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IS THE LEVEL OF ENTREPRENEURIAL ORIENTATION VARIED ACROSS THE DIFFERENT SECTORS OF INDUSTRY?

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Abstract:
Sri Lanka is a developing country with a gradually but slowly increasing annual income. Moreover, it shows a great potential for a rapid growth if the performance of business, specially, Small and Medium Enterprises could be improved since in comparison to the performance of SMEs of the most of other Asian countries Sri Lankan Small and Medium Enterprises are lagging behind in term of performance. As per the Asian Productivity Organization, developing the degree of entrepreneurship is one of the highly viable strategies for ensuring growth of Asian economies. Despite, whether the Entrepreneurial Orientation of Small and Medium Enterprises varies among the different industrial sectors, i.e. Manufacturing, Services and Trade, is remained untouched. The dearth of research hinders the efforts of interested parties to improve the performance of Small and Medium Enterprises. Hence, future research would be useful to the academia and policy makers to uncover more productive and country specific strategies to inspire entrepreneurial orientation of local Small and Medium Enterprises. Accordingly, this article focuses on how the variation of entrepreneurial orientation is varies among different sectors of Small and Medium Enterprises of Sri Lanka. The results of the study indicated that there is no significant difference of entrepreneurial orientation among different sectors.

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1. Introduction

Continuous efforts to increase productivity and encourage innovation in each and every sector of the economy are required for the smooth progress of the economy. It is obvious that extensive contribution of Small and Medium Enterprises (SMEs) is an essential need for socio-economic development (Alemu & Dame, 2016). In order to achieve sustainable economic growth in any country around the world, SMEs are considered to be one of the most crucial factors (Mutalemwa, 2015). Therefore, SMEs demonstrate a major part in the socio economic development of societies in relation to their contribution towards the GDP, employment generation, economic growth, reduction of income inequality, alleviation of poverty, industrialization, mobilizing domestic savings, ensuring social consistency, training workers and entrepreneurs, and inspiring innovations .

The fundamental motive for researchers to examine the key success factors behind performance of an economy is this primary involvement of the SMEs towards overall performance of the economy (Rodriguez Gutierrez et al., 2015). However, a common agreement about the characteristics and determinants of SME performance is lacking (Mckelvie & Wiklund, 2010). This necessitates the prime requirement to comprehend the ways to improve performance of SMEs constantly. It has been considered for a long time that Entrepreneurship is a vital issue in national economic growth and development (Huggins, Morgan, & Williams, 2015) while the association among SMEs and entrepreneurship has opened careful, diligent search to the research world. There is agreement among many scholars that entrepreneurship results in enhancing financial wealth and economic development (Edoho, 2015; Ngugi, Gakure, Waithaka & Kiwara, 2012). Moreover, Entrepreneurial Orientation has been identified by most of the new scholars in the research field, as a factor to create a strong impact in the SME sector (Abdullahi, Abubakar, Aliyu, & Umar, 2015; Shehu & Mahmood, 2015). Consequently, this article is committed to examine the economic sector of SMEs in the western province of Sri Lanka which is the dependent variable of the study and the Organizational Structure considered as the independent variable.

1.1 Specific Objective of the Article

The following specific objective is expected to be achieved through this study:

- To examine whether the level of entrepreneurial orientation vary across the industries of manufacturing, services and trade sectors of SMEs in the Western province of Sri Lanka.

1.2 Question of the Article

In order to address the research gap identified above, the following research question was formulated:

- Is the level of entrepreneurial orientation varied across the manufacturing, services and trade industry of SMEs in the Western province in Sri Lanka?

Unidimensionality conceptualization by Danny Miller (1983) and multidimensional conceptualization by Lumpkin and Dess (1996) are two widely accepted perceptions of EO. Although, a large number of EO research studies are based on unidimensional conceptualization (Hughes & Morgan, 2007) it is a central requirement of the contemporary research arena to launch new dimensions of EO within the multidimensional concept for the sustainable development of the entrepreneurship.

2. Literature Review

The literature is devoted to examine recent and historically significant knowledge pertinent to the how variation of entrepreneurial orientation affects performance of SMEs in Sri Lanka. The main purpose of the literature survey is to build a theoretical foundation upon which the current information is based.

2.1 What is Small and Medium Enterprise (SME)?

There is no single definition universally accepted for the term SME. The definition of SME differ across the sector as shown in the table 1.

Table 1: SME Varies Across the Economic Sector

Economic Sector	**SME Group**	**Criteria (Number of Persons)**
Manufacturing	Small	05 to 24
	Medium	25 to 199
Services	Small	05 to 15
	Medium	16 to 74
Trade	Small	04 to 14
	Medium	15 to 34

(Source: Central Bank of Sri Lanka, 2015a)

The contribution to GDP from the three major sectors of the Sri Lankan economy, Agriculture, Manufacturing and Services are 7.9%, 26.2% and 56.6% respectively (Central Bank of Sri Lanka, 2015a). However, in Sri Lanka the contribution of Manufacturing and Service sectors to the economic growth is low in comparison with many Asian countries (APO, 2011). Growth of Manufacturing sector in Sri Lanka is lesser than several South Asian countries such as India, Pakistan and Bangladesh (APO, 2011).

Table 2 provides information of per capita income of few Asian Pacific Countries. A higher standard in terms of per capita can be observed in Thailand, China, and Indonesia which are innovation driven high productive economies, irrespective of the fact that they are ranked below Sri Lanka in terms of HDI. They impose a major

competition to Sri Lankan products in both national and international markets. In contrast, considering quality and price, India, Vietnam, Philippines and Pakistan act as major competitors to the Sri Lankan products, although these countries indicate lower level of per capita income in comparison to Sri Lanka.

Table 2: Economic Performance of Selected Asia Pacific Countries

Country	Per Capita income $ (PPP)	Per Capita income $ (Nominal)
Malaysia	258,333	11,307
Thailand	16,097	5,742
China	14,107	7,590
Maldives	13,954	7,635
Indonesia	11,135	3,491
Sri Lanka	11,069	3, 936
Bhutan	8,196	2,560
Philippines	7,846	2,872
Vietnam	6,414	2,052
India	6,209	1,581
Myanmar	5,207	1,204
Pakistan	5,084	1,317
Laos	4,986	1,793
Bangladesh	3,581	1,086
Cambodia	3,476	1,094

(Source: The World Bank Country Profiles, 2019)

Furthermore, the 'Global Competitiveness Index 2014–2015 Rankings' positions Sri Lanka lower than most of emerging Asian countries and this indicates national competitiveness of countries, defined as the set of institutions, policies and issues that decide the standard of productivity. Table 3 illustrates those countries with the respective ranking.

Table 3: Global Competitiveness Ranking of Selected Emerging Asian Countries

Country	Score	Rank (Out of 140)
Taiwan	5.28	15
Malaysia	5.23	18
South Korea	4.99	26
China	4.89	28
Thailand	4.64	32
Indonesia	4.52	37
Philippines	4.39	47
India	4.31	55
Vietnam	4.30	56
Sri Lanka	4.21	68

(Source: Global Competitiveness Report, 2015-2016)

Similarly, Sri Lanka's ranking in Global Entrepreneurship Index (GEI) for 2016 is far too lower than those of emerging Asian countries. Entrepreneurial Attitudes (Opportunity Perception, Startup Skills, Risk Acceptance, Networking, and Cultural Support), Entrepreneurial Abilities (Opportunity Startup, Technology Absorption, Human Capital, Competition) and Entrepreneurial Aspirations (Product Innovation, Process Innovation, High Growth, Internationalization, Risk Capital) of a nation are three main factors used in the GEI calculation. These factors known as "entrepreneurship eco-system" are regarded as essential for surfacing entrepreneurship in an economy. The pertinent GEI rankings are presented in table 4.

Table 4: Global Entrepreneurship Ranking of Selected Emerging Asian Countries

Country	Score	Rank
Taiwan	78.0	6
Singapore	66.0	11
South Korea	53.4	27
Malaysia	37.0	56
China	34.9	60
Thailand	33.4	65
Vietnam	28.2	84
Philippines	27.0	91
Lao	25.9	94
Sri Lanka	25.5	97

(Source: Global Entrepreneurship Index, 2016)

2.2 What is Entrepreneurial Orientation?

EO could be explained as the set of actions used in strategy making and the pattern of a business involved in entrepreneurial activities (Omisakin, Nakhid, Littrell, & Verbitsky, 2016). An entrepreneurial behaviour of a firm denotes EO and is positively related to the particular sector of SME (Theroux & Chatzoudes, 2015; Alam, Mohd, Kamaruddin, & Nor, 2015; Shehu & Mahmood, 2015; Callaway & Jagani, 2015) which indicates that entrepreneurial behaviour is essential for SME sector when operating in a vibrant and uncertain environment.

EO comprises the practically all trendy constructs in the field of entrepreneurship at present and early research too shows that there EO can vary between different academic fields (Beliaeva, 2014). This is observed by EO becoming an accepted academic field research area having greater past experiences. It is evident that EO has been the subject of research for period of more than 30 years (Covin & Wales, 2012). However, the assumptions are static and open to be tested. Researchers use multidimensional approach of EO connected scale in diverse perspective and as the framework in most pragmatic research (Rasli, Khan, Malekifar, & Jabeen, 2013). Sri Lankan researchers carried out several studies interconnected with the field of EO in comparison with the Asian countries (Wijesekara, Kumara & Gunawardana, 2014; Priyanath & Prematatne, 2014; Wedathanthrige, 2014; Nath, 2013; Kasturiratne, 2012).

It is shown that EO in Sri Lankan SMEs is not at a satisfactory level by empirical studies conducted. Further it has been highlighted that a large number of SMEs in Colombo district in Sri Lanka, does not have entrepreneurial orientation (Somarathne, 2015). Weerakoon (2014) demonstrating very low EO practices among the Small Scale IT- BPO Firms in Sri Lanka. Fairoz, Hirobumi, and Tanaka (2010) exposed many SMEs in Hambantota district of Sri Lanka operate with a moderate level of EO. This situation is one of the main reasons that can attribute to high failure rate of Sri Lankan SMEs. It has also been identified that Nigerian SMEs too have recognized low EO as a major issue faced by them (Shehu & Mahmood, 2015).

Many researchers have explained that EO can result in enhanced wealth for SMEs, guarantees the stakeholders' fulfillment with a view to create wellbeing for the whole society. Hence, researchers make use of EO to clarify the diversity nature of the performance of SMEs. However, Wiklund and Shepherd, (2005) revealed that empirical research on EO-Performance association show mixed results; positive relationship among them is indicated by some studies while other research have not found such a relationship. Further, it is proposed that EO or some of its dimensions could vary across nations. Likewise, SMEs operating under different industries cannot be anticipated to exhibit the same level of EO as they are functioning within diverse environmental conditions. Hence, the prospect of increasing the performance of Sri Lankan SMEs through strengthening entrepreneurial behaviour is a vital area for research.

3. The relationship between different industry levels of EO and SMEs

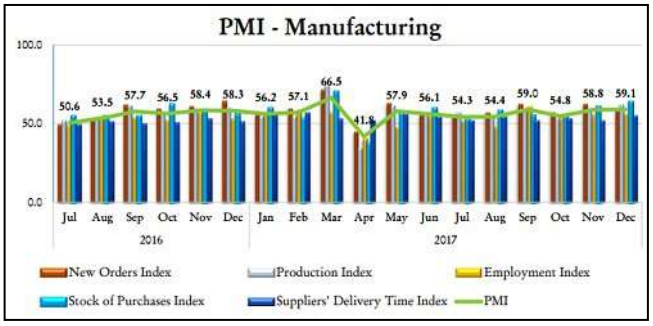
Diverse type of associations are identified between EO and SMEs performance within different types of businesses (Campos & Valenzuela, 2013). One main reason for this can be stated as context specific nature of EO. Mainly internal and external variables affects EO of a firm (Covin & Slevin, 1991). Lumpkin and Dess (1996) indicated that industry attributes influence the EO. Further, they were of the view that Michael Porter's Five Forces Framework could be applied to examine the competitiveness of an industry. New entrants' threats, buyers' bargaining power, substitutes' threat, suppliers' bargaining power, and direct competition are some of the relevant forces.

SMEs industry can be listed as Manufacturing, Services and Trade. Contributing to more than 30 percent of Sri Lanka's entire economic output was the industrial sector, which has seen some surprising growth for the past five years (LMD, 2017). The largest proportion of the industrial sector comprised manufacturing businesses, which accounted for more than 17 percent of the segment's entire output (Central Bank of Sri Lanka, 2016). Recently there has been vast interest in the decline of manufacturing sector in the western countries like Germany. Further, a recent literature argues that rising trade with China also contributed substantially to the manufacturing decline (Autor et al. 2013, 2016; Pierce & Schott 2016). Manufacturing industries are identified as those which deal with transformation of goods, material or substances creating new products. The method of transformation could be physical, chemical or mechanical.

Manufacturers very often possess plants, mills or factories in order to produce goods for the utilization of general public. The services sector is recognized as the main resource of the country's production which has a contribution of more than 60 percent towards Sri Lanka's GDP in 2016 while the wholesale and retail trade comprise the largest portion of the services sector, having contributions of more than 20 percent of all Services sector's by its trade (Central Bank of Sri Lanka, 2017).

Although agriculture opts to be the foremost provider to the Sri Lankan economy, currently service industry is a major motivator in contributing towards the country's productivity. This industry could be recognized as further sophisticated mainly as a result of to highest ever internet utilization (32%) and the enduring investments towards infrastructure such as the Colombo Port City and Western Region Megapolis (LMD, 2016). The latter also demarcated to bring about additional production output through the industrial sector itself. Additionally, Sri Lanka, especially Colombo, produce well qualified and educated specialists (mainly in IT sector); on a regular basis at a persuasively better rate than other neighboring nations. This directs responsible personnel to take steps to enhance their contribution to the country and it is pertinent that their professional flow would promote country's economic development and strengthen the service industry.

Services sector of Sri Lanka developed more in comparison to the manufacturing sector in 2017 (Colombo page, 2018). Further, based on the Purchasing Managers' Index (PMI) released (Central Bank's Survey, 2018) in December 2017 Sri Lanka's services sector expanded at a higher rate than the manufacturing sector even though both sectors indicate some progress when compared with the previous month. The Manufacturing PMI in December 2017 was increased slightly by 0.3 index points with a value of 59.1 which showed an increase from November whereas the Services Sector PMI indicated a significant increase from 57.4 in the previous month to 61.2 in the following month by 3.8 points (Central Bank's Survey, 2018). The expansion of Manufacturing activities took place at a higher pace in December in comparison with November 2017 primarily as a result of the increase of the Production sub-index. Figure 1and figure 2 presented the information about the Purchasing Managers' Indexes for manufacturing and services as below.



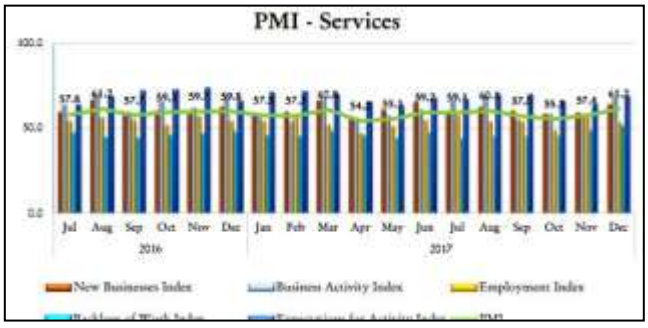


Figure 1: PMI manufacturing and services
(Source: Central Bank's Survey, 2018)

It is worthwhile to mention that since this survey commenced in May 2015; this is the first time Backlogs of Work sub index increased above the threshold value of 50.0 Further growth momentum in the Services sector was shown by high New Businesses Index during six-months

In comparison to November 2017 Charged Prices reached a higher rate in December due to heavy demand in festival season. As a result of encashment of unutilized leave for 2017 and pending salary increments due for 2018 under collective agreements the Expected labor cost was enhanced in December 2017 (Annual Report of central Bank, 2018).

3.1 Trade Sector in Sri Lanka

Trade support activities serve as agents to generate a trading environment which is more friendly towards business & export with valuable affiliations. Therefore, information on market analysis, regulatory essentials and procedural features of local and international trade can be made available by development of 'Trade Information & Promotion' (TIP). Figure 3 presents the trade information and promotion strategy in Sri Lanka as follows.

Figure 2: Trade Information and Promotion Strategy in Sri Lanka
(Source: National Export Strategy of Sri Lanka, 2018-2022)

Stakeholders within the country have assured to take action to develop TIP with a view to enhance competitiveness of Sri Lankan SMEs in global markets and value chains. Hence there is a remarkable possibility to reinforce exporters' market entry and development by making trade information more reliable and dynamic. These three sector factors varied from place to place and it can be conjectured that the business firms require adopting different innovativeness, risk taking, proactiveness, autonomy and competitive aggressiveness of EO to succeed the competition.

4. Methodology of the Article

Research methodology can be expressed as the systematic, theoretical analysis of the methods used as a practical to a field of study. Further it is the way forwarding the study as the design of the completeness of the article. This design is a framework of explaining the way of collecting and analyzing data so that the research issues can be properly answered (Saunders et al., 2016). Design involves the decisions on the objectives of the research area, extent of the researcher's interfering, study area, unit of analysis, time horizon, sample design, data collection and data analysis (Sekaran & Bougie, 2013).

Based on the objective of this article, this can be categorized as testing of groups' differences among three industries as manufacturing, services and trade using of hypothesis testing. Selection of meticulous design is prejudiced by the degree to which the knowledge pertaining to the present topic has been studied by prior research too (Sekaran & Bougie, 2013). Exploratory analysis is necessary to receive awareness when much is unknown about the phenomena to be analyzed; Descriptive analysis is modified to develop more inclusive and perfect thoughtful about the phenomenon to be researched; and Causal or Hypothesis testing is engaged to validate a conjectured association between two or among more variables (Sekaran & Bougie, 2013). Since this study attempts to test the variation of entrepreneurial orientation, among SME performance of industries such as manufacturing, services and trade, this is fallen in to the hypothesis testing category. Based on these arguments the following hypothesis is developed for testing.

H1: SMEs in industries of Manufacturing, Service and Trade display different levels of EO in the Western province of Sri Lanka.

5. Data Analysis

Different researchers use many methods of data analysis techniques for evaluating the data of their study. However, the mean differences of more than two groups are considered, it must be noted that the variances among the group or between groups should be equivalent in the analysis process. The data analysis technique applied in this article is the one-way ANOVA to obtain the results. The industry of the SMEs includes Manufacturing, Services and Trade categories; therefore, more than two categories were listed as groups.

5.1 One-way ANOVA Data Analysis Technique

The objective of this article is to examine whether the level of EO vary across the sectors of Manufacture, Services and Trade. It is required to have the assumption that the variances within the group or between groups to be similar in this test. Hence the circumstance is homogeneity with all groups being normal in this situation. Levene's test is used in multivariate analysis using SPSS to check whether the assumption is

fulfilled or not in the article. The results of the ANOVA test for achieving the objective and the output of the test s presented in table 5 below.

Table 5: ANOVA- Descriptive Statistics

Total BP								
	N	**Mean**	**Std. Deviation**	**Std. Error**	**95% Confidence Interval for Mean**		Min	Max
					Lower Bound	**Upper Bound**		
Manufacturing	67	3.7197	.70795	.08649	3.5471	3.8924	2.50	5.00
Services	114	3.7935	.76144	.07132	3.6523	3.9348	1.89	5.00
Trade	202	3.8391	.70407	.04954	3.7414	3.9368	2.19	5.00
Total	383	3.8047	.72171	.03688	3.7321	3.8772	1.89	5.00

The sample means obtained for Manufacturing, Services and Trade are 3.72±0.71, 3.79±0.761 and 3.81±0.72 respectively.

5.2 Test of Homogeneity of Variance

The output of the Homogeneity of Variance was obtained through the Levene's Test. Table 6 indicates the values for the Levene's test below.

Table 6: Results of the Levene's Test

Total BP			
Levene Statistic	**df1**	**df2**	**Sig.**
.580	2	380	.561

Table 6 highlights that Levene's test value for equality of variance is 0.561 which is more than 0.05. Therefore, it can be said that equality of variances assumption was met. Any difference between the three groups of Manufacturing, Service and Trade cannot be observed.

Alternative Hypothesis:

H_0: There are differences between three groups

5.3 Test of ANOVA

The result of the ANOVA test was presented in the table 7 indicated the values below.

Table 7: Results of the ANOVA

Total BP					
	Sum of Squares	**Df**	**Mean Square**	**F**	**Sig.**
Between Groups	.737	2	.368	.706	.494
Within Groups	198.232	380	.522		
Total	198.969	382			

6. Summary of the Findings

1) The P-value obtained by the Levene's Test for equality of variance was 0.561, and since it is more than 0.05 equality of variances assumption was met.
2) The F value acquired was 0.706 and the degrees of freedom were 2 and 380.
3) The P-value achieved by the ANOVA test was 0.494, which was greater than 0.05. Hence, there is no significant difference of means between the groups.

7. Discussion of the Results

The ANOVA test was applied to obtain the results to meet the objective of this article and the above findings were indicated through the analysis process. The output of the ANOVA test done to achieve the objective and the results of the test are presented in the above table 7. The sample means for the Manufacturing, Services and Trade of the SMEs sectors were recorded as 3.72, 3.79 and 3.81 respectively. The Levene's Test of the homogeneity showed the value 0.561 for the equality of variance which was more than 0.05. Therefore, the equality of variances assumption can be said to be fulfilled. It was not possible to observe a difference between the three groups of Manufacturing, Service and Trade. Furthermore, study findings show that the P-value obtained for the Levene's Test for equality of variance was 0.561, and it was more than 0.05. The F value was 0.706 with the degrees of freedom indicating 2 and 380 respectively. The P-value reached at the ANOVA test was 0.494, and since it was greater than 0.05 the means does not differ significantly between the groups.

8. Conclusion and Managerial Implication

The trend of structural alteration of the Sri Lankan economy follows a set decline of manufacturing and rising service sector in the industrial viewpoint. This situation is comparable with many other low-income countries, and obviously resulted by a general technology and other tendencies in the relevant markets of the country. However, as happened in few other countries, Sri Lanka did not speed up this trend of rising trade that is emerging in low-wage countries such as China and Eastern Europe. However, since the enhanced exports to the new markets stabilized industry and trade in fact, slowed it down.

The other major revelation of this paper is that in Sri Lanka SMEs sector the move from manufacturing to services or trade does not happen effortlessly. There is little evidence to show that the serving manufacturing sector assists to the rise of the service economy resulting from direct involvement in the main activities of the business. Instead the new venture holders with diverse innovative behaviors than earlier generations, and newcomers to the field who start entrepreneurial activities in different manner are responsible for this rise.

It has now become a worldwide phenomenon that EO recognized to be a focal point. It is evident that the entrepreneurial mindset is considered to be the initiator of innovative businesses. Concurrently developing an entrepreneurially oriented corporate framework is regarded as a great advantage to any country. The relationship between EO and performance of SMEs might change in diverse disciplines indicating positive, negative or neutral and it is very important to be aware of this fact. Accordingly, the research question of this article was formulated as how the variation level of entrepreneurial orientation differ across the industries such as Manufacturing, Services and Trade sectors of SMEs in the Western province in Sri Lanka. Considering the information provided above, the mean total BP among manufacturing, services and trade industries of SMEs of the Western province of Sri Lanka has not shown any differences. Nevertheless, regardless the differences of the industries, EO indicates a direct positive effect on performance of SMEs based on the empirical views of the literature. As implications of this article, these valuable results can be utilized to rethink and take necessary decisions by academics in the education fields, innovative entrepreneurs in a country along with the essential policy makers and regulators in the field of the SME sector

9. Limitations and Suggestions for Future Research

It is not realistic to consider all relevant issues within this article which illustrates a single point of view. The area undertaken for this study is restricted by the margins of these selected few sectors. Furthermore, this article has focused only on the industries in the Western Province of Sri Lanka. However, if nationally and internationally established SMEs were taken in to consideration in the analysis, findings would have been different. Hence there is opportunity to apply these results to such population and study the differences between them.

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