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ENTREPRENEUR ORIENTATION AND FIRMS PERFORMANCE: THE MODERATING ROLE OF ENVIRONMENTAL DYNAMISM

Dr. Ali Yassin Sheikh Ali
Assistant professor; Faculty of Economics- Simad University, Somalia

ABSTRACT

Entrepreneurial Orientation (EO) is frequently mentioned as an antecedent of performance and superior growth, and previous research findings has repeatedly shown a positive relationship between EO and firm performance appears to exist. However, the question that remains unanswered is what effect EO might have on performance of firm owned by women, and the severe environmental dynamics that their firms faces which modifies their entrepreneurship capability. This research is a first investigation towards the effects of EO on the performance of small and medium sized firms owned by women entrepreneurs in Somalia.

In this study we employed the multidimensional model of EO and test its relationship with firm performance using survey data gathered from 315 Small and Micro enterprises owned by Somali women in Mogadishu.

The current research shows that entrepreneurial orientation positively contributes to firm performance owned by women entrepreneurs. We further show that environmental dynamics moderate the relationship between Entrepreneurial orientation and performance of the micro and small enterprises owned by Somali women.

Keywords: Entrepreneur orientation, firm performance, environmental dynamism, women entrepreneurs

INTRODUCTION

Entrepreneurial orientation (EO) is a key ingredient or factor for firm success (Zhongfeng, En, & Yuan, 2011). Also defined as firm that involves in technological innovation, the processes, practices, and decision- making activities that lead to new entry, undertakes risky ventures, and pursue opportunities proactively (Rodney, Cornelia, & Jane, 2008,). While firm performance defined as the analysis of company's performance as compared to goals and objectives. Within corporate organizations, there are three primary outcomes analyzed which include financial and

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non financial performance, market performance and shareholder value performance and in some cases production capacity performance may be analyzed (Wiklund & Shepherd, 2005).

However environmental dynamism refers to the uncertainty of future developments or events (Seyed, 2012). Uncertainty can occur in many ways, for instance as changes in customer needs, technological discontinuities, or shifts in the behavior of competitors and suppliers. Thereby, uncertainty arises from a lack of information on future events, their causes and consequences, as well as the applicability and consequences of alternative responses to these events (Seyed, 2012).

Although there are potential opportunities resulting from environmental dynamism, we propose that, in general, dynamism affects firm performance negatively due to the large number of threats associated with unpredictable environments (Wiklund & Shepherd, 2005); Therefore, the extent to which the company's ability in dealing with dynamics of the environment is an important issue in determining the positive relationship between Entrepreneurial Orientation and performance (John W., Olli, & Sanna, 2009).

The resource-based view suggests that a firm's performance is dependent on its possession of valuable, rare, imperfectly imitable, and non-substitutable resources. This shows that the entrepreneurial orientation such as risk taking propensity, pro-activeness and innovativeness with the moderating effect of environmental dynamism which leads to better performance. That is, Entrepreneurial Orientation can be under the restriction of the dominant logic, yet provides a differentiation mechanism that emphasizes firm performance.

Some small and medium enterprises in the world have the potential to contribute significantly to world economy (Wiklund & Shepherd, 2005) also the micro business owned and managed by women had contribution to economy and family income. However, to survive and thrive in the dynamic business environment, SMEs have to formulate and implement their strategy by engaging in entrepreneurial behavior (John W., Olli, & Sanna, 2009). One prominent concept of strategy making in strategic management and entrepreneurship literature is entrepreneurial orientation (Arief, Thoyib, Achmad, & Fatchur, 2013).

A dynamic environment offers opportunities for firms, but also exposes them to a number of risks. Technological discontinuities, for instance, open up new growth and profit opportunities for firms that are able to create and exploit opportunities along the new technological trajectory. However, not only the environment itself, but also performance consequences of strategic actions are highly unpredictable when dynamics are involved. As a result, decision making is more difficult in dynamic than in stable environments, and penalties for wrong strategic decisions are usually more severe (Wiklund & Shepherd, 2005). The main aim of this paper is to find out the effect of entrepreneur orientation on a firm's performance when dynamic environment is moderating on their relationship.

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LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1: Entrepreneurial orientation and firm performance

Entrepreneurial orientation is described as the involvement of a firm to enter a new market (Avlontis & Salavou, 2007; Jantunen, Puumalainen, & Saarenketo, 2005). Avlontis & Salavou, (2007) posited entrepreneurial orientation constitutes an organizational phenomenon that reflects a managerial capability by which firms embark on proactive and aggressive initiatives to alter the competitive scene to their advantage. Coulthard, (2007); and Ilhami, (2011), developed almost three dimensions that characterize the entrepreneurial orientation of a firm: innovativeness, pro-activeness, risk taking. Innovativeness reflects the tendency to engage in and support new ideas, novelty, experimentation and creative processes resulting in newness.

Pro-activeness reflects firm's actions in exploiting and anticipating emerging opportunities by develop and introduce as well as making improvement towards a product (Coulthard, 2007; lhami, 2011). Risk-taking represents the willingness to commit resources to undergo activities and projects which resulted in uncertainty of the outcomes (Coulthard, 2007; Ilhami, 2011). Risk-taking is defined as the extent to which a firm is willing to make large and risky commitments (Coulthard, 2007; Ilhami, 2011).

In measuring business performance, subjective and self-reported measures by the owners/ managers will be utilized which are consistent with the earlier studies (Fauzul, Takenouchi, & Yukiko, 2010, Smart & Conant, 1994). As suggested by Jantunen, Puumalainen, & Saarenketo, (2005), majority of earlier studies have adopted self-reported measures to gather business performance data which have proven to be reliable. Moreover, Mahmood & Hanafi, (2013) asserts that public information is unreliable as most of the firms are privately held and they have no legal obligation to disclose information. According to Wiklund & Shepherd, (2005), development, growth, progress and financial performance is a common performance measurement. Thus, the researcher will adopt financial and non-financial performance measurements in this study.

The relationship between entrepreneurial orientation and firm performance has become the main subject of interest in past literatures. According to Wiklund & Shepherd, (2005), it is likely for firms adopting entrepreneurial orientation (EO) to perform better than companies that adopt conservative orientation.

Initially, one could question the importance of entrepreneurial orientation for the success of enterprises. Thus, previous studies showed that entrepreneurial orientation could significantly improve business performance (Wiklund & Shepherd, 2005; Coulthard, 2007; Zainol & Ayadurai, 2011; Lumpkin & Dess, 2001).

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Many studies on entrepreneurial orientation and business performance have been associated with positive results (Wiklund & Shepherd, 2005; Lumpkin & Dess, 2001; Jantunen, Puumalainen, & Saarenketo, 2005; Coulthard, 2007; Zahra, 1991; Madsen, 2007). However, there is no doubt there are also studies that revealed that EO does not give positive results to business performance (Hart, 1992; Matsuno, Mentzer, & Ozsomer, 2002; Morgan & Strong, 2003).
According Lyon, Lumpkin and Dess (2000) research states that entrepreneurial orientation does influence firms' performance; they suggested that entrepreneurial orientation positively effects financial performance. Most researchers measured financial performance by sells growth and cash flow. Both items are not easily found as most firms don't discover to their financial statement to external researchers and even if it's found it's hard to confirm whether it reflects organization's financial position.

Most researches directed to entrepreneur orientation such miller (1983) , coving and silver (1989), Lumpkin and Dess (1996) ,wiklund(1999), lee and chio (2000), Kreiser et al.,(2002), investigated the impact of entrepreneur orientation with different dimensions on business performance they found that entrepreneur orientation has positive relationship with business performance. Entrepreneur orientation is positively correlated to business performance but varies with variation of culture and personality traits (Rauch et al, 2004) thus:

H1: Entrepreneurial orientation has positive effect on performance of women entrepreneurs in Somalia.

2.2: The moderating effect on environmental dynamism

Many scholars agree that external environment plays an important role in the management discipline (Goll and Rasaheed, 2005; Galbraith and Schendel, 1983; Bourgeois, 1980), and that there is empirical evidence that external environment represents a moderating role for the wide spectrum of business strategies (Greenley and Foxall, 1999). Moreover, various studies have investigated the moderating role of external environment on the relationship between entrepreneurial orientation and business performance (Desarbo et al., 2005; Golder and Tellis 1993; Zahra and Covin, 1993).

Environmental dynamism represents the rate of change in an environment. For example, Wijbenga and van Witteloostuijn (2007) defined environmental dynamism as the rate at which the preferences of consumers and the products of organizations change over time. Dynamic environments, by definition, are also unpredictable, devoid of patterns and regularities (Dess & Beard, 1984).

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Environmental attributes such as dynamism and munificence may moderate the relationship between the three dimensions such as pro-activeness, innovativeness and risk taking propensity of entrepreneurial orientation and performance. The following part details the theoretical relationship between each of the sub-dimensions of entrepreneurial orientation, the external environment, and firm performance. Firms operating in dynamic environments are more likely to benefit from new product innovation than firms operating in stable environments (Miller, 1983; Zahra, 1996).

There is also an intuitive link between the adoption of pro-active firm behaviors and environmental dynamism. While the industry conditions in a dynamic environment are subject to rapid change, firms that are pro-active and actively seek out opportunities will outperform firms that are unwilling to exploit market opportunities. Dynamic environments act to create many new opportunities for firms, and pro-active strategies can be efficiently and effectively utilized in order to seize these opportunities and to gain a competitive advantage for the firm than competitors (Zahra, 1991).

Zahra (1996) found that dynamic environments acted to boost the evidence of pioneering activities in entrepreneurial firms, which were more uncommon in stable environments. Proactive activities benefited such a firm, since "by reaching the market first and establishing its technology as the standard, the pioneer can dictate the rules of competition" (Zahra, 1996). Lumpkin and Dess (2001) found that "market growth, sales growth and profitability are positively and significantly related to pro-activeness with dynamism relation." Also Lumpkin and Dess (2001) argued that dynamics environmental conditions would force organizations to abandon proactive behaviors, in order to preserve their limited resources. All these arguments suggest that proactive behaviors will be more and more positively related to firm performance in munificent environments than in dynamic environments.

Different views support suggests that dynamic environments will also result in a stronger link between entrepreneurial risk-taking and firm performance. Firms that do not take risks in dynamic environments will lose market share, growth rate and will not be able to maintain a strong industry standing relative to more aggressive competitors (Covin and Slevin, 1999; Miller, 1983).

Baird & Thomas, (1985) found a stronger relationship between entrepreneurial risk-taking and firm performance in dynamic environments. According to Baird & Thomas, (1985), organizations need to make bold, being risky taking, risky strategic decisions in order to handle with the constant state of change common in dynamic environments. These arguments suggest that entrepreneurial risk-taking will be more positively associated with firm performance in dynamic environments than in stable environments.

Dynamic environment plays a moderating role on the relationships between various organizational variables and business performance (Zahra, 1993). Anderson (2004) found out

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that the relationship between decision making process and business performance is moderated by a dynamic environment. Hence, a strong argument for entrepreneurial orientation acceptance exists when the company operates in a dynamic environment. Thus:

H2: Environmental dynamism moderate the relationship between entrepreneurial orientation and performance of women entrepreneurs in Somalia.

3.1: Research design

This research employed explanatory research design to test the relationship between entrepreneurial orientation and firm performance using regression analysis also used descriptive design to investigate the characteristics of women entrepreneurs in Somalia

This study conducted through cross-sectional survey design because it is a popular and common strategy in business and management. Cross-sectional survey is a research design used to investigate population by selecting samples to analyze and discover occurrences.

3.2 Research population

The study conducted Women entrepreneurs In Somalia; four region participated the study, first region is Banadir region where the capital city of Mogadishu locates in Mogadishu, Mogadishu is the largest Region in Somalia and is selected majority of the respondents from it considering appropriate for providing a focal point for the study of the EO and performance of Somali women entrepreneurs: moderating effect of environmental dynamism. Second region is Puntland was previously known as the north-eastern region of Somalia. In 1998, it adopted the name Puntland and established its own regional administration. Puntland supports a unified Somalia. The third region participated the survey is Somaliland is located in the north-west region of Somalia. It declared its independence in 1991 but has not received international recognition. Somaliland has its own government and the fourth region is south central Somalia, researcher selected four regional capital cities such as Marko in Lower Shabelle, Kismayo in Juba administration, Baidawa in Bay Region and Baldwyn in Hiiran region.

3.3: Sample Size

According to Israel (1992), there are several techniques for determining the actual sample size. However, this study follows the formula technique, which calculates the desired sample size. Yamani (1967, cited in Israel, 1992) provided a useful formula to calculate the sample size, considering the level of error tolerated.

$$(1) \quad \mathbf{n} = \frac{N}{1 + N(e)^2} =$$

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$$(2) \qquad \frac{3296}{1+3296(.05)^2} = \mathbf{357}, \text{round to } \mathbf{360}$$

The n is sample size, N is the population size, and e is the level of precision. Based on the above formula, the sample size for the current is 360 after rounding. After determining the actual sample size, several calculations were conducted in order to obtain the sub-sample for the four zones. Since the entrepreneurs in each zone is not equal in numbers to other zones, this study follows proportionate stratified random sampling, where each zone is represented according to its proportion in the population. For instance, the sub-population for Banadir zone is 70%, Somaliland 13%, Puntland 6% and South-central 6% of women entrepreneurs.

3.4 Measurement of variables

3.4.1: Entrepreneurial orientation (IV)

Entrepreneurial orientation – to measure dimensions of entrepreneurial orientation, we employed the nine-item five point interval scale type scale ranging from strong agreement with the question to strong disagreement 'Entrepreneurial Orientation' scale developed by (Covin and Slevin 1989), this scale is widely used to test entrepreneurial orientation of the firm.

According to Kreiser, Marino and Weaver (2002) the scale is the most commonly utilized instrument in Operationalizing EO. This scale is intended to assess three components of firm-level entrepreneurial orientation – innovativeness, risk-taking and pro-activeness.

Previous studies have reported evidence of reliability and validity for the EO scale (e.g. Knight 1997; Naman and Slevin 1993; Kreiser et al. 2002). In the present study, the Cronbach's coefficient alpha value for the overall scale was 0.825.

3.4.2: Firm performance (DV)

Firm performance is the dependent variable of this study and it is defined as the result of business process, practice and activities, this construct developed by researcher is based on two financial measurements, profitability with five items, and liquidity with 6 items while non-financial measurements was used for six subjective questions measuring budget goal achievement, new product development, customer satisfaction and market share using Five point likert scales, For the following criteria and on a scale from 1 (top 20%) to 5 (lowest 20%), how would you rank your company relative to your closest competitors in your industry for the last three years? , the construct was validate using factor analysis, the Cronbach's coefficient alpha value for the overall scale was 0.890.

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3.4.3: Environmental Dynamism: ED refers to the perceived insatiability of a firm's market because of continuing changes. Opportunities emerge from the dynamism of an industry where social, political, technological, and economic changes bring about new developments that can enrich a firm's niche. **ED** was measured by 3 items on five point scales ranging from strong agreement with the question to strong disagreement and adopted from the studies of (Miller and Friesen, 1982; Zahra, 1991).

4. DATA ANALYSIS

4.1 DEMOGRAPHIC PROFILE

According to below table 1, Ages of the respondents, majority of them were in between the ages of 36-45 years (53.2%) while other respondents are above 46 years (15.6%) respectively, the rest are 25-35 (31.2%). in terms of Marital status, the frequency of the single were 63 with percentage of 20.9%, married frequency were 181 with percentage of 60.1%,This result showed that the majority of women entrepreneurs are married due to their being entrepreneurship We can infer here that married women are working in order to contribute to their family income. They have many people who depend on them back at home. Conversely, the widows and the divorcees just live with their families and relatives. They don't venture as married women do, while number of divorced women were 57 with percentage of 18.9%.

In terms of Level of education as appeared in the below table, the most and clustered area of the whole respondents were in the level of primary degree which shown that the number of primary education respondents were 164 which results 54.5%, the second respondents were in the level of secondary which shown that the number of secondary level respondents were 80 which results 26.6%, the diploma holders was 52 respondents which results 17.3% while the degree holders are smallest one 5 women entrepreneurs are graduated from university this definitely will influence their business performance.

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Table 1- Demographic characteristics of the respondents

Demographic Profile	Frequency	Percent
Age		
25-35	94	31.2
36-45	160	53.2
Above 46	47	15.6
Total	301	100.0
Marital status		
Single	63	20.9
Married	181	60.1
Divorced	57	18.9
Total	301	100.0
Educational Background		
Primary Education	164	54.5
Secondary	80	26.6
Diploma	52	17.3
Degree	5	1.7

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Demographic Profile	Frequency	Percent
Total	301	100.0

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4.2: VALIDITY AND RELIABILITY TEST

In order to achieve this objective and ensure the validity of the measures, exploratory factor analysis (EFA) were conducted for the EO, Firm performance and environmental Dynamism construct by using principle components (PC) with varimax rotation. PC is widely used and it is most appropriate when the data reduction is the major concern for the researcher (Hair, Black, Babin, & Anderson, 2010).

A: Factor and Reliability Analysis on Entrepreneurial orientation construct

There were 9 items for EO construct, which were adopted from previous studies, representing Entrepreneurial orientation on women owned and managed micro and small enterprises. to determine how many components (factors) to 'extract', we need to consider a few pieces of information provided in the output. Using Kaiser's criterion, we are interested only in components that have an eigenvalue of 1 or more.

Four items was loaded less on their respective factor (IV06, IV07, IV08, IV09) their Communalities are less than the cut score of .50 (.495, .481, .487, .496), which indicated that each item has no contribution to their respective factor; the less communalities were delete (IV07 and IV08).

The eigenvalues for each component are listed. Only the two components recorded eigenvalues above 1 (2.114, 2.050). The Factor loading on all the dimensions ranged from 0.804 to 0.645., these two components explain a total of 59.5 % of the variance. The Cronbach alpha for the two factors was 0.718, and 0.722 respectively.

Table 2: Exploratory Factor analysis for Entrepreneurial orientation

FACTORS	ITEMS	F1	F2
F1: ***PROACTIVENESS***	People in our business are encouraged to take calculated risks with new ideas.	**.753**	-.027
	We initiate actions to which competitors then respond	**.751**	.242
	We always try to take initiative in every situation (e.g. against competitors, in projects, when	**.656**	.374

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	working with others, etc.)		
	It is very often that our business is the first to introduce new products, services, administrative techniques, etc.	**.645**	.305
F2: INNOVATION	Our firm actively introduce improvements and innovations in our business	.205	**.804**
	Changes in our product or service lines have been quite dramatic	.086	**.768**
	Our firm encourages development of employees ideas for the purpose of business improvement	.296	**.722**
	Percentage Variance Explained	**30.204**	**29.289**
	Eigenvalues	**2.114**	**2.050**
	Reliability	**0.718**	**0.722**

B: Factor and Reliability Analysis on Environmental Dynamism

Initially the questionnaire had three dimension i.e. Environmental Dynamism, hostility and heterogeneity. Environmental Dynamism sounds suitable for the current paper, factor analysis was conducted on Environmental Dynamism only and the result from table 3 shows Dynamism with 3 items as one factor loading, with (MSN) value above 0.50, KMO was (.624) and Bartlett sphericity test was significant. The one factor cumulatively captured 56% variance of the date and Eigen value 1.691. The original name of the factor remains. The reliability of the factor was acceptable (α= .607).

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Table 3: Exploratory Factor analysis for environmental Dynamism

Items	Factor Loading F1
In our industry methods of production and selling strategies change often and in major ways	**.792**
Our firm must change its marketing practices frequently	**.774**
The rate of products/Service obsolete in our industry is high	**.681**
Percentage Variance Explained	**56.362**
Eigenvalues	1.691
Reliability	**0.607**

C: Factor and Reliability Analysis on Firm Performance

The 15 items of the firm performance (dependent variable) were subjected also to principal components analysis (PCA). Earlier to performing PCA, the suitability of data for factor analysis was assessed. Inspection of the correlation matrix revealed the presence of many coefficients of .3 and above. The Kaiser- Meyer-Olkin value was .868, exceeding the recommended value of .6 (Kaiser 1970, 1974) and Bartlett's Test of Sphericity (Bartlett 1954) reached statistical significance, supporting the factorability of the correlation matrix.

Principal components analysis revealed the presence of three components with eigenvalues exceeding 1, explaining 25%, 18%, and 14% of the variance respectively. Three factors were extracted from the analysis. Two items was loaded less on their respective factor (NFP1 and FL03); items Communalities were less than the cut score of .50 (.277, .378 respectively), which indicated that the item has no contribution to their respective factor; the two items was deleted and all other items were loaded high on their respective factor.

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First factor was labeled as" firm profitability" and it consisted 5 items, the factor explained 25% of the variance with Eigenvalue greater than one. The reliability of the factor was acceptable (α= .727).

The second factor of the construct was labeled as "Firm liquidity" and accounted for 18% of variance explained with Eigenvalue greater than 1. The factor obtained a high internal consistency (α= .839). The factor consisted of five (5) items. The third factors was named "Non financial measurements" and it consisted of three (3) items with internal consistency (α= .721) and its acceptable and reliable, the factors explained variance accounted 14% with Eigenvalue greater than 1. Moreover, the three factors explained an overall 58% of variance while the overall alpha was also very high (α= .846).

Table 4: Exploratory Factor analysis for firm performance

FACTORS	ITEMS	F1	F2	F3
F1: PROFITABILITY	I lost part of my capital in the process of doing this business	**.753**	.148	.190
	The share I invested at the beginning of this business has grown larger than the original amount.	**.735**	.132	.198
	My business experiences losses from time to time	**.728**	.112	.181
	My business is relatively experiencing high profit margin because our sales are greater than the cost of purchases & sales.	**.722**	.151	.205
	The amount of my current assets is larger than the original	**.702**	.125	.232

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	investment at the time of business start.			
F2: **LIQUIDITY**	In my experience, there were times I could not pay the rentals, electricity & the balance owed by the supplier	.119	**.726**	.143
	It takes longer than one year to convert current assets (inventories & receivables) into cash	.016	**.675**	.216
	The current balance of the liability were borrowed before one year	-.059	**.669**	.449
	How do you rate your business' ability to pay its bills within 3 to 12 months?	.314	**.657**	-.149
	The current assets of the company are more than the current liabilities	.289	**.627**	-.179
F3: **NON-FINANCIAL MEASUREMENTS**	Market Development which offers New Product Development	.284	.115	**.693**
	My market share increased last three years	.395	.024	**.668**
	My product and service quality drive customer satisfaction.	.473	.087	**.602**

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% variance explained for each	**25**	**18**	**14**
Eigenvalues	**3.310**	**2.368**	**1.817**
Reliability	**0.727**	**0.839**	**0.721**

Note: The scale used for these items rang from strongly disagree to strongly agree (5-point likert scale)

4.3: INTER CORRELATION OF VARIABLES

Table 5 below shows the result of the correlations coefficient among the variables. The tables indicated that the mean value for both variables is above average, indicating that they are positively and sufficiently correlated with each other. The table5 shows, Entrepreneurial orientations (EO) as the dependent variable suppose to have correlation with environmental dynamism and firm performance. The results of Bivariate correlation depicted a consequential relationship of variables as shows in below table, such as firm performance (r=.463, p=.000), and environmental dynamism (r=.205, p=.000) with the entrepreneurial orientation. Moreover the dependent variable in this study (firm performance) is considerably and positively correlated with environmental Dynamism (r=.258, p=.000).

Table 5: Mean, Std. Deviation and Zero-order correlation for all variables

Variables	**Mean**	**Std. Deviation**	**1**	**2**	**3**
Entrepreneurial Orientation	3.09	.870	1		
Firm Performance	3.52	.728	.463	1	
Environmental Dynamism	3.15	.998	.205	.258	1

4.4: HYPOTHESIS TEST

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H1: Entrepreneurial orientation has positive effect on performance of women entrepreneurs in Somalia.

Regression analysis was used to test the relationship between entrepreneurial orientation and firm performance (H1), the regression analysis result in Table (6) indicates that EO dimensions has positive and significance influence on performance of women entrepreneurs (β= .463, t= 9.235, p<.001), therefore, this findings supports H1.

Table 6: Coefficients of EO and Firm Performance

Variable	Beta	t	Sig.
Entrepreneurial orientation	.463	9.235	.000

H2: Environmental dynamism moderate the relationship between entrepreneurial orientation and performance of women entrepreneurs in Somalia.

Environmental dynamism also called as "environmental variability or volatility, its perceived frequency of change in market or industry, examples of environmental dynamism is changes in technology, customer preferences and competitive actions.

To test the indication that There is moderating effect of environmental dynamism on the relationship between entrepreneurial orientation and firm performance, to test this hypothesis we employed hierarchical regression to see if there is moderation or not. One of the important criteria for assessment of the moderation is the amount of additional variance explained by the interaction terms.

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Table 7:Model Summary of E-Dynamism interaction with EO and FP

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	.463[a]	.215	.212	.647	.215	85.288	1	312	.000
2	.492[b]	.242	.238	.636	.028	11.391	1	311	.001
3	.505[c]	.255	.248	.632	.013	5.265	1	310	**.022**

The 1st model gives the results of the impact of Entrepreneurial orientation (IV) on firm performance (DV), the 2nd model gives the results of the impact of the environmental dynamism (moderator) on the firm performance (as if it is a predictor variable) and the 3rd model gives us the results of the impact of the interaction terms. The **R2 change** must be significant and to ascertain this we look at the "Sig. F Change" this will tell us if the R2 change is sufficient, the p value should be less than 0.05 to be significant. Here the p-value 0.022< 0.05 as such there is indication of moderation effect.

The results of the model 1 are consistent with previous test, showing a positive effect of EO in the performance of the firm (β =0.463, p =0.000), and EO variable explains the additional variance ($\Delta R2$ = 0.215, p< 0.01). when proposed ED in Model 2 the relationship between EO and firm performance decreased, and this indication when environment is dynamic the entrepreneurial orientation will effect less on firm performance, In Model 3, adding the ED variable increases the variance explained ($\Delta R2$ = 0.255, p < 0.01), suggesting that this factor also affects the performance of the firm.

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Table 8: Results of the regression analysis (Coefficients)

Model		Un-standardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.326	.135		17.250	.000
	EO	.388	.042	.463	9.235	.000
2	(Constant)	2.025	.160		12.669	.000
	EO	.359	.042	.428	8.494	.000
	Dynamism	.124	.037	.170	3.375	.001
3	(Constant)	1.181	.401		2.947	.003
	EO	.639	.129	.763	4.951	.000
	Dynamism	.412	.131	.565	3.154	.002
	EO_ED	-.094	.041	-.578	-2.294	.022

The hypothesis (H2) in this study predicts moderating effect of Environmental dynamism (ED) on the relationship between EO and firm performance. To test this hypothesis, the interaction effect between EO and ED was added. Model 3 reveals significant interaction effect of ED on the relationship between EO and performance of the firm (β = -0.578, $p < 0.05$), which is supporting the hypothesis of the investigation.

5: DISCUSSION AND CONCLUSION

This study was basically proposed to identify the relationship between Entrepreneurial orientation and Firm performance in women owned and managed micro and small enterprises in Somalia. Further, the study was also tested the moderating influence of environmental dynamism on the relationship between Entrepreneurial orientation and firm performance.

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The first hypothesis of this study states Entrepreneurial orientation dimensions is positively associated with firm performance. The standardized regression coefficient of EO is positive and statistically significant in the prediction of dependent variables (financial performance). This findings supported by an existing literature, as expected, the present study confirms the link between entrepreneurial orientation dimension and firm performance such as (e.g., Covin & Slevin, 1991; Covin et al., 2006; Lumpkin, Dess, 1996; Zahra, 1993 & Ali & Ali, 2014).

The second hypothesis stated that environmental dynamism has moderating influence on the relationship between the entrepreneurial orientation and firm performance; the findings supported the existence of moderation effect of the environmental dynamics to EO and firm performance relationship and its inline with the related literature e.g., (Covin & Slevin, 1989; Lumpking & Dess, 2001; Robertson and Chetty, 2000).

It is commonly thought that the higher the entrepreneurial orientation, the higher the performance of the entrepreneur. Therefore, if that were true this study should have found that women owned micro and small enterprises adopt entrepreneurial orientation attain a higher performance financially and non-Financially indicators.

Empirically, this finding supports previous studies that EO is related positively and significantly with the firm performance (e.g., Lumpkin & Dess, 2001; Wiklund & Sheperd, 2005; Coulthard, 2007; Hui Li, et al., 2009; Liu et al., 2009; Frank, et al., 2010; Huang, et al.,2011; Rundh, 2011) that EO associated positively with the firm performance. Nevertheless, when we incorporate environmental determinants as a moderating variable, the positive relationship between EO and the firm performance will be weakened and this is indication of existence of moderation effect. Our results also indicate that the effect of EO on business performance is greater or lower, according to high or low environmental determinants, supporting, thus, findings highlighted in previous studies (e.g., Covin & Slevin, 1989; Lumpking & Dess, 2001; Robertson & Chetty, 2000).

This study contributes to the literature by broadening the knowledge on the linkage between EO and the performance of firms. Many studies have explored the linkages between entrepreneurship and the performance of firms using the EO measure (Covin & Slevin, 1986; Lumpkin & Dess, 1996; Wiklund, 1998). However, none of these looked at specific business enterprises in the Sub-Saharan African context and especially in Somalia. Hence, this study has managed to extend the geographical coverage of the investigation, and by establishing a significant association between EO and performance, it has lent additional credence to previous findings.

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Based on practical contributions, this study found that the women entrepreneurs should have realized the importance of Environmental Dynamism in relation of EO and firm performance. Women entrepreneurs can improve its ability to demonstrate innovative behavior, proactive and bold in taking risks. In addition, the understanding of women entrepreneurs about the existence of competitors also should be a concern for women managers. To that end, the proactive behavior becomes a major concern for companies in an effort to improve performance. This was confirmed by the statements of Lumpkin and Dess (1996) that proactive dimension has greater dominance compared to other dimensions, since the beta of Pro-activeness is large compared to innovation.

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