

## The Effect of Entrepreneurial Factor on Performance of Small and Micro Enterprise in Manufacturing Sector (Case Study in Jimma Town)

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### **Abstract**

*It is important to underline the contribution of small and micro enterprise sector to nation's economic development through playing pivotal roles in creating employment opportunities and generating new innovations. This study aims at examining the effect of entrepreneurial factors on the performance of small and micro enterprises. To meet its objectives, the study employed descriptive and correlational designs. Both quantitative and qualitative data were used. Hence, the study found that conducting entrepreneurial training would enhance the performance of small and micro enterprises. Therefore, it is advantageous for Jimma city's small and micro enterprise organizing offices to conduct entrepreneurial training for those who are engaged in manufacturing sectors in order to enhance their performances.*

**Key words:** Effect, entrepreneur factor, performance, small and micro enterprise and manufacturing

## **1. INTRODUCTION**

### **1.1. Back Ground of the Study**

Entrepreneurship theory is a heterogeneous body of knowledge encompassing of viewpoints from diverse disciplines including economics, accounting, psychology, sociology, law, strategic management and organizational behavior (Rosa, 2013). Therefore, scholars from the different disciplines have adopted different theoretical assumptions regarding to central features of entrepreneurial phenomena, namely the nature of entrepreneurial opportunities, the nature of entrepreneurs as individuals, and the nature of the decision making context within which entrepreneurs operate (Alvarez, 2010). It is also worth mentioning that microenterprises are key drivers of economic growth, providing employment, market linkages across various sectors, promoting innovation, reducing poverty and contributing to GDP in both developed and developing countries Cole et al, (2010). Therefore, focusing on the performance of this sector will make to embrace or address the most majorities of community at large.

Accordingly, different researchers exerted their efforts to investigate different variables that affect the growth of small and micro enterprises in wider fashion. For example, Wijewardena, et al., (2008) conducted their studies from the perspective of the mindset and personality of the entrepreneur, while others have looked at it from the perspective of the entrepreneur's education, family background, and capability ( Brown, 2007; Kor, 2003). A third group of scholars has considered the personal role of the entrepreneur and his growth aspirations (Pasanan, 2007; Wasserman, 2008). Ciavarella et al. (2004) noted that the entrepreneurs' stable and inherent characters influence how they manage their businesses. Many aspects have been examined regarding the characteristics of entrepreneurs, such age, gender, motivation, experience, educational background, risk-taking propensity, and preference for innovation ((Pasanan, 2007, Sidika, I. 2012). Hence, this study had examined the effect of entrepreneurial factors on the performance of small and micro enterprises.

### **1.2. Statement of the problem**

SMEs are the main source of employment in developed and developing countries comprising of over 90% of African business operations and contributing to over 50% of African employment and GDP (Okafor, 2006).

In Africa, the potential role that small and micro businesses can play in terms of poverty reduction, job creation, and fostering entrepreneurship is unprecedented. However, most of these micro-small businesses receive little yet uncoordinated support from their governments. Also, studies on small business development have shown that the rate of failure in emerging countries is higher than in the developed world (Arinaitwe, 2002).

Despite the contributions of small and micro enterprise for the economic growth of one's nation, still there are some factors that impede their performances. As per Llisterri et al., (2006), that lack of experience and resources causes early failure of business. Similarly, limited access to capital for starting or scaling up projects, lack of business and technical skills, unavailability of

operational space, non-existence of mentors and limited access to markets are the bottle necks (Beyene, 2007).

It is also worth mentioning that entrepreneurs will continue to be critical contributors to economic growth through their leadership, management, innovation, research and development effectiveness, job creation, competitiveness, productivity, and the formation of new industries (Kuratiko & Hodgetts, 2004 Sexton & Kasarda, 1992, Stanislaus, 2008) but Schoof (2006) argues that there exist five key constraints and barriers to entrepreneurship development in general: social and cultural attitude towards entrepreneurship, entrepreneurship education, access to finance/start-up financing, administrative and regulatory framework, and business assistance and support.

### **1.3 Objectives of the study**

The main objective of the study is to assess the effect of entrepreneur factors on the Performance of Manufacture sector in MSEs in Jimma Town.

#### **1.3.1. Research Hypothesis**

H<sub>0</sub> (1): There is no mean difference between tolerance of work hard, readiness to learn and manufacturing enterprises' performance

H<sub>0</sub> (2): There is no strong significant relationship between entrepreneurship training (creativity, flexibility, adaptability to new idea, innovation etc) and manufacturing enterprises' performance.

## **2. Literature Review**

### **2.1. Outlook of entrepreneurship**

Outlook on Entrepreneurship is more than the mere making of business. The characteristics of pursuing opportunities, taking risks beyond security, and having the tenacity to push an idea through a reality combine into a perspective that permeates entrepreneurs to engage themselves in business operations.

It is obvious that entrepreneurs will continue to be critical contributors to economic growth through their leadership, management, innovation, research and development effectiveness, job creation, competitiveness, productivity, and the formation of new industries (Kuratiko & Hodgetts, 2004, Sexton & Kasarda, 1992, cited in Stanislaus, 2008). However, none of these factors alone can create a new venture or drive success (Baum, 2001). Accordingly, personality traits play keyhole in driving ventures towards success.

Different studies have been conducted on the characteristics of entrepreneur and its effect on the performance of small and micro enterprises. Accordingly, some of them have approached their studies from the perspective of the mindset and personality of the entrepreneur Wijewardena, et al., (2008), while others have looked at it from the perspective of the entrepreneur's education, family background, and capability (Brown, 2007, Kor, 2003). Furthermore, few authors considered the personal role of the entrepreneur and his growth aspirations would affect the performance of SMEs (Pasanan, 2007, Wasserman, 2008).

In additions to the above, Ciavarella, et al. (2004), noted that the entrepreneurs' stable and inherent characters' influence how they manage their businesses which in turn could affect firm's performances.

Despite the efforts exerted by Ethiopian Government create an environment that supports entrepreneurship since 1991, still the Micro, Small and Medium Enterprise (MSMEs) are at their infant stage regarding their economic contribution (Berihu, Abebaw and Biruk, 2014). Furthermore, the rate of transition from micro to small, and then to medium enterprises is absolutely slow or rarely happens (Berihu, Abebaw and Biruk, 2014; Amare and Raghurama, 2017). Therefore, this study had examined the effect of entrepreneurial factors on the performance of micro and small enterprises.

### **3. Methodology**

#### **3.1. Research Design**

The study employed descriptive and correlational design, as it emphasizes on the full analysis of conditions and their interrelations (Creswell, 2009). Also, making use of such design is proper when the researcher knows little about the issue and helps to magnify the small dots in study (Bhattacharjee, 2012).

#### **3.2 Research Strategy**

This study was conducted by employing mixed research approach; both quantitative and qualitative approaches as they enable the researchers collect the data from diverse sources. To meet its objective, the study used close-ended and open-ended questions in order to collect data. Also, interview was conducted along with officials of micro and small enterprises in order to triangulate the quantitative data.

#### **3.3. Types and Sources of data**

The data was collected from two main sources, these are: primary and secondary sources. The primary data were collected from owner and manager. The secondary data were collected from document and books. The information obtained from primary sources also supported by document analysis.

#### **3.4. Sampling Technique and Procedure**

The sample size was determined by using Kothari (1999) and Cochran.W.G. (1997). This formula was selected, because the population is known and finite and the investigators used 95% confidence level and 5% margin of error. Accordingly, 103 sample respondents were selected for the study.

$$\text{Sample Size } n = \frac{n_0}{1 + \frac{n_0}{N}}$$

Where N is the target population and n= adjusted sample size of respondent.  $n = \frac{384}{1 + \frac{384}{141}} = 103$

$$n1=(n(N1))/N \quad \text{and} \quad n2=(n(N2))/N$$

$$n1=(103(51))/141=37 \quad \text{and} \quad n2=(103(90))/141 =66$$

**1. 3.4.1. Method of Data Analysis**

Quantitative data were analyzed using descriptive statistics such as mean, frequency, percentage and Chi-square and one way ANOVA were computed to show the mean difference and strong association between variables. Hence, the statistical package for social science (SPSS) version 20 was used. Also, data gathered through interview was analyzed qualitatively.

**4. RESULT AND DISCUSSIONS.**

**4.1. Descriptive Analysis**

The following table illustrates the types of manufacturing enterprises targeted for the study.

*Table 4.1.types of activity in the enterprise*

Alternatives of major operating activity	Frequency	Percent	Valid Percent	Cumulative Percent
Valid textile and garment	27	27.0	27.0	27.0
food processing	31	31.0	31.0	58.0
wood and metalwork	37	37.0	37.0	95.0
Other	5	5.0	5.0	100.0
Total	100	100.0	100.0	

*Source: SPSS output from survey Data, 2019*

Table .4.1 above illustrates that majority of the manufacturing enterprises were wood and metalwork 37 (37%), followed by food processing 31(31%), textile and garment were 27(27%) and the left 5(5%) were others. Hence, it is possible to infer that wood and metal work enterprises employed most youths in the town. Also, the observation made by the researchers attested the aforementioned finding. That is, it is wood and metal work enterprises which create job opportunities for unemployed youths in wider range in the town.

**Training**

The following table illustrates the type of training needed for the manufacturing enterprises in the town for growth of their business

**Table 4.2.Type of training**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Technical skill	12	12.0	12.0	12.0
production skill	34	34.0	34.0	46.0
management skill	17	17.0	17.0	63.0
Financial training like bookkeeping	26	26.0	26.0	89.0
Entrepreneurial skill	11	11.0	11.0	100.0
Total	100	100.0	100.0	

*Source: SPSS output from survey Data, 2021*

Table-4.2 shows the types of training needed for the manufacturing enterprises. Accordingly, 34(34 %) of respondents responded that vocational and MISEs offices are expected to design a

training that enhances productions skill, 26(26%), 17(17%), 12 (12%) and 11(11%) respondents responded that they needed training that improves their businesses which include: financial, managerial skills, technical skills and entrepreneurial skills respectively. This is justified by the observation made and conducted interviews along with officials. Of course, the enterprises should acquire those skills if need arise to enhance their performances. Therefore, it is advisable for the vocational training colleges and MSEs officials to exert their efforts to conduct training to fill the skill gaps of manufacturing enterprises.

**4.3. Inferential statistics**

Inferential statistics such as: chi-square and one-way ANOVA were computed to test for independence or association of some variables and the mean difference (variation) of among the variables such as: tolerance of work hard, readiness to learn with performance of manufacturing enterprise.

**ANOVA**

Performance measure

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.042	2	1.021	5.024	.008
Within Groups	19.718	98	.203		
Total	21.760	100			

As per the one-way ANOVA test made (F=5.024, DF=2, N=100, p<0.05), there is statistically significant mean difference of manufacturing enterprises performance based on entrepreneurial factor they impacted. The hypothesis (1): There is no significant mean difference on manufacturing performance in relation to tolerance of work hard, readiness to learn, was rejected. This showed that tolerance of work hard, readiness to learn and entrepreneur training had an effect on manufacturing enterprises’ performance. The finding is consistent with Ciavarella et al. (2004) who revealed out that the entrepreneurs’ stable and inherent characters’ influence how they manage their businesses.

Table.4.3: Chi-Square Test: independence of manufacturing enterprises performance and entrepreneurial factor.

**Chi-Square Tests**

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.386 <sup>a</sup>	2	.009
Likelihood Ratio	9.890	2	.007
Linear-by-Linear Association	9.258	1	.002
N of Valid Cases	100		

a. 2 cells (33.3%) have expected count less than 5. The minimum expected count is .64.

Table 4.3 illustrated, the chi-square test made (X<sup>2</sup>=9.386aDF=2, p=0.009), that implies there is statistically significant difference between entrepreneurial factors and manufacturing enterprises performance.

**Table 4.4 Symmetric Measures**

	Value	Approx. Sig.
Nominal by Nominal Phi	.306	.009
Cramer's V	.306	.009
N of Valid Cases	100	

Table 4.4 illustrates the symmetric Measures strength of association between entrepreneurial training and manufacturing enterprises' performance. Accordingly, the Cramer's V test indicates ( $V=0.306$ ) which implies the strength of association between two variables is low indicating that there is no reason to reject hypothesis – 2.

That is, there is no strong significant relationship between the entrepreneurial training and manufacturing enterprises' performance.

## **5. CONCLUSION AND RECOMMENDATION**

The main objective of this study was to determine how entrepreneurship factors affect the performance of manufacturing enterprises in Jimma town. The result reveals that manufacturing enterprises needed training to fill their skill gap in line with production, financial, managerial, technical and entrepreneurial skills. In additions, tolerance of hard work and readiness to learn were determinants of manufacturing enterprises' performances whereas, entrepreneurial training had no significant relationship with it.

Generally speaking, it is advisable to officials of micro and small business enterprises of the town to exert their efforts in raising awareness of manufacturing enterprises pertaining to tolerance of hard work and readiness to learn over and over again in order to enhance their performances.

### **5.1. Limitations and Further Research**

The study was conducted on cross-sectional basis hence to measure changes over time with regard to variables being measured or a group of people being studied by looking at variables over an extended period of time, longitudinal study is needed. Hence, it is advisable for further researchers to exhaustively examine entrepreneurial characteristics and internal factors of manufacturing enterprises in some longer period of time, to develop an effective intervention mechanisms designed to enhance enterprises' performances.

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