The Impact of Entrepreneurial Orientation on Business Performance: evidence from Ethiopia

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ABSTRACT

TThis study has aimed at analyzing the impact of Entrepreneurial orientation on business performance with particular emphasis on Ethiopian Large Scale Manufacturing firms. Based on data from 310 firms, regression analysis has been performed. Consistent with prior studies on entrepreneurial orientation, the result revealed that entrepreneurial orientation has a positive and significant effect on business performance in case of the Ethiopian large-scale manufacturing sector. Managerial implications, limitations of this study and implications for future studies are discussed.

Introduction

The history of modern manufacturing industry in Ethiopia started in the years of 1920s mainly following the construction of the Ethio-Djibouti railways (AACCSA 2015). During this period, manufacturing started with a simple processing technology that produces agriculture-based products. The legislature of Ethiopia changed the economy since 1991. The legislature has composed and embraced Agricultural Development Led Industrialization (ADLI) procedure to annihilate destitution. The Industry Development Strategy of the nation has set up the rule that concentrates on the advancement of agricultural-led industrialization, export-led improvement, and extension of work serious commercial enterprises.

Regardless of remarkable efforts made and the economic growth achieved, the Ethiopian economy remains struggling with structural problems. The manufacturing sector in Ethiopia is still at its young age. The manufacturing sector, for example, has a limited share in terms of production, employment, and exports when compared to the agriculture and service sectors, Thus, the Ethiopian economy needs a more dynamic growth so that it can reduce its dependence on the fragile, rainfall dependent, and climate change vulnerable agricultural sector, (AACCSA, 2015). In general, the following section summarizes current situation of Large-Scale Manufacturing Firms in Ethiopia.

Considering productive capacity and capacity utilization, Ethiopian manufacturing industry has been characterized by low productivity utilizing only 54.3 percent of their production capacity (AACCSA, 2015) where 62% of manufacturing firms reported that they are not operating at full capacity mainly due to lack of market demand. The sector is also highly dependent on imported raw materials and

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semi-processed good that put more than half of manufacturing firms in Ethiopia to associate their lower level of capacity utilization with the inadequate and poor quality of the raw material they use (CSA 2012).

The sector has greater attention from the government in the form of investment incentives schemes in the hope that investors will invest in this sector thereby transform the country from agricultural based economy to manufacturing based, or at least in an integrated form. AACCSA(2015) has included the lists of incentives available to investors under the Investment Proclamation number 768/ 2012. The scheme also considers investments that create job opportunities to the nation, as it is a key characteristic of the manufacturing industry. Though there are deviations on the reports of different studies (e.g., AACCSA, 2015 & Amare and Raju, 2015), the manufacturing sector employs about 173 thousand people in the year 2012/2013 making an important contribution to the Ethiopian economy resulting in an annual average employment growth rate of 11.48% during 2008-2012 compared to 14.15% of output growth (Amare and Raju, 2015). However, as compared to the total population of Ethiopia, the contribution is insignificant to praise this sector.

The scale of manufacturing industries varies by ownership structure and Sources of Finance. Public owned manufacturing industries are mainly large scale while privately owned are mostly medium scale. Amid the Imperial administration prior to 1974 private ownership was prevailing in the manufacturing sectors where there are also foreign nationals. During the period of the Dergue administration (1974–1991), the manufacturing sector has to be under full control of the legislature as an aftereffect of the communist belief system the administration pursued. After the current government comes into power in 1991, it lifted the confinements (most likely not all) levied by its forerunner and took different change measures. For example, privatization of state-owned commercial ventures and public undertakings adjustment program, which restrict public possession, support extension of the private area, and improve effectiveness and intensity (ICC, 2004). Ethiopian manufacturing sector estimated to run with a total value of fixed capital assets to reach 2 billion USD in 2012/2013. Moreover, the survey result of AACCSA (2015) revealed that domestic banks are the main financier of the sector followed by own saving, foreign investment/partners, and domestic capital market.

Irrespective of the available opportunities, ownership structure, sources of finance, problems associated with the availability of raw materials or capacity utilization, in today's business environment, firms cannot achieve their business goals unless they focus on identifying a winning strategy. In search of this, the manager of a company should try to identify which strategy is most important for the firm under its control. Thus, it is important to know the relationship between the firm's performance and the factors that contribute to it. By engaging in such activity, the company can win the competition where it can satisfy the shareholders too. The firm's business performance can take either financial performance measures or non-financial measures.

Regarding the factors that contribute to a performance of a company, we can consider issues related to entrepreneurial resources. These are related to activities that a representative of a company can deal with. In another way, entrepreneurial orientation is one of the strategies that a company leader

can utilize to beat the competition. Where, entrepreneurial orientation is defined as the processes, practices, and decision-making undertakings that put the firms into a new entry to the business system, (Lumpkin and Dess, 1996). Zhao et al.,(2011) also defined Entrepreneurial orientation (EO) as a firm-level construct which is the tendency by a company's top management to take calculated risks, be innovative, and reveal strategic proactiveness (Covin & Slevin, 1989; Miller, 1983). It is, therefore, Entrepreneurial orientation phenomenon is serving as a driving force behind the organizational search of entrepreneurial activities which has become a central focus of the entrepreneurship literature (Covin and Wales, 2011). Entrepreneurial orientation has generally been considered of as an organizational decision-making tendency backing entrepreneurial activities (Lumpkin &Dess, 1996).

The root of entrepreneurial orientation goes back to 1970s and Miller's (1983) conception of Entrepreneurial orientation as a construct composed of three sub-dimensions—innovativeness, risk taking, and proactiveness—that must positively co-vary in order for an Entrepreneurial orientation to be manifested (Covin and Wales,2011). Miller indirectly views Entrepreneurial orientation as the intersection of, or shared variance among, these dimensions. In the absence of covariation among innovativeness, risk taking, and proactiveness the presence of an Entrepreneurial orientation, according to Miller's conceptualization, should not be claimed (Covin and Wales,2011). In addition to Covin & Slevin's (1991) three dimensions of entrepreneurial orientation, Lumpkin and Dess (1996) recommended two additional dimensions(aggressiveness and autonomy) to an entrepreneurial orientation that are very important.

The early studies on entrepreneurial orientation have mainly focused on examining the construct and its relationship with business performance in developed countries. The current study has focused on examining the relationship between entrepreneurial orientation and business performance in case of Ethiopian manufacturing firms. Because there is a scarce study in developing nations like the continent of Africa, it's important to conduct a research on such areas. Thus, the purpose of this study is to investigate the relationship between entrepreneurial orientation and business performance. Where entrepreneurial orientation is posited to have significant impact on business performance where such impact is aimed to be investigated in case of Ethiopian large-scale manufacturing firms

Dimensions of Entrepreneurial Orientation

The following subsection clarifies the main constituents of entrepreneurial orientations.

Autonomy

Entrepreneurship has successfully developed because a stand-alone minded chosen to leave a secure situation to promote new ideas or businesses into potential markets than organizational leaders to prevent them from doing so, (Lumpin and Dess, 1996). As a result, individuals acting as a representative of a given company will get a freedom to decide on any action to be taken within that organization given that they are accountable for any deviations.

Innovativeness

Miller (1983) conceptualized innovativeness as the tendency to involve in inventiveness and research through presenting or introducing novel products/services and dealing with technological leadership

through R&D in new methods. Innovativeness leads to the conception of the idea and then the generation of an idea, investigation, and inventiveness so that new products and technologies are industrialized (Lumpkin and Dess 1996; Tan 1996).

Risk taking

Risk taking comprises taking strong engagements by entering into the unfamiliar, borrowing heavily, and/or investing a substantial amount of capitals to ventures in an unknown environment, (Miller, 1983). In prior periods, entrepreneurship was associated with engagements into oneself job towards freely involving whatever he/she wants to decide while creating employment opportunities for itself or for those who need to be hired and work with that person (Shane, 1994). One quality of an entrepreneur is risk-taking as it is frequently used to describe them. Hence, risk taking is an imperative element of a resilient entrepreneurial orientation.

Proactiveness

Venkatraman (1989) defined proactiveness as an approach where one pursues new opportunities that could or could not be linked to existing deeds undertaken by the company. The author advocates that businesses can be considered proactive when they announce innovative products and brands faster than their competitors, remove operations that are in a mature or diminishing product life cycle, take part in developing markets and anticipate the demand for new opportunities. Proactive individuals act on what is essential to convey their models to fulfillment and improvement of benefit by being the leading to exploit new opportunities (Lumpkin & Dess, 1996).

Competitive Aggressiveness

Competitive aggressiveness is the passion of a firm's exertion to beat rivals and is described by a tough aggressive posture or offensive reactions to competitive pressures, (Lumpkin and Dess, 1996). Prior studies have been dealt with how competitive aggressiveness can be achieved with the help of some indicators. For example, adopting alternative tactics to challenge industry leaders, analyzing and directing a competitor's weaknesses, concentrating on high value-added products while wisely watching discretionary costs, (Macmillan & Jones, 1984; Woo & Cooper, 1981). Moreover, there are three methods of achieving aggressiveness for an existing firm as suggested by Porter (1985). These are "doing things uniquely," that is, redesigning; altering the setting, which is, redesigning the product or service and its market networks or possibility; and outrunning the industry leader.

Firm Performance

Cameron (1978) and Chakravarthy (1986) suggested that in examining the entrepreneurial orientation-business performance relationship, it is crucial to perceive the multidimensional way of business performance dimension. That is, entrepreneurial action or procedures might, on occasion, lead to ideal results on one business. We can take two forms of measures of business performance: financial and non-financial. Non-financial measures are related to ends such as satisfaction and overall

achievements evaluation made by owners or business managers as described by Smith (1976). Moreover, Satish and Vivek (2014) have identified the direct impact of supply chain sourcing and delivery performance on a competitive performance of an organization that one can consider it vital in analyzing non-financial business performance. However, the applied contention of the EO–performance relationship concentrates for the most part on monetary parts of the business performance. Organizations with high EO can target premium business sector portions, charge high costs, and "skim" the business sector in front of contenders, which ought to give them bigger benefits and permit them to grow speedier (Zahra and Covin, 1995). Moreover, indirect impacts are generally littler than direct impact (Rauch, Wiklund, Lumpkin & Frese, 2009). Hence, it seems sensible to accept that the relationship ought to be higher for EO and budgetary performance than for EO and nonfinancial accomplishment.

The Link between Entrepreneurial Orientation and Firm Performance

The relationship between Entrepreneurial orientation and business performance or the impact of Entrepreneurial orientation on business performance has been researched for years showing positive relationship or significant impact on business performance. Among the studies conducted, (for example, Li , Huang and Tsai, 2008) has reported such relationship or impacts. That is, the higher the firms are entrepreneurially oriented, the more they perform in their industry.

Moreover, entrepreneurially oriented firms are said to perform better than their competitors. The reason is that they are mainly focusing on the factors that put them a winner in the marketplace because of their capabilities to discover and exploit new market opportunities (Lee, Lee, & Pennings, 2001; Wiklund &Shepherd, 2003). In this sense, the dimensions of entrepreneurial orientation have their own influence on the performance of the firm. Prior researchers have identified that each of the dimensions that are, autonomy, innovativeness, proactiveness, risk taking, and competitive aggressiveness can affect business performance collectively, (Lumpkin and Dess, 2001; Wiklund, 1999; Wiklund & Shepherd, 2005; Zahra & Covin, 1995). Thus, theoretical arguments advocate that EO direct the firm to higher business performance.

Entrepreneurially oriented firms alter and form the situation and are eager to pledge capitals to using uncertain opportunities. These firms discover novel and inventive concepts that could put them to changing the marketplace, and act proactively prior to competitors in expectation of prospective demand. Such greater modification and determination of the environment should have positive effects on firm performance (Hult *et al*. 2004; Keh *et al*. 2007; Wiklund and Shepherd 2005).

Based on this argument, the following hypothesis has been developed for the relationship between entrepreneurial orientation and business performance. The hypothesis is developed for all dimensions of entrepreneurial orientations (autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness) and their association with business performance (efficiency, growth, and profit).

H1. *Entrepreneurial orientation has a positive and significant impact on business performance.*

This leads us to the following three sub-hypotheses:

H1a: Innovativeness will have a positive and significant effect on firm performance.

H1b: Risk taking will have a positive and significant impact on firm performance.

H1c: A firm's proactiveness will have a positive and significant impact on firm performance.

H1d: A firm's competitive aggressiveness will have a positive and significant impact on firm performance.

H1e: A firm's autonomy will have a positive and significant impact on firm performance.

Methods

Sample

The required data is collected from 310 samples of respondents. The sample size determination follows the formula developed by Cochran's (1977) and the suggestion by (Bartlett, Kotrlik, and Higgins, 2001; Roscoe(1975) as cited in Sekaran and Bougie, 2010).

Population

The population under consideration is manufacturing companies with more than 50 employees which are considered to be large-scale industries and currently operating in Ethiopia, (CSA Ethiopia, 2012). The reason for such delineating is to include only large-scale manufacturing firms. Accordingly, firms operating in the central part of the country that is in the radius of 100km of the city of Addis Ababa have been identified as the study area. The reason for selecting firms in this radius is that most industries were located in the surrounding areas of the capital city of the country. Once the sampling frame is finalized, companies were divided into their respective industries. The process of selecting respondents included in the sample followed a random sampling technique.

Data Collection Procedures

The data collection procedure has followed self-administered questionnaire that is distributed to the company representatives. Respondents were approached and asked for their responses regarding their company's extent of entrepreneurial orientation and evaluate their respective company's business performance of the nearest three to five years based on their perception (as compared to their competitors). The respondents were owners or top managers (executives) of the firms included in the sample. The researcher briefly described the purpose of the study and the variables included in the questionnaire to each respondent involved in the data collection processes. Moreover, response anonymity has been assured to each respondent as respondents fill the entire questionnaire more honestly when their response is kept confidential.

Measures

The measures in this study were adapted from past studies. All the scales, unless specifically indicated, were measured with a five-point Likert scale (1 = strongly disagree; 5=strongly agree).The measures included having been tested for validity and reliability in the past studies. So, in the current

study, there is no issue for the validity of the measures. However, the reliability of the measures has been tested with the appropriate tool as the context of the current study is different from that of previous studies.

The measure of ***entrepreneurial orientation*** was adapted from past studies. Entrepreneurial orientation is operationalized using five dimensions: the propensity of a company to take calculated risks, be innovative, and demonstrate proactiveness (Baker and Sinkula 2009;Wiklund and Shepherd 2005). Three items will be used as indicators for innovativeness, three items for risk taking, and two items for proactiveness; and three items for autonomy and two items for competitive aggressiveness dimensions from (Lumpin and Dess, 1996) for which they made up entrepreneurial orientation variable (Covin and Slevin 1989; Matsuno, Mentzer, and Özsomer 2002; Naman and Slevin 1993).

The ***company performance construct*** is derived from multiple survey measures. The measure was mainly used in the work of Murphy et al. (1996) constituting efficiency, growth, and profit. Although performance can be indicated with the help of accounting measures, there is substantial preference for the application of self-reported or survey measures that is based on perception to assess organizational performance(Davis, Dibrell, and Janz, 2002;Han, Kim, and Srivastava 1998; Jaworski and Kohli 1993; Kara, Spillan, and DeShields 2005; Kropp, Lindsay, and Shoham 2006;Lonial& Carter, 2013;Matsuno, Mentzer, and Özsomer 2002; Matsuno, Mentzer, and Rentz 2005; Wiklund and Shepherd 2005). Consistent with these scholars, the current study has also employed these survey measures as indicators of organization performance where respondents were asked to rate their firm on 9 performance indicator variables relative to the competition. For data analysis purpose, the model is developed in line with the work of (Han, Kim, and Srivastava 1998; Jaworski and Kohli, 1993; Merlo and Auh, 2009; Wiklund Shepherd, 2003).

Result and Discussion

Reliability Analysis

The correlation of each item included in our study is 0.682 for entrepreneurial orientation as a whole. However, the coefficient is improved to 0.752 after removing risk taking from entrepreneurial orientation dimension as its alpha coefficient is 0.203, and removing the first indicator of innovativeness from the analysis. In general after removal of these items, the reliability of entrepreneurial orientation sub-construct is given as follows: innovativeness 0.745 which is above the required minimum value of 0.70. Proactiveness does have a Cronbach's Alpha of 0.65 slightly below the threshold level, a 0.715 coefficient for competitive aggressiveness and 0.774 coefficients for autonomy which is above the minimum threshold of 0.70 as recommended by Nunnally (1978).

Sample Characteristics

The following table reveals that data was collected from different industries of the manufacturing sector along with years of operations.

Table1: Industry in which Firms Operate and their Respective Age Interval

		Age of Firms			Total
		3-14 years of operations	15-26years of operations	27 and above years of operations	
Industry in which the firm operate	Rubber and Plastic Products	14	10	4	28
	Non-metallic Mineral Products	28	3	1	32
	Metal and metal products, Machinery and equipment, Motor vehicles, trailers and semi-trailers	75	21	8	104
	Paper and Paper products and Printing	15	3	0	18
	Furniture	16	4	1	21
	Food products and Beverages	35	16	5	56
	Textile and Garments	8	8	3	19
	Tanning and Dressing of Leathers and Footwears	11	6	0	17
	Chemical and Chemical Products	10	5	0	15
	Total	212	76	22	310

From **Table 1** we can see that most of the firms in Ethiopia are new establishments or those that can be categorized into young businesses. However, there are also significant numbers of companies that have been operating for more than 15 years. The sample characteristics in the study are presented in **Table 1.**

Hypothesis Test with Correlation and Regression Results

Correlation Results

Table 2: Correlation Result for the Independent Variables

	Mean	Std. Dev	1	2	3	4	5	6	7
1. Efficiency	3.9774	.77853	1						
2. Growth	3.8344	.83382	.609**	1					
3. Profitability	3.8430	.86426	.613**	.663**	1				
4. Innovativeness	3.8763	.78834	-.038	.007	.060	1			
5. Proactiveness	3.9796	.75989	.220**	.310**	.299**	.110	1		
6. Competitive aggressiveness	3.8645	.88827	-.012	.137*	.117*	.048	.475**		
7. Autonomy	4.0172	.89330	.314**	.362**	.216**	.105	.405**	.296**	1

** p<0.01 (two-tailed)

As it is shown in **Table 2**, most of the dimensions of entrepreneurial orientations do have significant correlations with the measures of business performance. For example, entrepreneurial autonomy does have a significant correlation with the three measures of business performance. That is, the correlation between entrepreneurial autonomy and growth as a measure of business performances is 0.362 which is significant at 0.01. The correlation between autonomy and business efficiency is 0.314 and with the profitability of the company is 0.216 for which in both cases it is significant at 1% significance level. In all cases the correlation coefficients are positive.

Entrepreneurial proactiveness does have a positive correlation with business efficiency, business growth and business profit. The correlation between proactiveness and these three dimensions of business performance is given to be 0.31, 0.299 and 0.22 for business growth, business profitability, and business efficiency, respectively. Though the relationships in all cases are moderate, they are significant at 1% level. Entrepreneurial aggressiveness does also have a positive and significant relationship with business growth with a coefficient of 0.137 that is significant at 0.05 levels. It is also positively correlated to profitability measures of the company with a coefficient of 0.117 being significant at 0.05 level. However, entrepreneurial aggressiveness does have a negative correlation with business efficiency though the association is not significant.

Though we expect to have a positive and significant relationship between entrepreneurial innovativeness and measures of firm performance, the result was found to be a negative correlation for business efficiency which is still not significant. Moreover, the association between innovativeness and business growth is found to be weak positive but not significant. The result is also the same for business profit.

In general, the correlation between entrepreneurial orientation and business performance is found to be of mixed results. That is, the association between entrepreneurial orientation and firm performance is found to be positive and significant for entrepreneurial autonomy and entrepreneurial proactiveness as the dimensions of entrepreneurial orientation; entrepreneurial aggressiveness positively and significantly impact firm growth and firm profit but negatively related to business efficiency though the relationship is insignificant. On the other hand, the association between entrepreneurial innovativeness and business performance is found to be weak and insignificant.

Regression Results

Table 3 reveals a regression result of the impact of entrepreneurial orientation on the performance of the firm.

As it is clearly indicated in the table, we have tried to describe the performance of the firm with three dimensions. The effect of entrepreneurial orientation on the dimensions of firm performance is tested with the help of regression analysis, where entrepreneurial orientation has five dimensions. We tested our hypothesis with a linear regression model. The model is significant to predict the impact of the independent variable on the dependent variable.

Table 3: Regression Results

Variables	Dependent variables, n=310							
	Business efficiency		Business growth		Business profit		Business performance	
	b	*t* value	*b*	*t* value	*b*	*t* value	b	t value
Constant	2.897	9.873**	2.039	6.596**	2.193	6.604**	2.531	8.945**
Innovativeness	-.026	-.582	-.016	-.341	.041	.807	-.025	-.010
Proactiveness	.200	3.053**	.240	3.490**	.307	4.146**	.255	4.205**
Competitive aggressiveness	-.166	-3.116**	-.048	-.862	-.047	-.777	-.081	-1.805
Autonomy	.256	5.005**	.271	5.023**	.113	1.952	.212	4.604**
R^2	0.137		0.165		0.104		0.165	
F-model	12.143**		15.112**		8.832**		15.062**	

** p<0.01 (two-tailed)

As it is shown in **Table 3**, we estimated three performance dimensions and one overall performance measures with the help of four models towards which the explanation of dependent variables and the estimates of parameters of individual variables have been made. In all cases, the model is significant at 1% (p<0.000) level. The result of our finding supported our hypothesized positive and significant impact of proactiveness and autonomy on business performance. However, the result fails to support our hypothesized positive and significant effect of innovativeness, risk-taking and competitive aggressiveness on business performance. Nevertheless, competitive aggressiveness does have a negative impact on business performance at 0.10 significance level.

Furthermore, the result of the finding reveals that there are positive correlations between a dependent variable and independent variables. The correlation between each independent variable and the dimensions of the dependent variable are also examined. For those significant correlations between the dependent dimensions and the independent variables, the impact of independent variables on the dimensions of dependent variable was found to be significant at 0.05 levels.

Conclusion

Consistent with prior studies on strategic orientations in general and entrepreneurial orientation in particular that has been done in a developed nation, our study confirms that entrepreneurial orientation

has a positive and significant effect on business performance in case of the Ethiopian large scale manufacturing sector. The result is the same with prior studies conducted by Frank, Kessler and Fink (2010) where they replicate a study of Wiklund and Shepherd which is conducted in 2005. The result of their study revealed a positive association between EO and business performance for a changing situation where it is backed up with the availability of funds and lower access to funds in a stable situation. However, the current study did not include environmental effect into the analysis of the link between entrepreneurial orientation and firm performance.

With regard to each dimension of entrepreneurial orientation, competitive aggressiveness, proactiveness and autonomy are the three significant determinants of business efficiency. Autonomy and proactiveness do have a significant impact on business growth while innovativeness and competitive aggressiveness are insignificant to determine the performance of a firm. Proactiveness does have a significant impact on the profitability of the firm. However, autonomy has a slight effect on profitability the firm. Above all, the overall impact of entrepreneurial orientation on business performance is found to be significant this study.

Managerial Implications

The result clearly indicates that entrepreneurial orientation has varied impacts on the performance of a firm suggesting that each dimension of entrepreneurial orientation should be treated according to their importance or relations attached to firm performance.

Thus, managers pursuing to beat competition should try to identify the dimension that most contribute to their organizations' competitive advantage. With this particular context, as proactiveness has a significant impact on all areas of performance measures, policy makers should include the decisions to make use of available opportunities though there are associated risks. More specifically, proactiveness can positively affect business efficiency, business growth and profit growth of those firms. However, operational efficiency of the firm decreases while the firm is trying to win competition more aggressively. Additionally, entrepreneurial autonomous decision-making can also help those large scales manufacturing firms operation in Ethiopia to grow their business as compared to their competitors. That is, organizations that follow leaving a freedom of making a strategic decision to managers of their business can put its firm at the upper hand of the competitions.

In general, firms that are currently operating in Ethiopia can greatly consider the importance of proactiveness and autonomy while pursuing the strategy that outruns their potential competitors. That is, firms in this sector should make use of available opportunities so that they can achieve economic upper hand. Moreover, autonomous decision-making helps those company representatives to make use of available opportunities due to the freedom they have in making valuable decisions. Thus, policy makers in Ethiopia, particularly in Large-scale manufacturing firms, should consider the important role of entrepreneurial proactiveness and the importance of autonomous decision making in seizing the available opportunities while developing the strategic plan for their organizations. Due consideration should also be given to competitive aggressiveness as it can significantly diminish business efficiency.

Limitation and Implications for Future Researches

The goal of this research is to put the first-hand study on the analysis of the impact of entrepreneurial orientation on business performance in case of developing the economy with a particular emphasis on Ethiopian large scale manufacturing firms. In doing so we hope that researchers in the field of strategic management will get an insight into the link between entrepreneurial orientation and firm performance in developing countries, especially for Sub-Saharan African countries.

The restriction that we put on the size of the firm has helped us to discriminate between large and small firms in Ethiopia. However, such elimination may also have some drawback on the conclusiveness of this research work. Because it is important to include medium-sized companies in our study so that we can generalize it for all levels of businesses conducted in Ethiopia. Another limitation could arise from the industrial sectors where our study focused only on the manufacturing sector. This helped us to minimize sectoral biases as our study is on a single sector. Thus, researchers can further extend their studies in the field of entrepreneurial orientation to other business sectors. This will help them to conclude whether theories related to strategic orientation in general and entrepreneurial orientation, in particular, is related to business performance in developing nation is the same with those in developed nations.

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