and Explanatory research designs which aims to answer the research questions and also testing of the hypothesis. To determine the relationship among the three variables (Entrepreneurial orientation, SME performance and firm age) to establish any correlation between these variables, a descriptive research design was used. According to (Mugenda & Mugenda, 2003), "descriptive survey design helps aresearcher to gather, summarize, present, and interpret information for the purpose ofclarification".

In this study a descriptive survey design was used to collect data from the sample population for testing hypothesis on the adoption of Entrepreneurial Orientation by small and medium enterprises in Bole Sub-City. In addition, the study also adopted explanatory research design to explain the correlation between variables with the aim of explaining the influence of firm age in Entrepreneurial SME's. Therefore, this study has a descriptive and explanatory research design by selecting respondents to acquire primary data. The research usedhand delivered questionnaires and also an online plat form to collect primary data from top managers or owners of SME's. In case the respondents are not capable of reading and understanding Englishlanguage, the questionnaires were translated to Amharic.This study applied regression and correlation analysis to address the research objectives and to test the research hypothesis.

3.2.Data Collection and Procedure

In the study both primary and secondary data were used as an important data collection method. The study used questionnaires to gather primary data from the enterprise's managers or owners. The Questionnaire consisted of four parts. The first part consisted of the demographic

characteristic and profile information of the respondent. The second part consisted of the general information about the company that the respondent owns or manages. The third part of the Questionnaire consisted of questions which are intended to measure the Entrepreneurial behavior by using a 5-point Likert scale method from Strongly Agree to Strongly Disagree.Finally, the fourth part of the Questionnaire consists of the performance of the firm or the organizations effectiveness by using the 5- point Likert scale method from Highly Dissatisfied to Highly Satisfied which was used by(Woldemichael, 2018).

The Questionnairewas designed and delivered both in Amharic and English to different sectors of SME's, to gain proper response from those who cannot clearly understand the English language. Because of the sudden pandemic the questionnaires were developed using Google form to be distributed using emails and telegram accounts to reduce physical contact. This method of data collection only produced a few responses as it was difficult to get the target audience using this method. As a result, the researcher used both online and hand-held papers to collect data from different respondents.

The secondary data was collected from Bole Sub-City office reports, government data, books, researches both published and unpublished.

The questionnaire were distributed todifferent enterprises that are registered in Bole Sub-city. A cover letter was attached to thequestionnaires to introduce the respondents to the research topic to avoid any suspicion ormistrust respondents might have about the study. The cover letter was also expected to helpmotivate respondents to participate in the study and answer the questions and to assure them ofanonymity and confidentiality, and to show them how to fill the questionnaires.

The questionnaires were distributedin person as well as online. Thesurvey period for data collection spanned over a period of ten weeks. The advantage ofselecting this method is that it ensured confidentiality and kept track of those who did not return the questionnaire on time and need to be reminded.After collecting data from the representative sample through the questionnaire, data was edited the same day to check for completeness, consistency, and reliability. The next stepinvolved coding the responses in the coding sheets by transcribing the data fromquestionnaire by assigning characters symbols (numerical symbols). This werefollowed

byscreening and cleaning of data to make sure there are no errors and after going through this process data were transferred toSPSS for analysis.

3.3. Description of the Study Area

This study focused on the relationship between Entrepreneurial orientation and SME performance and the moderating role of Firm age in the case of Bole Sub-City.

3.4. Target Population

The SMEs registered in Addis Ababa, Bole Sub-city, were the target population for this study. Stratified random sampling was used. There are more jobs provided in Addis Ababa by SMEs than by large corporations. The focal point for the collection of field data was therefore in Addis Ababa. Bole Sub-city was selected because it covers a large area and also diversified enterprises are located in this sub-city. Besides being the political, social, and cultural hub, Addis Ababa is also the economic center.

3.5. Bole Sub-City Population

Bole sub-city is located in thesouth-eastern part of Addis Ababa city. The total area of the sub-city is122.08 km square and 2,694people live in one-kilometer square. In addition, the area's entire population is 328,900 people. Below that, there are 14 woredas.

Figure 2: Bole sub-city map

3.6. Sampling Design

3.6.1. Sampling Technique

There are different types of sample designs based on two variables, namely the basis of representation and the technique of element selection(Kothari, 2004). The sample can, on the basis of representation, be probability sampling or non-probability sampling. Sampling of probability is based on the notion of random selection, while non-probability sampling is 'non-random' sampling. This research used both random (probability) and non-random (non-probability) sampling method. Non-random sampling technique was useful to collect data from the concerned government offices such as SME officials and experts who facilitate the SME sectors in the Sub-City under the study. Among different Non-probability sampling techniques, deliberate (purposive) sampling techniques was selected to collect data from Bole Sub-City due to its closeness and large covering area as seen in fig 2 above.

Stratified random sampling is defined as "If a population from which a sample is to be taken does not constitute a homogeneous group, a stratified sampling technique is usually used to obtain a representative sample. The population is divided into several sub-populations that are individually more homogeneous than the total population (the different sub-populations are called 'strata') under stratified sampling and then we select items to constitute a sample from each stratum.Since each stratum is more homogeneous than the total population, we are able to obtain more accurate estimates for each stratum, and we get a better estimate of the whole by estimating each of the component parts more accurately. In short, more reliable and detailed information results from stratified sampling.

Stratified random sampling was used to ensure that all SME sectors have an equal chance of being selected to avoid sample bias and ensure that the results are sufficiently reliable to be generalized. Stratified sampling is a type of method of sampling in which the total population is split into smaller groups or strata to complete the process of sampling.Therefor this method is beneficial for this research because there are five sectors manufacturing, construction, urban agriculture, service and trade. To take a fare sample form each sector this is the method that best fits this research. As shown on Table 3 below sample was taken from each sector by proper calculation to minimize bias when taking the population size.

3.6.2 Sampling Size

Among Addis Ababa Sub-city Administrations, Bole sub-city was selected purposively based on proximity and availability of diverse enterprises, Bole sub-city has 14woredas, in which this study considers all woredas. Stratified simple random sampling was used to select a proportional number of samples from all business streams namely construction, manufacturing, trade, service, and urban agriculture.The initial working sample was led by the formula found below by Slovin (Pagoso et al., 1992);

Assumptions:

A 95% confidence level, and e = ±5%

$n = \{N/ (1+Ne^2)\}$

Where n = number of samples

N = total population

e = 0.05 (margin of error)

$$n = \frac{522}{1 + 522 * (0.05)^2} = 226$$

This formula gives the degree of accuracy of the sampling technique. It gives an idea as to how many samples have to be studied taking into consideration the error. According to Bole Sub-city department of SME's list of registered firms up to November 2020 is 522, from the list of 522 firms, the formula generated a sample size of 226 firms.

Table 2: Proportional Sample Distribution for each SME Sectors

No.	Sectors	Number of SME's	Samples
1	Manufacturing	237	237/522*226=103
2	Construction	257	257/522*226=111
3	Urban Agriculture	12	12/522*226=5
4	Service	12	12/522*226=5
5	Trade	4	4/522*226=2
	Total	522	226

3.7 Variable of the Study

- Independent Variable: Entrepreneurial Orientation (Innovativeness, pro-activeness and risk-taking)
- Dependent Variable: SME Performance
- Moderating variable: Firm age
- Demographic variable: Age, Gender, Education level, role and type of sector

3.8.Variable Measurement

Structured questionnaires were used to understand and determine the link between the three variables of interest for the purposes of this study, which were adapted from prior studies.

The first section of the questionnaire covers the demographic characteristic of the respondents where respondents are requested to provide information about their age, gender, education level, role of the respondent and type of sector. The second section of the questionnaire contains questions related to each variable in the study.

Entrepreneurial orientation questionnaires were adopted from (Covin & Slevin, 1989; Dada, Watson, & Kirby, 2012; Sok, Snell, Lee, & Sok, 2017; Wang C. L., 2008).

SME performance questionnaires were adopted from(Sahoo & Yadav, 2017; Wang C. L., 2008).

3.9. Ethical Considerations

In this research study, issues relating to the ethical conduct of research such as informed consent, confidentiality, privacy, and anonymity have been upheld. According to(Saunders & Lewis, 2012), ethics is the norms or standards of behavior that guide moral choices about our behavior and our relationships with others. Participants and respondents were given full information on thepurpose and objectives of the study for them to make informed decisions as to whether to partake or not. Moreover, all information concerning the identity and personality ofrespondents were treated with utmost confidentiality. Additionally, all information gatheredwere used for the sole purpose of this research study.Ethical considerations were taken into account where surveyrespondents were assured confidentiality and anonymity of responses. Voluntary consent remaineda pre-requisite for continuing with the survey.

CHAPTER FOUR
DATA ANALYSIS AND DISCUSSION

4.1.Introduction

As mentioned above, the main objective of the study is to investigate the influence of entrepreneurial orientation on the performance of small and medium enterprises (SMEs) taking firm age as a moderator in the case of Addis Ababa, Bole Sub-City.In order to achieve the objective questionnaires were distributed both in person and online to a sample of 226 Small and Medium Enterprises Owners or Managers in Bole sub-city. 209 questionnaires were filled in properly and were used for analysis.

The descriptive statistics for each tested variable are reported. A variety of charts have been added to demonstrate the frequency distributions for each tested variable. The results related with the testing of the hypotheses are also reported according to each tested hypothesis. The data was analyzed by usingstatistical package for social sciences (SPSS) version 26.

4.2. Descriptive Statistics of Demographic Profile of Respondents

In this section, a descriptive statistic in the form of frequency and percentage has been used to discuss the demographic profiles such as Age, Gender, Education level, role of the respondent and type of sector.

4.2.1. Gender of Participant Descriptive Statistics

The researcher obtained the gender information of respondents who participated in the study. In Ethiopia, like in other countries, both males and females work in SMEs in various roles as owners, managers or both. According to this study, in terms of gender approximately 62.7% of the Small and medium enterprise owners were found to be male and 37.3% were Female. Table 3 shows the frequency distribution of gender.

Table 3: Frequency distribution of Gender

Gender of the participant

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	131	58.0	62.7	62.7
	Female	78	34.5	37.3	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

(Source; field survey, 2021)

4.2.2 Ageof Participant Descriptive Statistics

When we see the age group of respondents below in table 4, majority of the age groups are from 31-40 years of age this equates to51.2% of the respondents.The second age group is from 20-30 which accounts 36.4% of the respondents. Then follows 41-50 which is 8.1%, 51-60 which is 4.3% the total. Above 60 years of age participants were not found from the data collected in this research.Table 4: Frequency distribution of Age shows the frequency distribution of age.

Table 4: Frequency distribution of Age

Age of the participants

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	76	33.6	36.4	36.4
	31-40	107	47.3	51.2	87.6
	41-50	17	7.5	8.1	95.7
	51-60	9	4.0	4.3	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

(Source; field survey, 2021)

4.2.3 Education Level of the Participant Descriptive Statistics

The participants were required to include their highest education level they hold and according to table 5 shown below,54.5% of the participants are degree holders next to that 12.9% of the respondents are people who complete secondary school. Respondents with PhD/ MSc take 3rd place and are 12%, then diploma, certificate holders and others are 11.5%, 8.1% and 1% respectively. This shows that majority of the SME Entrepreneurs are degree holders and on the other hand the minority are the ones who left school at early stage or didn't get any education.

Table 5: Frequency distribution of Education level

Education level of the participant

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	other	2	.9	1.0	1.0
	certificate	17	7.5	8.1	9.1
	Secondary School	27	11.9	12.9	22.0
	Diploma	24	10.6	11.5	33.5
	Degree	114	50.4	54.5	88.0
	PhD/ MSc.	25	11.1	12.0	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

(Source; field survey, 2021)

4.2.4. Descriptive Statistics Role of the Participant in the Company

The role of the participants was required on the Questionnaire and three different roles were included to know the position because the participant must either be a manager, owner or both. As shown on table 6 below. The frequency distribution of the role of participants 41.1% of the participants were managers while 33% of the participants were both managers and owners at the same time. The 25.8% were owners who filled in the questionnaires.

Table 6: Frequency distribution of the role of the participants

The role of the participant in the company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manager	86	38.1	41.1	41.1
	Owner	54	23.9	25.8	67.0
	Both	69	30.5	33.0	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

(Source; field survey, 2021)

4.2.5Descriptive Statistics of Sector Type

The researcher wanted to understand the business activities of the respondents in Bole Sub city.The study establishes that the majority (49.3%) of respondents were engaged in the manufacturing sector, followed by 45% of respondents engaged in construction sector and then (2.4%) of respondents engaged in Service and also the same percentage for urban Agriculture. At last, there are only few trade sectors and only took 1% of the total sample which was shown on Table 7 the proportional sample distribution for each SME sectors.

Table 7: Frequency distribution of the type of sector

The type of Sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturing	103	45.6	49.3	49.3
	Construction	94	41.6	45.0	94.3
	Trade	2	.9	1.0	95.2
	Service	5	2.2	2.4	97.6
	Urban Agriculture	5	2.2	2.4	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

(Source; field survey, 2021)

4.3. Descriptive Statistics of Variables

Descriptive statistics output of the variables will help us determine the perception of the respondents about Innovativeness, Pro-activeness and Risk taking of EO dimensions on the performance of SME's.The mean score indicates how much the respondents agree on the idea and the standard deviation shows how much the respondent idea varies from one another. According to (pihie & Bagheri, 2009) rule of thumb mean score of ≤3.39 is low, from 3.40 up to 3.79 is moderate and > 3.80 is high.

Table 8: Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Innovation	209	2.00	5.00	3.8134	.74086	-.225	.168	-.624	.335
Proactivity	209	1.33	5.00	3.8533	.74589	-.434	.168	.257	.335
Risk	209	1.33	5.00	3.5439	.81014	-.312	.168	-.507	.335
Perform	209	1.00	5.00	3.7045	.75421	-.279	.168	.307	.335
Valid N (listwise)	209								

As shown on table above the mean value of innovation is 3.8134 where the mean value of Pro-activeness is 3.8533 and the mean value of Risk taking is 3.5439. As the result shows the respondent SME business owners or managers give high level of perception for Innovation and Pro-activeness but moderate level of perception forrisk taking. The standard deviation part explains the difference on the opinion of respondents.

In statistics, skewness is a measure of the asymmetry of the probability distribution of a random variable about its mean and kurtosis tells the height and sharpness of the central peak, relative to that of a standard bell curve. As per the values shown on the table from skewness and

kurtosis of the variables. We can conclude that the distribution is normal. When both skewness and kurtosis are zero, the design of reactions is considered an ordinary conveyance. A common rule for skewness is that in case the number is more prominent than +1 or lower than -1, this is often a sign of a significantly skewed dispersion. For kurtosis, the common rule is that in case the number is more noteworthy than +1, the dissemination is as well topped. Moreover, a kurtosis of less than -1 demonstrates a conveyance that's as well level. Conveyances showing skewness and/or kurtosis that surpass these rules are considered non-normal."(Jr, Hult, & Ringle, 2016). As shown on table 10 above the skewness and kurtosis values of Innovation, pro-activeness and risk taking values are in between -1 and +1 which indicates the normality of the data.

4.4. Descriptive Statistics of Firm Age

The Experience of the company or the company's age of the sample participants varied between intervals as shown on table 9 companies in age of the mid business (11-15) years took the majority place 43.5%. Next to that 34.4% of company's age between (15+) years took place, then (6-10) years of experience with 16.3% of the participants and finally the companies with an experience of (1-5) years took place with only 5.7% of the collected data.

Table 9: Frequency distribution of Firm Age

Firm-age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5	12	5.3	5.7	5.7
	6-10	34	15.0	16.3	22.0
	11-15	91	40.3	43.5	65.6
	Above 15	72	31.9	34.4	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

(Source; field survey, 2021)

4.5.Inferential Analysis

4.5.1 Diagnostic Test of Assumptions of Classical Linear Regression Model.

A number of assumptions must be reviewed before a Multiple Regression can be performed to verify that the data meets the essential requirements for the analysis to be reliable and valid. As a result, five CLRM assumptions tests were undertaken and explained below: Linearity, Homoscedasticity, Autocorrelation, Multicollinearity and Normality.

4.6.1. Normality Test

In this study, distribution of data is an issue whether it is normal or not. Hence, we check with the normality test. The data was tested to verify that the multivariate normality assumption was met. (Brooks, 2008) noted that the normality condition must be fulfilled in order to perform a hypothesis test on the model parameter. The presumption of normality is regarding the mean of residuals being zero.

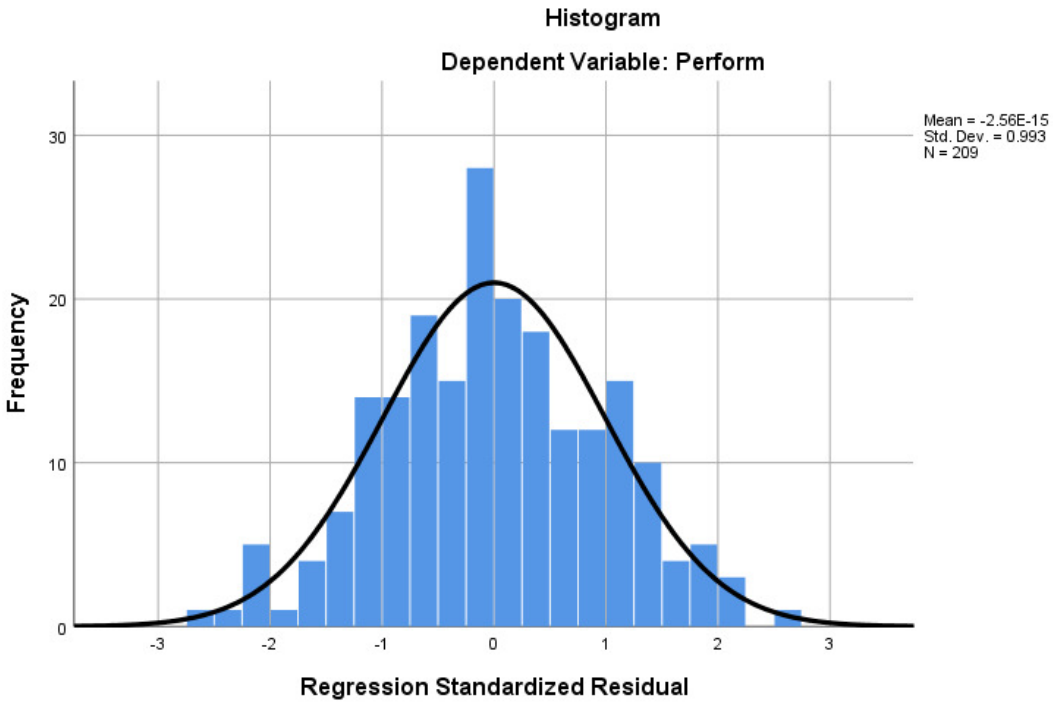


Figure 3: Normality Test Histogram

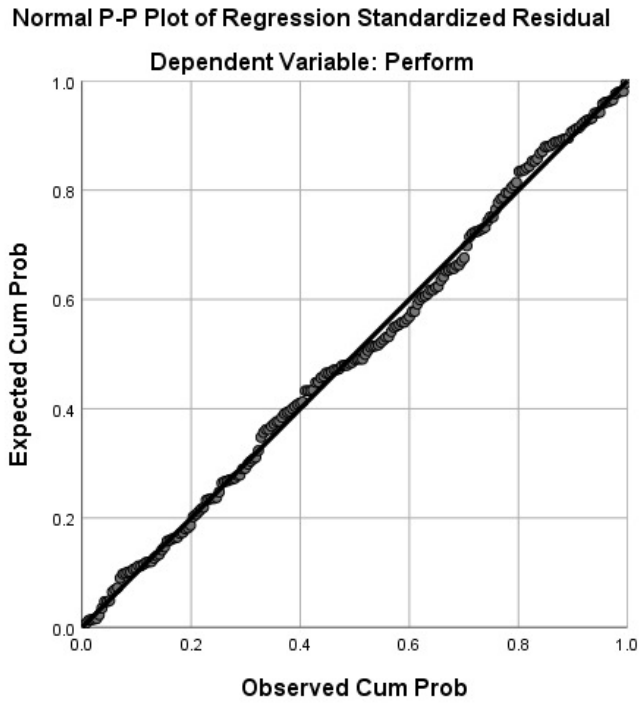


Figure 4: Normal P-P & histogram plot of regression of standardized residuals

Source: SPSS output 2020

The histogram is bell-shaped if the residuals are normally distributed around its mean of zero. As shown in Figure above, the shape of the histogram showed that the residuals were normally distributed around their mean of zero.

4.6.2 Linearity

The first assumption of Multiple Regression to be tested is linearity; this test is conducted to check if there is a linear relationship between the two variables i.e. the independent variables and the dependent variable. This means that when looking at a scatter plot of scores it should be a straight line, not a curve.

As seen on the Figure 5 below. If we draw an imaginary line from bottom left to top right, the scatter plot of the error terms show that the points lie in a reasonably straight line. Therefore, we can say that the assumption of linearity was not violated.If we draw an imaginary line from bottom left to top right, the scatter plot of the error terms show that the points lie in a reasonably straight line. Therefore, we say that the idea of linearity wasn't violated.

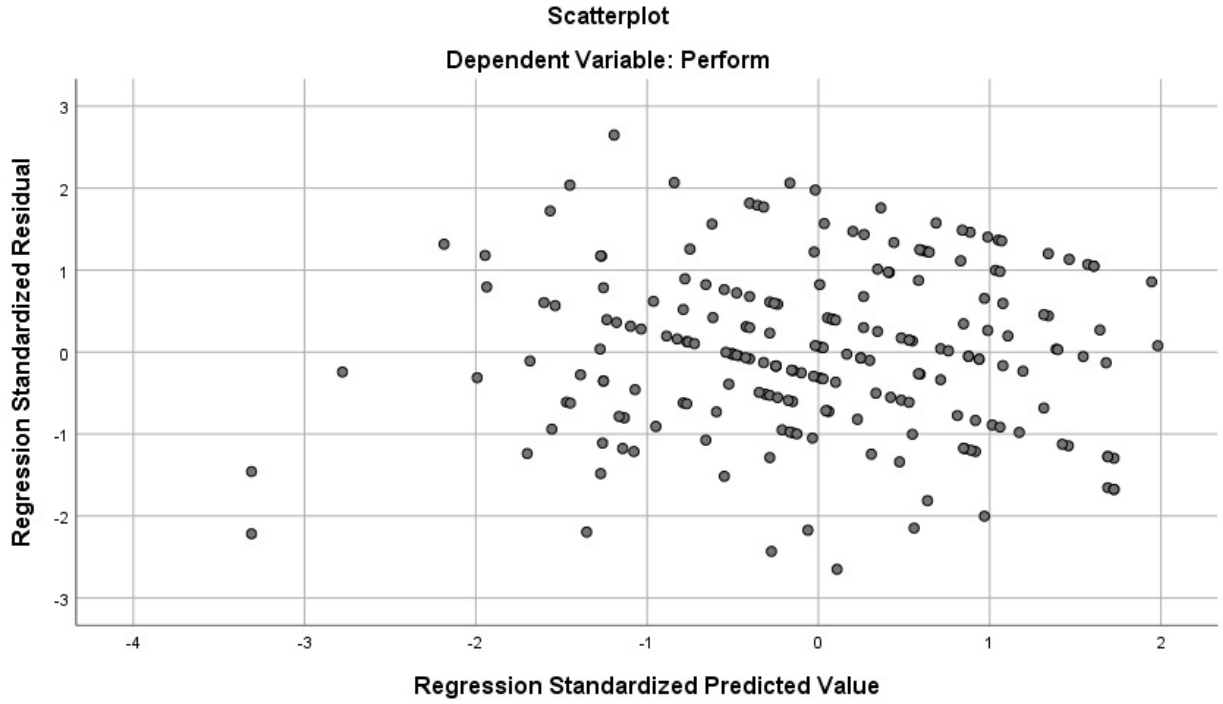


Figure 5: Scatter plot of error terms

4.6.3Multicollinearity

Multicollinearity exists when one independent variable is correlated with another independent variable.Examining the correlations between the independent variables is one technique to determine multicollinearity. A high level of multicollinearity increases the likelihood of a good outcome predictor being judged non-significant and rejected from the model (Hair, Celsi, Ortinau, & Bush, 2010).

To evaluate multicollinearity, both indicators of variance inflation factor (VIF) and tolerance were considered.The VIF value from the coefficient table is used to determine the presence of multicollinearity. There is no multicollinearity if the VIF value is between 1 and 10. When the VIF is larger than 10 or less than 1, multicollinearity exists.To assess if the study has a multicollinearity problem, the researcher used a common cut off value of 0.10 for tolerance and a value of less than 10 for VIF, as proposed by (Sekaran & Bougie, 2016).

Table 10: Multicollinearity coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.376	.258		1.458	.146		
	Innovation	.215	.055	.211	3.915	.000	.806	1.240
	Proactivity	.270	.054	.267	4.970	.000	.813	1.230
	Risk	.009	.049	.009	.179	.858	.846	1.183
	Firm-age	.468	.043	.533	10.785	.000	.961	1.040

a. Dependent Variable: Perform

As Table 100 above shows the VIF values for the independent variables used in this researchare 1.240, 1.230, 1.183 and1.040 with tolerance value of 0.806, 0.813, 0.846and 0.961 for innovation, pro-activity, risk taking and firm age. This indicates that the problem ofmulticollinearity is not a concern since the VIF value lies in the range between 0.1- 10. Similarly, the VIF values for the moderator variable(Firm age) was 1.040 so it can be said that there is no multicollinearity.When we evaluate the tolerance value; the value is greater than 0.01 which supports that there is no multicollinearity.

4.6.4 Autocorrelation

To check for Autocorrelation the most common method is the Durbin-Watson statistic. It is used to test for the presence of sequential correlation among the residuals. The test statisticvaries from 0 to 4, a value of 2 indicates that there is no autocorrelation. However, a value below two approaching zero indicates a positive autocorrelation and value above two approaching four indicates negative autocorrelation. Field, (2013) suggests that values less than 1 or more than 3 acause of concern.

Table 11: Autocorrelation model summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.722[a]	.521	.512	.52690	1.648

a. Predictors: (Constant), Firmage, Risk, Proactivity, Innovation

b. Dependent Variable: Perform

The Durbin Watson value as shown on the above table the assumption has been met as the result shows the value is close to 2 (Durbin Watson= 1.648).

4.6.5 Homoscedasticity

Homoscedasticity assumes that error terms are constant throughoutour observation. Homoscedasticity can be tested by visual analysis of a plot of the standardized residuals with the standardized expected value regression (Osborne & Waters, 2002). As seen on the fig below the error terms are distributed evenly which shows that heteroscedasticity is not a problem.

If these values stretch out from left to right or right to left, heteroscedasticity will exist. As a result, it is preferable for the majority of the observations to cluster around 0, indicating that there is no violation of homoscedasticity. Figure 6illustrates this.

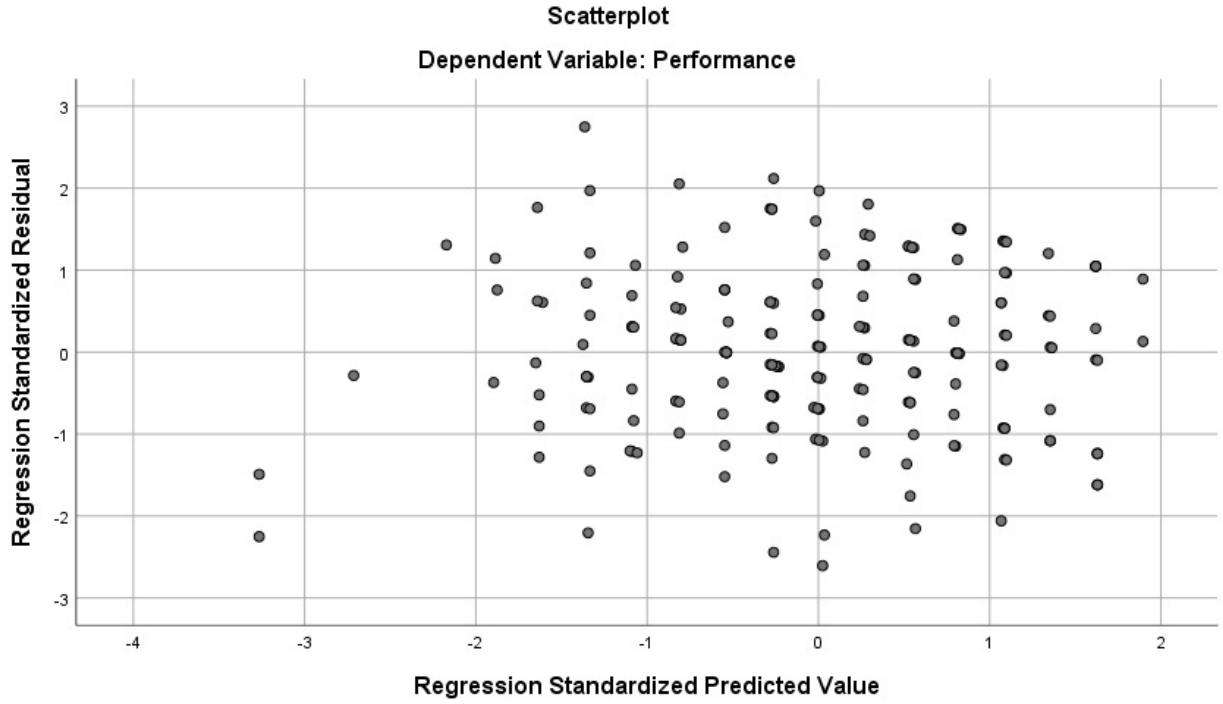


Figure 6: plot of the standardized residuals

4.6.Bivariate Correlation

Bivariate correlation is a statistical technique that is used to determine the existence of relationships between two different variables (Andy, 2009). Correlation analysis reveals the degree of correlation between variables and indicates the direction in which the variables are positively or negatively related(Saunders & Thornbill, 2009).This will assist the study to investigate the strength and direction of the relationship between the variables: innovativeness, pro-activeness, risk-taking, firm age and performance of SME's.

Pearson's Correlation analysis was used to investigate the relationship, and the findings are summarized in the following table.The correlation value varies from - 1 to 1 and the association strength can be classified from very low with a coefficient of correlation (r) of less than 0.2 to very high with a coefficient greater than 0.9.

Table 12: Pearson's Coefficient of Correlation

Correlations

		Perform	Innovation	Proactivity	Risk	Firmage
Perform	Pearson Correlation	1	.407**	.415**	.230**	.605**
	Sig. (2-tailed)		.000	.000	.001	.000
	N	209	209	209	209	209
Innovation	Pearson Correlation	.407**	1	.371**	.319**	.176*
	Sig. (2-tailed)	.000		.000	.000	.011
	N	209	209	209	209	209
Proactivity	Pearson Correlation	.415**	.371**	1	.325**	.126
	Sig. (2-tailed)	.000	.000		.000	.070
	N	209	209	209	209	209
Risk	Pearson Correlation	.230**	.319**	.325**	1	.125
	Sig. (2-tailed)	.001	.000	.000		.072
	N	209	209	209	209	209
Firmage	Pearson Correlation	.605**	.176*	.126	.125	1
	Sig. (2-tailed)	.000	.011	.070	.072	
	N	209	209	209	209	209

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

*. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS output 2020

Table 12. Illustrates the correlation between SME performance and all the predictor variables. As it can be observed from the above table, there is a positive relationship between the study variables. Accordingly, Innovation is correlated with performance and is statistically

significant at 0.01 level (r=0.407& p<0.01). This correlation result shows that innovativeness has a positive effect on performance of SME's. This implies that the more innovativeness a firm has, the higher the SME performs.

When pro-activeness is correlated with performance it shows that it is positively related and statistically significant at 0.01 level of significance (0.415& p<0.01). In the case of risk-taking, it is also positively related and statistically significant at 0.01 level of significance (r=0.230 & p<0.01). Which makes risk taking moderately correlated with performance when compared to the other Entrepreneurial orientation dimensions (innovativeness and pro-activeness). However, the performance of SMEs is highly correlated to Firm age (r= 0.605&is statistically significant at p<0.01).

4.7. Regression Analysis

4.7.1Regression Analysis with Entrepreneurial Orientation Dimensions as Predictors of SME Performance.

Table 13: Regression model summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.230[a]	.053	.030	.74298	.053	2.267	5	203	.049
2	.537[b]	.288	.260	.64888	.235	22.050	3	200	.000

a. Predictors: (Constant), The type of Sector, Gender of the participant, Age of the participant, The role of the participant in the company, Education level of the participant

b. Predictors: (Constant), The type of Sector, Gender of the participant, Age of the participant, The role of the participant in the company, Education level of the participant, Innovation, Proactivity, Risk

Source: SPSS output 2020

Table 14: Hierarchical regression results for the effects of Entrepreneurial Orientation subscales on SME performance

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	3.494	.265		13.179	.000
	Gender	.145	.106	.093	1.359	.176
	Age	-.041	.069	-.042	-.599	.550
	Education	.060	.051	.093	1.183	.238
	Role	.135	.064	.154	2.098	.037
	SectorType	-.144	.066	-.158	-2.197	.029
2	(Constant)	1.161	.380		3.053	.003
	Gender	.118	.095	.076	1.240	.216
	Age	-.048	.061	-.048	-.784	.434
	Education	-.011	.045	-.017	-.242	.809
	Role	.136	.058	.155	2.347	.020
	SectorType	-.058	.059	-.063	-.980	.328
	Innovation	.263	.068	.259	3.850	.000
	Proactivity	.291	.068	.288	4.313	.000
	Risk	.093	.065	.100	1.435	.153

a. Dependent Variable: Performance

Source: SPSS output 2020

As indicated in

Table 14 for testing the first hypotheses, the researcher used Hierarchal regression by placing demographical variables in the first segment and the Entrepreneurial Orientation dimensions on the second. As it can be seen from the table the demographic factors statistically related to the dependent variable (SME Performance). Coefficient of variation (R2 =0.053, p<0.05) which shows that demographic factors explain 5.3% of the variation on SME performance.

The role of the participants in the company is the only demographic variable that has statistically positive impact on SME performance with a beta value of (β = 0.154, p<0.05). This indicates that when the firm is governed by a hired educated manager rather than the owner it has a statistically positive impact on the performance of the SME. Whereas Age of the participant and the Type of Sector are found to be negatively affecting SME performance (β = -0.042, p=0.550) and (β = -0.158, p<0.05) respectively. Where age of the participant is not significant as shown on the table above, however type of sector is significant and negatively affected.

Similarly, it has been shown inthe table that all of the three subscales significantly predicted SME performance. The coefficient of variation (R2=0.288, p<0.001) shows that 28.8% of the variation in the dependent variable (SME performance) is explained by the independent variables. Table 14 shows that Pro-activeness has the greatest significant effect on SME performance (β = 0.291, p<.01). Innovativeness dimension of Entrepreneurial Orientation also significantly predicted SME performance with (β = 0.263, p<.01) followed by risk takingwith (β = 0.093, p<.01) Following these results, the following decision is made about the first main hypothesis.

Table 15: Result of testing the first hypotheses

Hypotheses	Result
H1: *Entrepreneurial orientation dimensions will have a significant positive effect on SME performance*	Failed to Reject

4.8. Moderation Analysis

In correlation, a moderator variable is a third variable that influences the strength of the association between the dependent and independent variables. To confirm a third variable (Firm age) making a moderation effect on the relationship between the two variables; Entrepreneurial orientation and SME performance. This is accomplished by introducing an interaction effect in the model and determining whether or not such an interaction is important in explaining SME performance better than before.

The hierarchical regression model was used in this research to see if firm age had a moderating influence on the predictor variables and SME performance. The researcher looked at the interaction effect between Entrepreneurial orientation dimensions and firm age to see if there is a significant effect or not in predicting the outcome to evaluate the moderation effect.

The researcher initially used the regression equation to assess the primary effects of the predictor variables (Entrepreneurial orientation) and moderator variable (Firm age) on the outcome variable SME performance. Then, in model 2, an interaction effect was introduced to the prior model. If both the R2 changes and the effect of the new interaction term are significant, then we can say a moderating effect has occurred.

Table 16: Hierarchical regressionresultsfortestingthemoderatingeffectofFirm age betweenEntrepreneurial orientationandSME performance.

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.706	.041		89.380	.000
	cent_firmage	.533	.048	.607	11.006	.000
	cent_EO	-.139	.083	-.093	-1.684	.094
2	(Constant)	3.708	.041		90.656	.000
	cent_firmage	.540	.048	.615	11.286	.000
	cent_EO	-.114	.082	-.076	-1.390	.166
	interaction	-.258	.099	-.143	-2.600	.010
a. Dependent Variable: Performance						

Table 17: Model summary

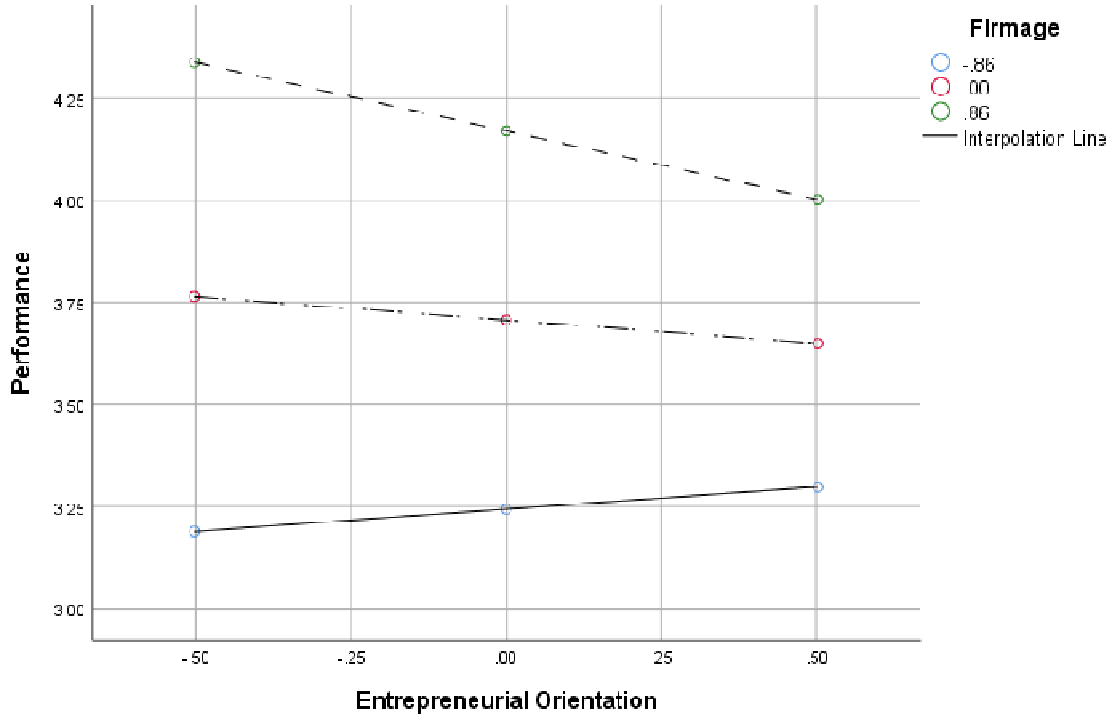
Model Summary									
					Change Statistics				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.612[a]	.374	.368	.59945	.374	61.632	2	206	.000
2	.628[b]	.394	.385	.59124	.020	6.761	1	205	.010
a. Predictors: (Constant), cent_EO, cent_firmage									
b. Predictors: (Constant), cent_EO, cent_firmage, interaction									

The F values of both model 1(without the interaction term) and model 2 (with the interaction term) is significant. As a result, the above tables indicate that both model 1 and model 2 are significant with F (2,206) = 61.632, p<0.01 and F (1,205) = 6.761, p<0.05 respectively.The model summary also indicates that the independent variables statistically predict the overall level of SME performance in Bole Sub-city.

Accordingly, model one indicates that the two predictors explained 37.4% of the variance (R^2= 0.374, p<0.01). When we see the effect, it was found that Entrepreneurial orientation predicting SME performance (β= -0.139, p=0.094) which shows it has a negative effect and it is insignificant, but the moderating variable firm agehas a positive and significantvalue as shown on the table above (β=0.533, p<0.01). In addition to R2 change (Adjusted R2 = 0.385, P<0.05) the coefficient of the interaction had a negative significant effect on SME performance (β= -0.258, p<0.05).

Furthermore, the researcher used data generated using Andrew F. Hayes' (http://www.afhayes.com) method for Visualizing Conditional Effect of Entrepreneurial orientation on Firm performance. The values for the moderators are the mean plus or minus one standard deviation.

Figure 7: Graphical demonstration of the Conditional effect of Entrepreneurial orientation on Firm performance.



Source: Hayes process model 1 version 3.5 (2020)

As seen on Figure 7 the upper line represents older firms, the middle line represents the medium aged firms and the last line shows younger firms. From the figure above it is shown that when the older firms are involved in Entrepreneurship their performance starts to decline, also for the medium aged firms the line slightly lowers which means their performance slightly decreases but younger firms perform better as they apply Entrepreneurship. Which means Younger SMEs have the strongest link between EO and firm growth.

Table 18: Result of Testing the Second Hypothesis

Hypotheses	Result
H2:*Firm age will moderate the relationship between Entrepreneurial orientation and SME performance. (At* α level <= 0.05*)*	Failed to Reject

4.9 Discussion

- Research question one and two

A multiple linear regression analysis was used to test the relationship between Entrepreneurial Orientation and SME performance and also to see which EO dimension has the larger impact. After the analysis was completed, all the three EO dimensions (Innovativeness, pro-activeness, and risk-taking) had been used to interpret and analyse.

The output of the regression analysis showed all the three EO dimensions explained 28.8 % of the variance in SME performance (R2=0.288, p=0.001). The fact that the three predictor variables explain 28.8 % of the variance on the outcome variable implies that other factors and constructs could potentially influence the performance of SMEs, hence further research is essential in this regard.

From the analysed data, we can infer that there is a significant and positive relationship between Entrepreneurial Orientation practices and SME performance ($R = 0.612$; $p < 0.05$). This result is also supported by (Covin & Slevin, 1989; Davis J. L., 2007; Kroeger, 2007)

It was also found out that, Pro-activeness had the greatest significant effect on SME performance ($\beta = 0.288$, $p< 0.001$), next to it innovativeness had a significant effect on SME performance with ($\beta = 0.259$, $p< 0.001$). The last is risk-taking, as the result shows it's not significant like the other two of the Entrepreneurial orientation dimensions.

The other finding is shown on the hierarchical regression results for testing the moderating effect of firm age between entrepreneurial orientation and SME performance. The two models show that both models are significant and firm age has an increasing moderating effect. It also shows that younger firms tend to perform better when they apply entrepreneurial ideas than older firms this is also supported by (Anderson & Eshima, 2013) according to the study they proposed that younger organizations are better able to capture the value from entrepreneurial tactics in the form of greater organizational growth rates than their older peers. They also explained while younger organizations lack established routines and processes that could provide guidance and discipline in strategic decision-making, they also have more flexible and reactive structures and organizational contexts than older firms. Furthermore, whereas younger enterprises may lack market expertise in terms of quantity, they may have market knowledge in terms of quality.

Therefore, the above findings and discussions provide the answer to research questions one and two. Observing at the beta value of all EO dimensionsshowed to have a significant positive effect on SME performance. Pro-activeness had the largest significant effect on SME performance followed by innovativeness. Risk taking had the smallest effect on SME performance.

CHAPTER FIVE

CONCLUSION, RECOMMENDATION, LIMITATIONS AND FUTURE RESEARCH

5.1. Conclusion

The main purpose of this study is to investigate the moderating role of firm age in the relationship between Entrepreneurial Orientation and the performance of small and medium enterprises in the case of Addis Ababa, Bole sub-city. Based on the research objective and the findings the following conclusions were made.

- From the demographic and enterprises related profiles, first, itisconcludedthatthegender participation in small and medium enterprises is not balanced 62.7% of the respondents were male and 37.3% of them were females. As for the age group distribution 51.2% of the respondents (owners and managers) are within the age range of 31-40 years. It is also learned that more than 80% of the small and medium enterprises are involved in manufacturing and construction sectors. While 54.5% of the participants are degree holders the role of participants shows that 41.1% were managers hired by owners.
- From the correlation analysis of variables there is a positive and significant relationship between innovativeness and performance of SME's as well as pro-activeness and performance of SMEs at 1% significance level also in the case of risk-taking, it is statistically significant at 0.01 level of significance. It is therefore, concluded that EO dimensions play a substantial role in the performance of SMEs.
- The direct effect analysis in regression with entrepreneurial orientation dimensions and performance of SME's, the result shows that only Pro-activeness (r=0.415, p=.000) is important in predicting SME output among the three EO independent variables. As a result, an increase in pro-activeness would dramatically boost SME performance.
- Two Hypotheses were made in this study.

  H1: *Entrepreneurial orientation will have a significant positive effect on SME performance*

  H2: *Firm age will moderate the relationship between Entrepreneurial orientation and SME performance.*

  Based on the analysis made, the following conclusions were drawn.

In this study, both H1 and H2 were supported by the result analyzed from the data collected which involved a sample size of 209 respondents drawn from SMEs in Bole sub-city.

From the analyzed data, we can see that there is a significant relationship between Entrepreneurial orientation dimensions and performance of SMEs and this supported H1. From the three EO dimensions, pro-activeness was the most correlated variable with performance followed by innovativeness. There was also a moderately positive relationship between risk taking and performance of SMEs.

The result from the multiple regression analysis indicated the three dimensions of EO could explain 28.8% of the variance in SME performance. This implies that there are other factors that will determine SME performance.

The multiple regression was analyzed using five demographic factors namely gender, age of the participant, role of the participant in the company, education level of the participant and type of sector. The regression output evidenced that age of the participant and the type of sector negatively affected the performance of SMEs. Whereas, the role of the participant in the company has the most significant positive effect of performance of SMEs.

From these results, we can infer that the younger the owner of the SME the better its performance. Also, the type of sector matters specifically, the manufacturing and construction sectors have the most influence in the SME performance than the other sectors. The role of the participant shows a statistically positive impact which shows that a hired educated manager will improve the performance of the SME instead of the owner handling it by him/herself.

The results of the above table show that Model 2 with the interaction between EO and firm age demonstrates a negative standardized beta ($\beta = -0.143$, $p<.01$) which means that younger firms are more entrepreneurially oriented than older firms. This is supported by (Kosa, Mohammad, & Ajibie, 2018).Which state that younger firms come up with new thinking, fresh ideas and interest that make them give full considerations to their career. Among the sectors, the manufacturing sector is the highest grown sector comparatively.

As seen from the result on firm age the younger firms are more entrepreneurial and come up with new ideas even if, old firms have more employees and their performance is not low.

Furthermore, new firms with new ideas and effort as well as initiatives with a large amount of personnel do better than older firms.

5.2. Recommendation

According to the research finding and based on the conclusion the following recommendations are given

- Based on the educational background most of the managers or owners are degree holders in different fields. Although it is necessary to achieve educational success it is also necessary to train them on how to handle business or financial processes. As a result, it is suggested that various professional trainings in their specific business field should be offered. Aside from that, they will need additional business and financial training to remain competitive in their profession.As seen from the demography most of the owners/managers are degree holders therefore it is better if the education sectors include Entrepreneurship and creativity in there course of studies to every department. It will help in creating awareness in the society.
- Based on the conclusion EO dimensions play a significant role on the success of a business.Therefore, the focus should be on how to develop an innovative mental attitude, improving pro-active behaviors and also calculated risk-taking skills. These dimensions should be cultivated in order to develop the performance in SME sectors. This will come through training and creating awareness for the SME business owners or managers. The government should also be involved in this and help out this small and medium businessesas they are the back bone of the economy,especially when there is a sudden economic crisis like the one we are facing recently due to pandemic and political issues.
- As seen from the conclusion on firm age the younger firms are more entrepreneurial and if they have more employees than older firms, they will perform better which means it is necessary to work on the older firms to be more innovative and motivated to expand their business in the globalization era. Improving their products or services and coming up with fresh ideas will help them compete in the global market and grow their business instead of doing the same thing for long periods of time. This might also be accomplished by government involvement and requiring old

firms to take entrepreneurial trainings that show them the benefits in the long run. Arranging some type of competitions of innovative ideas for older firms with a motivational prize like naming a street after the company or giving them recognition might also be helpful.

- ❖ The government could design policies that help SMEsdevelop their Entrepreneurial skills in order to improve their performance. Also, to raise the level of creativity in SMEs trainings should be given to small Enterprises because even if the owners/managers have a positive attitude towards Entrepreneurship most of themdon't have the know-how, and would benefit from guidance and support.

5.3. Limitations of the Study and Recommendations for Future Researches

5.3.1 Limitation of the Study

- ➢ Due to the time limitation and cost reduction the researcher limited the sample collection of the study in one sub-city out of ten sub-cities in Addis Ababa. Future research can include all the sub-cities in Addis Ababa so we can have a more diverse sample size.
- ➢ This research adopted Miller's conceptualization and dimensions namely (Innovativeness, Pro-activeness and risk taking), however this dimensions are not the only dimensions competitive aggressiveness and autonomy were letter added by (Lumpkin & Dess, 1996) adding them could enrich the model.
- ➢ The Empirical part of the study was limited in Ethiopia and also finding access to different published research papers was difficult because the library was closed due to the sudden pandemic. So, all the papers referred were from online and tried to see the experience of other countries with a similar economical and geographical background.
- ➢ There is a small number of datasets that offer information related to SME performance and firm age. These limitations cause dramatic effects in a field where time is crucial to make decisions in order to compete and survive.
- ➢ Data collection was planned to be collected using Google form because of COVID-19 but the target audience was very difficult to access. So, both methods were used, the ones that have access filled in the form online but the others used Questionnaire papers.
- ➢ Finding managers was difficult because most of the time they are busy or not in the office so data collection took longer time than expected. Also, most managers/owners don't

give value to questionnaires because of their busy schedule this will make the reliability of the information difficult.

5.3.2 Future Research

- As described on the research scope further longitudinal research is required to determine the relationship between Entrepreneurship and the performance of SME's and it would be satisfactory if the sample size could include all Sub-Cities in Addis Ababa.
- This research adopted Miller's conceptualization and dimensions namely (Innovativeness, Pro-activeness and risk taking) however, this dimensions are not the only dimensions(Lumpkin & Dess, 1996)added competitive aggressiveness and autonomy,So by adding the additional two dimensions the model could be enriched.
- More research is needed to determine the effect of EO on performance as it interacts with a variety of social, economic, political, and environmental factors. In addition to the interaction effect, EO can have a number of indirect effects on performance through other bridging variables. Future study, in Ethiopian contexts, may resolve these issues.
- Other interaction effects could be further checked by taking different alignments of variables. To see if a significant and beneficial impact of EO on results could be achieved. Future studies may take a performance of the production to learn more about the EO-performance relationship.
- Most importantly in the process of data collection the researcher has observed many of the business were based on informal networking. So future studies could focus on it and see how much involvement does the networking have on the performance of SME's

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Appendix

Appendix A: Demographic profile of respondents

Gender of the participant

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	131	58.0	62.7	62.7
	Female	78	34.5	37.3	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

Age of the participants

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20-30	76	33.6	36.4	36.4
	31-40	107	47.3	51.2	87.6
	41-50	17	7.5	8.1	95.7
	51-60	9	4.0	4.3	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

The role of the participant in the company

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manager	86	38.1	41.1	41.1
	Owner	54	23.9	25.8	67.0
	Both	69	30.5	33.0	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

The type of Sector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manufacturing	103	45.6	49.3	49.3
	Construction	94	41.6	45.0	94.3
	Trade	2	.9	1.0	95.2
	Service	5	2.2	2.4	97.6
	Urban Agriculture	5	2.2	2.4	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

Number of Employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	6-30	154	68.1	73.7	73.7
	31-100	55	24.3	26.3	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

Appendix: Demographic profile of Entrepreneurial Orientation dimensions

Innovation rounded

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	13	5.8	6.2	6.2
	Neither	56	24.8	26.8	33.0
	Agree	96	42.5	45.9	78.9
	Strongly Agree	44	19.5	21.1	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

Proactivity rounded

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	2	.9	1.0	1.0
	Disagree	6	2.7	2.9	3.8
	Neither agree nor disagree	52	23.0	24.9	28.7
	Agree	97	42.9	46.4	75.1
	Strongly Agree	52	23.0	24.9	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

Risk rounded

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	1	.4	.5	.5
	Disagree	28	12.4	13.4	13.9
	Neither agree nor disagree	58	25.7	27.8	41.6
	Agree	99	43.8	47.4	89.0
	Strongly Agree	23	10.2	11.0	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

Performance rounded

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Unsatisfied	1	.4	.5	.5
	Unsatisfied	7	3.1	3.3	3.8
	Neutral	53	23.5	25.4	29.2
	Satisfied	104	46.0	49.8	78.9
	Very Satisfied	44	19.5	21.1	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

Descriptive Statistics

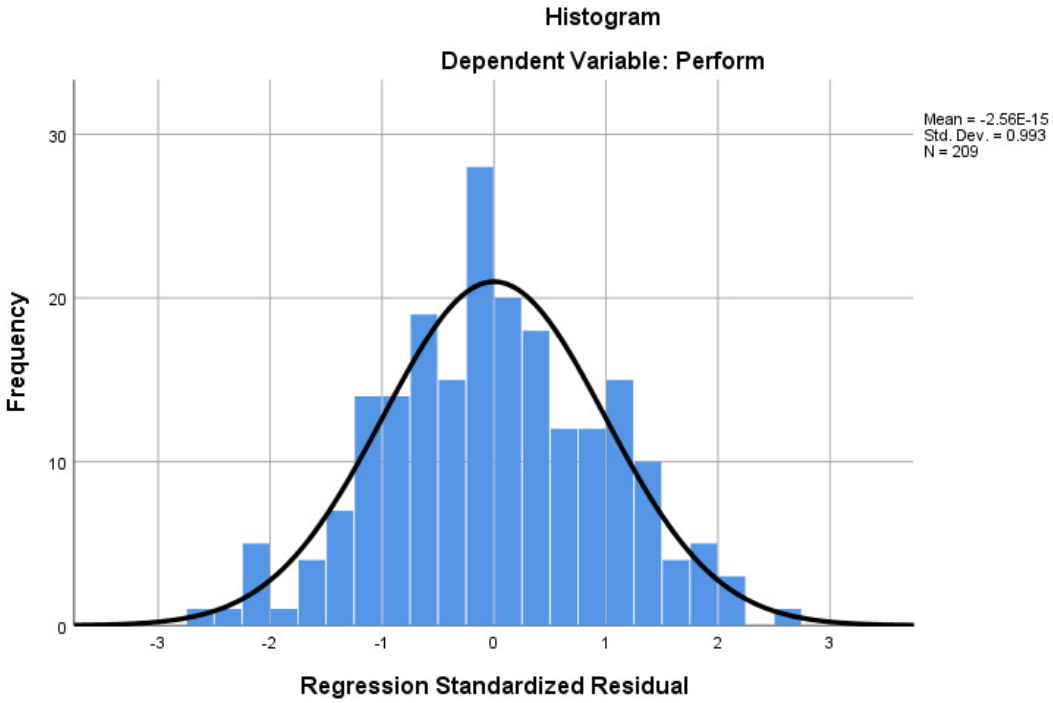
	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Innovation	209	2.00	5.00	3.8134	.74086	-.225	.168	-.624	.335
Proactivity	209	1.33	5.00	3.8533	.74589	-.434	.168	.257	.335
Risk	209	1.33	5.00	3.5439	.81014	-.312	.168	-.507	.335
Perform	209	1.00	5.00	3.7045	.75421	-.279	.168	.307	.335
Valid N (listwise)	209								

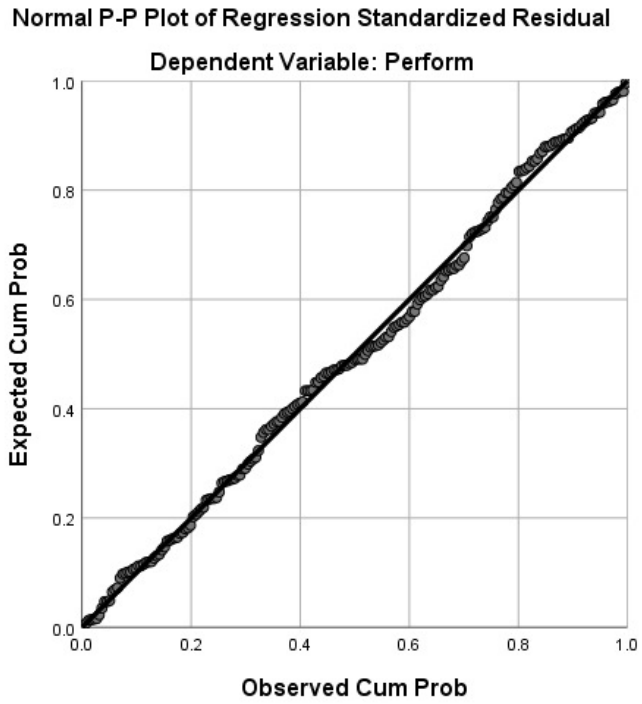
Firm-age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-5	12	5.3	5.7	5.7
	6-10	34	15.0	16.3	22.0
	11-15	91	40.3	43.5	65.6
	Above 15	72	31.9	34.4	100.0
	Total	209	92.5	100.0	
Missing	System	17	7.5		
Total		226	100.0		

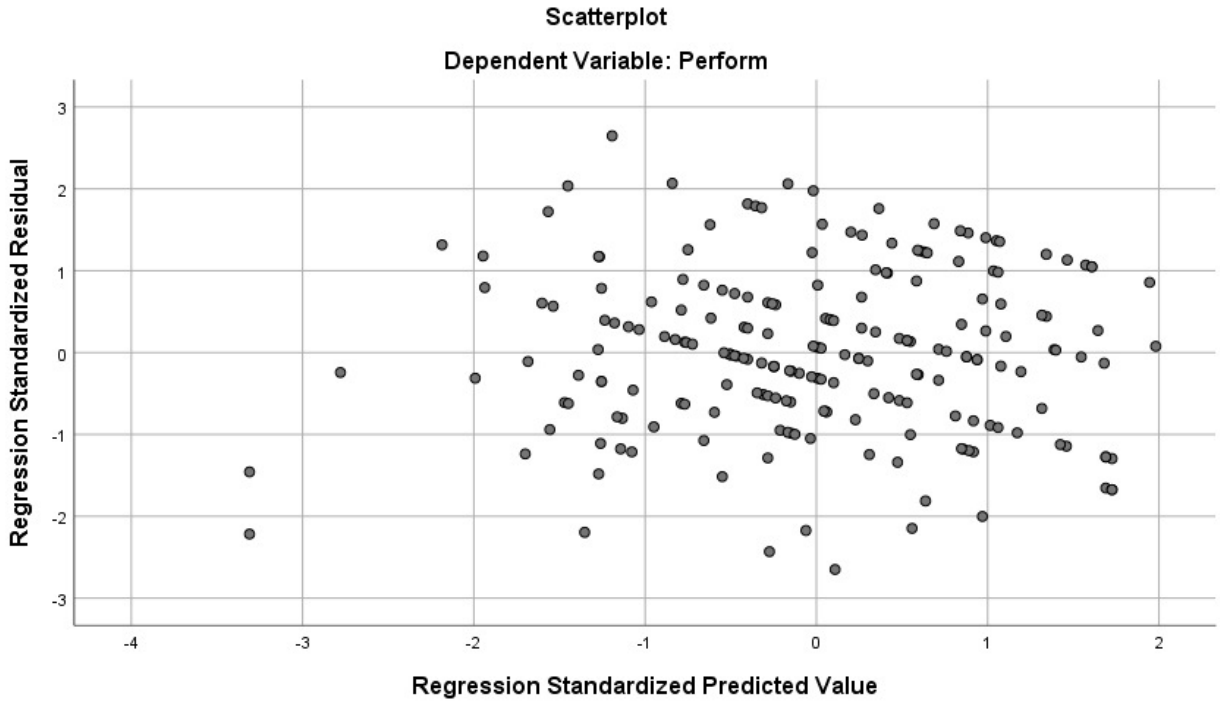
Appendix C: SPSS Output for Linearity test

Graph of SME performance to check normality





Linearity Graph



Multicolinearity Graph

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	.376	.258		1.458	.146		
	Innovation	.215	.055	.211	3.915	.000	.806	1.240
	Proactivity	.270	.054	.267	4.970	.000	.813	1.230
	Risk	.009	.049	.009	.179	.858	.846	1.183
	Firmage	.468	.043	.533	10.785	.000	.961	1.040

a. Dependent Variable: Perform

Autocorrelation

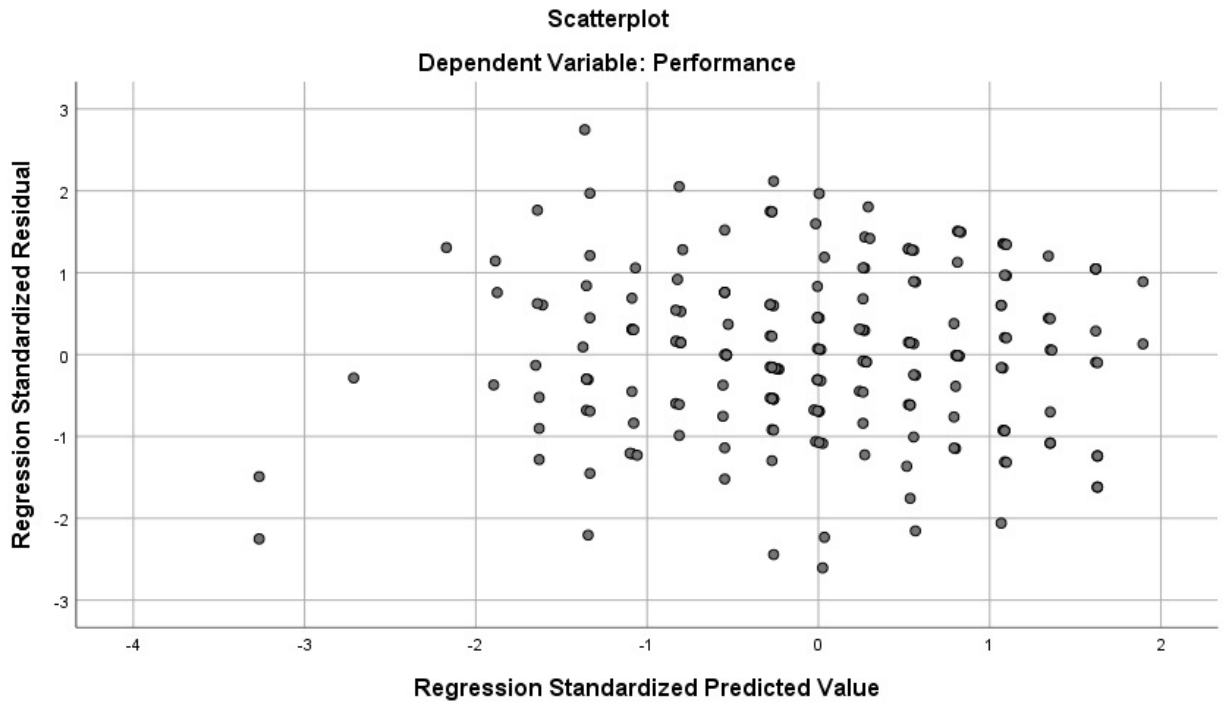
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.722[a]	.521	.512	.52690	1.648

a. Predictors: (Constant), Firmage, Risk, Proactivity, Innovation

b. Dependent Variable: Perform

Homoscedasticity



Correlations

		Perform	Innovation	Proactivity	Risk	Firm-age
Perform	Pearson Correlation	1	.407**	.415**	.230**	.605**
	Sig. (2-tailed)		.000	.000	.001	.000
	N	209	209	209	209	209
Innovation	Pearson Correlation	.407**	1	.371**	.319**	.176*
	Sig. (2-tailed)	.000		.000	.000	.011
	N	209	209	209	209	209
Proactivity	Pearson Correlation	.415**	.371**	1	.325**	.126
	Sig. (2-tailed)	.000	.000		.000	.070
	N	209	209	209	209	209
Risk	Pearson Correlation	.230**	.319**	.325**	1	.125
	Sig. (2-tailed)	.001	.000	.000		.072
	N	209	209	209	209	209
Firmage	Pearson Correlation	.605**	.176*	.126	.125	1
	Sig. (2-tailed)	.000	.011	.070	.072	
	N	209	209	209	209	209

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

*. Correlation is significant at the 0.05 level (2-tailed).

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.494	.265		13.179	.000
	Gender of the participant	.145	.106	.093	1.359	.176
	Age of the participant	-.041	.069	-.042	-.599	.550
	Education level of the participant	.060	.051	.093	1.183	.238
	The role of the participant in the company	.135	.064	.154	2.098	.037
	The type of Sector	-.144	.066	-.158	-2.197	.029
2	(Constant)	1.161	.380		3.053	.003
	Gender of the participant	.118	.095	.076	1.240	.216
	Age of the participant	-.048	.061	-.048	-.784	.434
	Education level of the participant	-.011	.045	-.017	-.242	.809
	The role of the participant in the company	.136	.058	.155	2.347	.020
	The type of Sector	-.058	.059	-.063	-.980	.328
	Innovation	.263	.068	.259	3.850	.000
	Proactivity	.291	.068	.288	4.313	.000
	Risk	.093	.065	.100	1.435	.153

a. Dependent Variable: Performance

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.230[a]	.053	.030	.74298	.053	2.267	5	203	.049
2	.537[b]	.288	.260	.64888	.235	22.050	3	200	.000

a. Predictors: (Constant), The type of Sector, Gender of the participant, Age of the participant, The role of the participant in the company, Education level of the participant

b. Predictors: (Constant), The type of Sector, Gender of the participant, Age of the participant, The role of the participant in the company, Education level of the participant, Innovation, Proactivity, Risk

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.706	.041		89.380	.000
	cent_firmage	.533	.048	.607	11.006	.000
	cent_EO	-.139	.083	-.093	-1.684	.094
2	(Constant)	3.708	.041		90.656	.000
	cent_firmage	.540	.048	.615	11.286	.000
	cent_EO	-.114	.082	-.076	-1.390	.166
	interaction	-.258	.099	-.143	-2.600	.010

a. Dependent Variable: Perform

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.612[a]	.374	.368	.59945	.374	61.632	2	206	.000
2	.628[b]	.394	.385	.59124	.020	6.761	1	205	.010

a. Predictors: (Constant), cent_EO, cent_firmage

b. Predictors: (Constant), cent_EO, cent_firmage, interaction

Data for visualizing the conditional effect of the focal predictor:

```
DATA LIST FREE/
  EO        Firmage    Perform    .
BEGIN DATA.
    -.5023     -.8578     3.1890
     .0000     -.8578     3.2433
     .5023     -.8578     3.2977
    -.5023      .0000     3.7638
     .0000      .0000     3.7068
     .5023      .0000     3.6498
    -.5023      .8578     4.3386
     .0000      .8578     4.1703
     .5023      .8578     4.0019
END DATA.
GRAPH/SCATTERPLOT=
 EO      WITH     Perform  BY       Firmage  .
```

********** ANALYSIS NOTES AND ERRORS **********

Level of confidence for all confidence intervals in output:
 95.0000

W values in conditional tables are the mean and +/- SD from the mean.

NOTE: The following variables were mean centered prior to analysis:
        Firmage EO

------ END MATRIX -----

Amharic Questionnaire

አዲስአበባዩኒቨርሲቲ

የማኔጅመንትትምህርትክፍልድኅረ-ምረቃመርሀግበር

በአነስተኛኢንተርፕራይዝባለቤቶች / ከፍተኛየሥራሃላፊዎችየሚሞላመጠይቅ

ውድየጥናቱተሳታፊ፡

በቅድሚያበዚህጥናትላይለመሳተፍናመረጃለመስጠትፈቃደኛስለሆኑልባዊምስጋናአቀርባለሁ።

ይህመጠይቅ "ENTREPRENEURIAL ORIENTATION AND ITS IMPACT ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN ADDIS ABABA, BOLE SUB-CITY"

በሚልርዕስለሚቀርብጥናታዊጽሁፍመረጃለመሰብሰብየተዘጋጀነው።ጥናቱየሚሠራውአዲስአበባዩኒቨርሲቲማኔጅመንትሁለተኛ ዲግሪ (Msc. in Management)

ያስቀመጠውንመስፈርትለማሟላትበመሆኑየሚሰበሰበውመረጃሙሉበሙሉለትምህርታዊዓላማብቻየሚውልይሆናል።በመሆኑ ምመረጃውምስጢራዊሆኖየሚጠበቅሲሆንከትምህርታዊሥራበስተቀርለሌላለምንምዓላማጥቅምላይአይውልም።በመሆኑምትክ ክለኛመረጃእንዲሰጡንበታላቅትህትናእንጠይቃለን።

ስለትብብርዎከልብእናመሰግናለን!

ማሳሰቢያ:

- እባክዎትለሁሉምጥቄዎችይህን✓ምልክትበመጠቀምመልስይስጡ።
- በመጠይቁላይስምመጻፍአያስፈልግም።

፩መረጃሰጪውንየተመለከተመሠረታዊመረጃ

1. ፆታ: ወንድ ☐ ሴት ☐

2. ዕድሜ፡ ☐ 20-30 ☐ 31-40 ☐ 41-50 ☐ 51-60 ☐ ከ61በላይ

3.ያጠናቀቁትከፍተኛውየትምህርትደረጃ:

የምስክርወረቀት ☐ ዲፕሎማ ☐

ከፍተኛሁለተኛደረጃ ☐ ዲግሪ ☐

ዶክትሬት / ማስተር ☐ ሌላ ☐

4.በድርጅቱውስጥየእርስዎድርሻ:

ሥራአስኪያጅ ☐ ባለቤት ☐ ሁለቱንም ☐

፪ስለድርጅቱአጠቃላይመረጃ

5.ድርጅቱከተቋቋመስንትዓመትሆነው?

1-5 ☐ 6-10 ☐ 11-15 ☐ 16+ ☐

6.ድርጅቱየተሰማራበትየሥራዘርፍ:

በማምረቻዘርፍበ☐ታዘርፍ በጅም☐ችርቻሮንግድ ☐

በአገልግሎትዘርፍበ☐ግብርናዘርፍ በሌሎችዘር☐ ☐

7. በአሁኑጊዜበኩባንያዎውስጥምንያህልሠራተኞችተቀጥረዋል

1-5 ☐ 6 - 30 ☐ 31 - 100 ☐ 101+ ☐

ክየሥራፈጣሪነትባህርያት (Entrepreneurial Orientation)

እባክዎንበሚከተሉትጥያቄዎችምንያህልእንደሚስማሙከ1እስከ5በተመለከቱመለኪያዎችመሠረትመልስዎንይስጡ።

1 በፍፁምአልስማማም	2 አልስማማም	3 *ለማለይ / መካከለኛ*	4 *እስማማለሁ*	5 በጣምእስማማለሁ

	ለዳዲሰምርትናአገልግሎትፈጠራን (Innovativeness)	1	2	3	4	5
I 1.	በአጠቃላይየድርጅቱየበላይኃላፊዎችናባለቤቶችጥናትናምርምርንመሰረትያደረገ፣በቴክኖሎጂየታገዘና፣ፈጠራላይየተመሰረተየሥራመሪነትንይደግፋሉ፤ይተገብራሉ።					
I 2.	ባለፉትሦስትዓመታትውስጥበድርጅታችንበርካታአዳዲስየምርትዓይነቶችንናአገልግሎቶችንለገበያአቅርበናል።					
I 3.	በድርጅታችንውስጥየምርትዓይነቶችለውጥወይምየአገልግሎትአሰጣጥመንገድለውጥበአብዛኛውጊዜበጣምፈጣንነበር።					
	ከተወዳዳሪዎችቀድሞመገኘት (Proactiveness)	1	2	3	4	5
PI.	(ከገበያተወዳዳሪዎችጋርተያይዞ)የገበያድርሻንለማስፋትድርጅታችንየሚፈጽማቸውተግባራትሁልጊዜቀዳሚናተወዳዳሪዎችየእኛንእርምጃለመቋቋምአቅዶችንእንዲያዘጋጁየሚያስገድዱናቸው።					
P 2	ድርጅታችንበአብዛኛውጊዜአዳዲስምርቶችን፣አገልግሎቶችን፣ቴክኖሎጂዎችንናአሰራሮችንለማስተዋወቅእንዲሁምለመሸጥከሌሎችተወዳዳሪዎችአንጻርቀዳሚነው፡፡					

.						
P 3 .	የድርጅታችንየበላይየሥራሀላፊዎችከሌሎችተወዳዳሪድርጅቶችበመቅደምአዳዲስኃሳቦችንናምርቶችንየ ማስተዋወቅታላቅዝንባሌአላቸው፡፡					

	የተመጠነሲጋትንየመቀበልዝንባሌ (Risk taking)
R1.	ድርጅታችንከፍተኛየንግድሥራስጋትያለባቸውንናበአንፃሩእጅግበጣምከፍተኛትርፍሊያስገኙየሚችሉሥራዎችንየመስራትትልቅዝንባሌአለወ
R2.	የሥራከባቢሁኔታውተለዋዋጭቢሆንምየድርጅቱንግብለማሳካትድፍረትየሚፈልጉሰፋፊሥራዎችንማከናወንአስፈላጊነው፡፡
R3.	ከፍተኛየንግድሥራስጋትካለቸውሥራዎችጋርተያይዞውሳኔመስጠትሲያስፈልግድርጅታችንበተለይድፍረትንየሚጠይቅናየቀረቡአማራጭዕድ

ፀየድርጅትውጤታማነት / አፈጻጸም (Firm Performance)

እባክዎንበሚከተውጥያቄምንያህልእንደረኩናእንዳልረኩከ 1 እስከ 5 በተመለከቱትመለኪያዎችመሠረትመልስዎንይስጡ።

1 ***በፍጹምአልረካሁም***	**2** ***አልረካሁም***	**3** ***አማካይ/መካከለኛ***	**4** ***አረክቻለሁ***	**5** ***በጣምአረክቻለሁ***

	የድርጅትውጤታማነት / አፈጻጸም (Firm Performance)	1	2	3	4	5

PR1.	ባለፉትሦስትዓመታት(ከ2010–2012ዓ.ም)በድርጅቱየገቢ/የሽያጭእድገትምንያህልእረከተዋል / ምንያህልደስተኛነዎት?					
PR2.	ባለፉትሦስትዓመታት(ከ2010 – 2012ዓ.ም)በድርጅቱየትርፋማነትእድገትምንያህልእረከተዋል / ምንያህልደስተኛነዎት?					
PR3.	ከሌሎችየገበያተወዳዳሪዎችአንጻርደንበኞችበድርጅትዎምርትናአገልግሎትላይባላቸውግንዛቤምንያህልእረከተዋል / ምንያህልደስተኛነዎት?					
PR4.	በድርጅቱአጠቃላይየሥራሂደትአፈጻጸምየእርስዎወይምየንግድአጋርዎችዎምንያህልደስተኛነዎት?					

በፈቃደኝነትምላሽዎንስለሰጡከልብአመሰግናለሁ።

English Questionnaire

Addis Ababa University

Masters of Management of Science

Small and Medium enterprise owners / senior business officials filling out a questionnaire

Dear study participant:

This research is conducted as a partial fulfilment of Masters of Management of Science and focuses on "ENTREPRENEURIAL ORIENTATION AND ITS IMPACT ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN ADDIS ABABA, BOLE SUB- CITY". The information that you will provide in this questionnaire will be used for academic purpose only and will be kept strictly confidential. The reliability and the strength of the findings are extremely dependent on your trustworthy and honest responses.

I thank you in advance for your valuable time and collaboration!

Note:

- Please put a **"✓"** mark on your choice on the space provided.
- You don't need to write your name on the questionnaire.

Part I: Demographic Information

1. **Gender:** Male ☐ Female ☐
2. **Age:** 20-30 ☐ 31-40 ☐ 41-50 ☐ 51-60 ☐ 61+ ☐
3. **Highest Educational Level:**

Certificate ☐ Diploma ☐

Higher Secondary level ☐ Degree ☐

Second Degree (MA, MSc., MBA) ☐ Other ☐

4. **Your role in the organization?**

The Manager ☐ Owner ☐ Both ☐

Part I b: General information about the company.

5. **How long have you been running your business?**

1-5 ☐ 6-10 ☐ 11-15 ☐ 16+ ☐

The type of business sector?

Manufacturing ☐ Construction ☐ Trade ☐

Service ☐ Urban Agriculture ☐ Other ☐

6. **How many employees are currently employed at your company?**

1-5 ☐ 6 - 30 ☐ 31 - 100 ☐ 101+ ☐

Part II: Entrepreneurial Orientation

Please indicate the extent to which you agree with each statement below by putting a "✓" mark in the appropriate column in the table below against each of the response scales. Should you have any queries don't hesitate to ask.

1 Stronglydisagree	2 Disagree	3 Undecided	4 Agree	5 Strongly Agree

	New product and service (Innovativeness)	1	2	3	4	5
I 1.	In general, the top managers of my firm favor] a strong emphasis on R&D, technological leadership, and innovations.					
I 2.	Very many new lines of products/services [marketed in the past 3 years].					
I 3.	Changes in product or service lines have usually been quite dramatic.					

	Criteria are already present (Proactive-ness**)**	1	2	3	4	5
P I.	[In dealing with competitors, my firm] typically initiates actions which competitors then respond to.					
P 2.	[In dealing with competitors, my firm] is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.					
P 3.	[In general, the top managers of my firm have] a strong tendency to be ahead of others in introducing novel ideas or products.					

	The ensemble risk of accepting attitude (Risk taking)	1	2	3	4	5
R 1.	A strong proclivity for high risk projects (with chances of very high returns).					
R 2.	Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's objectives.					
R3.	When confronted with decisions involving uncertainty, my firm typically adopts a bold posture in order to maximize the probability of exploiting opportunities.					

IV The organization effectiveness / performance (Firm Performance)

Please indicate how much satisfied or dissatisfied you are with your organizations performance from 1 to 5 as set out parameters shown below.

1 Highly Dissatisfied	**2 Dissatisfied**	3 **Neutral**	**4 Satisfied**	**5 Highly Satisfied**

	Organizational effectiveness / performance (Firm Performance)	1	2	3	4	5
PR1.	What is your level of satisfaction related to sales growth of the enterprise (during 2018 – 2020)?					
PR2.	What is your level of satisfaction related to profit growth of the enterprise (during 2018 – 2020)?					
PR3.	What is your level of satisfaction related to customers' perception on your product or services compared to other competitors in the market?					
PR4.	Overall level of customers' satisfaction with your company's products or services;					

Thank you very much for your willingness in filling this questionnaire.