

IMPACT OF ENTREPRENEURIAL KNOWLEDGE ON STRATEGIC ORIENTATION OF SMALL AND MEDIUM ENTERPRISES IN RATNAPURA DISTRICT

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INTRODUCTION

Small and Medium Scale Enterprises (SMEs) are an important strategic sector for generating economic growth and reducing unemployment, inequality, and poverty. Therefore, SMEs are a significant economic asset (Pushpakumari, 2014). Entrepreneurial and strategic management perspectives jointly explain the strategic orientation needed to achieve and sustain competitive advantages Esteve et al. (2008). Generally, strategic decisions are influenced by the strategist Covin et al.'s beliefs, values, and management philosophies (2006). According to Ahamadian (2018), learning can develop new knowledge or insights that have the potential to influence behaviour through values and beliefs within the culture of an organization. Further, management styles and behaviours are well determined by the level of formal education, which represents an individual's knowledge and skill base Donald et al. (1984).

SMEs are considered the backbone of the economy, contributing nearly 52% to the Sri Lankan GDP. Further, SMEs account for approximately 97% of all industries in Sri Lanka, and employment in Sri Lanka is contributed by 45% by SMEs. Although, SMEs are facing critical issues regarding whether they are essential in developing countries' economies. Lack of easy finance and credit instruments, limiting regulatory policies, Unavailability of modern, affordable technology, lack of basic infrastructure facilities, absence of exclusive marketing platforms and distribution networks and inflexible labour laws and availability of affordable skilled labour are the identified issues that are facing by the SMEs (Fayolle, 2013).

Since both males and females exhibit a low level of entrepreneurship knowledge, females are more aware of their deficiencies in this knowledge area than their male counterparts. Both sexes believe that further education can correct the knowledge problem (Kourilsky & Walstad, 1998). According to the Census and Statistical Department Annual Report (2018), employment status by gender also reflected that participation (10.2%) of females in the employer category is significantly lower than male participation (89.8%). Similarly, participation of the female in their account worker category is about 36.6% compared to male participation of about 74.5%. Further, when considering the situation of Sri Lanka, nearly 52% of the population is female. It is represented more than half of the Sri Lankan population. Although only 34% of the labour force is female, 74% of the inactive population compared to the participation (73%), is male. It reflects that there is an untapped workforce within the country since women have the opportunity to attract jobs or an entrepreneur by starting businesses, especially in the SME sector. Nevertheless, active participation of the women in the employer category is about 6% of the total employed population in Sri Lanka compared to the males (CBSL, 2018). Hence, this study's priority is to identify the level of

Entrepreneurial Knowledge and strategic orientation based on gender. Further, this will investigate whether there is an effect on strategic orientation by Entrepreneurial Knowledge to engage in the SME sector based on gender in Ratnapura District.

METHODOLOGY

This research mainly consists of one independent variable, Entrepreneurial Knowledge, with four dimensions: Business General Knowledge, Venture General Knowledge, Opportunity Specific Knowledge, and Venture Specific Knowledge. The dependent variable is namely Strategic Orientation with six dimensions known as Aggressiveness, Analysis, Defensiveness, Futurity, Pro-activeness, and Riskiness. This study's population was identified as all Owner Managers in Ratnapura District, and approximately 6493 Owner Managers are in the area. The sample was chosen through Random sampling, and the following equation was used to calculate the sample size.

$$n = \frac{N}{1 + Ne^2} = \frac{6493}{1 + 6493 * (0.05)^2} = 376$$

A total number of 376 Owner Managers was selected, and a structured questionnaire with five five-point Likert scales was used to collect data. Univariate, Bivariate analysis, and independent sample t-tests were used to analyse data. Cronbach's alpha for reliability test, frequency, and descriptive analysis tools, and Pearson coefficient correlation were used to hypothesize the questions. The data were analyzed using SPSS Version 22.

Table 1 Objective-wise Method of Analysis

No	Objectives	Method of analysis
1	To identify the relationship between Entrepreneurial Knowledge and strategic orientation of SME owners in Ratnapura District.	Correlation Analysis
2	To identify the Business General Knowledge impact on Strategic Orientation of SMEs owners in Ratnapura District.	Regression Analysis
3	To identify the Venture General Knowledge impact on Strategic Orientation of SMEs owners in Ratnapura District.	Regression Analysis
4	To identify the Knowledge Opportunity Specific impact on Strategic Orientation of SMEs owners in Ratnapura District.	Regression Analysis
5	To identify Venture Specific Knowledge impact on Strategic Orientation of SMEs owners in Ratnapura District.	Regression Analysis

RESULTS AND DISCUSSION

The reliability of the instrument was measured using Cronbach's Alpha analysis. It measures the instrument's internal consistency based on the average inter-item correlation. All the Cronbach α value above 0.7 indicates an acceptable internal consistency of the scale (Sekaran & Bougie, 2016).

Table 2 Reliability Analysis for Overall Variables

Variable	Alpha Value	Number of Items
Entrepreneurial Knowledge	0.943	19
Business General Knowledge	0.904	07
Venture General Knowledge	0.749	06
Opportunity Specific Knowledge	0.788	03
Venture Specific Knowledge	0.711	03
Strategic Orientation	0.923	21
Aggressiveness	0.702	02
Analysis	0.773	04
Defensiveness	0.741	04
Futurity	0.704	04
Pro-Activeness	0.702	02
Riskiness	0.719	05

Descriptive analysis was used to analyze the demographic data. The personal information questions are related to respondents' necessary personal details such as Type of Business, Gender, and Age. The following tables show the employee's personal information.

Table 3 Type of Business

Type of Business	Frequency	Percent
Retail Business	190	50.5
Food And Beverage	120	31.9
Textile	30	8.0
Others	36	9.6
Total	376	100.0

Table 3 shows that the majority of the sample are represented by the business type Retail Business, and it is 50.5% (190) and Food and Beverage 31.9% (120) and Textile 8.0% (30) and 9.6% (36) are other business.

Table 4 Gender of the respondents

Gender	Frequency	Percent
Male	257	68.4
Female	119	31.6
Total	376	100.0

The gender of the respondents of the sample was categorized as Male and Female. According to table 4, out of 376 total respondents, 257(68.4%) and 119 (31.6%) are Male and Female, respectively. Male percent were higher among the 376 respondents of Owner Managers.

Table 5 Age of the respondents

Age Group	Frequency	Percent
Below 25 years	88	23.4
25-35 Years	149	39.6
36-45 Years	74	19.7
Above 45 Years	65	17.3
Total	376	100.0

Table 5 shows that the age limit between 25-35 years represents the majority of the sample and is 39.6% (149), and between the age limit of 36-45 years, it is 19.7% (74) and 23.4% (88) are below 25 years, and 17.3% (65) are above 45 years. According to Table 6, the descriptive analysis results, the mean value of EK was 4.07, and SD was 0.615. Based on decision criteria. The average value of EK was in the range of $3.5 \leq X \leq 5$ (X denote mean value). It indicates there is a **High level** of EK. It is based on the result, concluding that the Owner's attention to Entrepreneurial Knowledge is excellent. The dimensions of EK also have a high level. BGK (Mean=4.09, SD=0.721), VGK (Mean=4.05, SD=0.528), VSP (Mean=4.07, SD=0.670) and OSK (Mean=4.08, SD=0.749).

Table 6 Mean /Standard Deviation of Entrepreneurial Knowledge and its Dimension and Indicators

Dimensions/Variable	Mean	Standard Deviation	Level
Entrepreneurial Knowledge	4.07	0.615	High
Business General Knowledge	4.09	0.721	High
Venture General Knowledge	4.05	0.528	High
Venture Specific Knowledge	4.07	0.670	High
Opportunity Specific Knowledge	4.08	0.749	High

Table 7 Mean /Standard Deviation of Strategic Orientation and its Dimensions

Indicators/Dimensions/Variables	Mean	Standard Deviation	Level
Strategic Orientation	4.14	0.514	High
Aggressiveness	4.01	0.810	High
Analysis	4.18	0.630	High
Defensiveness	4.27	0.538	High
Futurity	4.04	0.612	High

Pro-activeness	4.01	0.793	High
Riskiness	4.18	0.549	High

Table 7 shows the mean and SD of overall SO. The mean value of SO was 4.14, and SD was 0.514. The SD shows that, on average, the individual responses of 0.514-point deviate from the mean. These mean values fall into the range of $3.5 < X \leq 5$. Finally, the researcher can conclude that SO has a high level overall. The dimensions of SO also have a high level.

The researcher identified that the relationship between employees' EK and SO is based on the r value. The correlation coefficient (r) value was 0.871 at the 0.01 significance level. P value was less than 0.05, and the correlation coefficient value falls under the coefficient range of ± 0.7 to ± 0.9 . Therefore, it indicates a Positive high relationship between EK and SO. As indicated by R^2 , 68.9 % variation in SO is explained by BGK at the 0.05 significant levels. The constant was 1.719. It explains the level of SO at the zero level of BGK. The b value of BGK was 0.592. It shows that an average increase of one point of BGK scale SO will increase by 0.592. P value is less than 0.05. Therefore, BGK has an impact on SO.

Table 8 Model Summary of Simple Regression between General Knowledge and Strategic Orientation.

Model	R	R ²	Adjusted R ²	Std. Error
1	0.830 ^a	0.689	0.689	0.287

a. Predictors: (Constant), Business General Knowledge

As indicated by R Square, 56.6 % variation in SO is explained by VGK at the 0.05 significant levels. The constant was 1.385. It explains the level of SO at the zero level of VGK. The b value of VGK was 0.681. It shows the mean that an average increase of one point of VGK scale SO will increase by 0.681. P value is less than 0.05. Therefore, VGK has an impact on SO.

Table 9 Model Summary of Simple Regression between Venture General Knowledge and Strategic Orientation

Model	R	R ²	Adjusted R ²	Std. Error
1	0.752 ^a	0.566	0.565	0.339

a. Predictors: (Constant), Venture General Knowledge

As indicated by R Square, 66.7 % variation in SO is explained by OSK at the 0.05 significant levels. The constant was 1.854. It explains the level of SO at the zero level of OSK. The b value of OSK was 0.561. It shows the mean that an average increase of one point of OSK scale SO will increase by 0.561. P value is less than 0.05. Therefore, OSK has an impact on SO.

Table 10 Model Summary of Simple Regression between Opportunity Specific Knowledge and Strategic Orientation

Model	R	R ²	Adjusted R ²	Std. Error
1	0.817 ^a	0.667	0.666	0.297

a. Predictors: (Constant), OSK

As indicated by R Square, 62.8 % variation in SO is explained by VSK at the 0.05 significant levels. The constant was 1.667. It explains the level of SO at the zero level of VSK. The b value of VSK was 0.608. It shows that an average increase of one point of the VSK scale SO will increase by 0.608. P value is less than 0.05. Therefore, VSK has an impact on SO.

Table 11 Model Summary of Simple Regression between Venture Specific Knowledge and Strategic Orientation.

Model	R	R ²	Adjusted R ²	Std. Error
1	0.792a	0.628	0.627	0.31447

a. Predictors: (Constant), VSK

CONCLUSIONS AND IMPLICATIONS

The researcher's primary aim was to determine the impact of Entrepreneurial Knowledge on strategic orientation. To achieve that aim, the researcher selected Entrepreneurs in Ratnapura District. This research was conducted based on a sample study of 376 owners in the Ratnapura District. The researcher used descriptive, correlation, and regression analysis to achieve the research objective. The first objective of this survey is to explore the level of Entrepreneurial Knowledge and strategic orientation. According to the descriptive analysis results, the mean value of Entrepreneurial Knowledge is 4.07, and strategic orientation shows 4.14. Therefore, the decision rule indicates a high level of Entrepreneurial Knowledge and strategic orientation in Ratnapura District.

The second objective of the research was to explore the relationship between Entrepreneurial Knowledge and strategic orientation. Correlation analysis was used to achieve this objective. The researcher identified a high positive relationship ($r= 0.871$, $p< 0.05$) between Entrepreneurial Knowledge and strategic orientation. The third objective of the research was to examine the impact of Venture General Knowledge on strategic orientation. According to the study ($p>0.05$), there is a significant impact of Venture General Knowledge on strategic orientation. The fourth objective of the research was to examine the impact of Opportunity Specific Knowledge on strategic orientation. According to the study ($p>0.05$), there is a significant impact of Opportunity Specific Knowledge on strategic orientation.

The fifth objective of the research was to examine the impact of Venture Specific Knowledge on strategic orientation. According to the study ($p>0.05$), there is a significant impact of Venture Specific Knowledge on strategic orientation. Future researchers can research by adding new variables and expanding the context beyond the Rathnapura district.

Keywords: Entrepreneurial knowledge, SMEs, strategic orientation

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