

ENTREPRENEURIAL ORIENTATION AND SMALL AND MEDIUM ENTERPRISES PROFITABILITY IN GHANA

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Abstract

This study examined the relationship between Entrepreneurial Orientation (EO) dimensions (risk-taking, innovativeness, proactiveness) and profitability of Small and Medium Enterprises (SMEs) in Ghana. The study adapted Covin and Slevin's entrepreneurial orientation scale to collect data from Micro Small and Medium Enterprises (SMEs) owner-managers operating in the handicraft, manufacturing sector in Accra, Ghana. 200 SMEs were randomly selected for the study. Only 150 SMEs owner-managers completed the questionnaires. The authors employed a quantitative research approach to analyse resultant data using descriptive statistics and OLS regression. The study found that SME owner-managers' proactiveness and innovativeness were positively and significantly related to profitability. However, we observe that risk-taking ability of an entrepreneur does not foster profitability. The implication for the findings and suggestions for future studies as well as recommendations for SME owners are discussed.

Keywords: entrepreneurial orientation, profitability, risk-taking, innovativeness, proactiveness.

1. INTRODUCTION

Entrepreneurial activities speed up economic growth and development of national economies (Antoncic & Hisrich, 2004; Kuratko, 2009) and contribute to the survival and growth of Small, and Medium Enterprises (SMEs) by creating value from opportunities (Nwachukwu, Chladkova and Zufan, 2017). Entrepreneurial behaviours facilitate job creation, wealth creation, expansion (Nwachukwu, Chladkova and Zufan, 2017) and competitive advantage (Kuratko et al., 2011). The relationship between entrepreneurial orientation (EO) and performance of SMEs is well documented in the literature (Lim and Envick, 2013; Arief, Thoyib, Sudiro and Rohman; Jia, Wang, Zhao and Yu, 2014; Vojtovič, 2016; Hudakova, Buganova and Dvorsky, 2015) which suggest that EO is important for SMEs continued existence and growth. Some of these studies found a positive connection between EO and performance (Karaoglu, Bayrakdaroglu and San, 2013). While other scholars reported that entrepreneurial orientation does not influence performance (e.g. Slater and Narver, 2010) Thus, the relationship between the constructs is unclear and inconsistent (Rauch et al., 2009). Additionally, these studies were conducted in the United States, Europe and other developed countries. Frank, Kessler and Fink (2010), Wiklund and Shepherd (2005) and Kemelgor (2002) submitted that the relationship between EO and performance may depend on contexts. Some researchers suggest that SMEs in Ghana have performed below expectation and have contributed less to the country's economic growth (e.g. Oppong et al., 2014). In Ghana, past studies on SMEs focused on areas such as capital structure and the debt policy of SMEs (Abor, 2007; Abor and Biekpe, 2005), policy environment of SMEs (Kayanula and Quartey, 2000) and institutional framework for promoting SMEs (Yamoah et al., 2014). Few studies have explored EO and MSME performance (Quaye and Acheampong, 2013) and profitability (Anlesinya, 2015; Boohene et al., 2012) in Ghana. In addition to the

limited studies on EO, several scholars have argued that overall, literature on African business contexts is scanty (e.g. Kolk and Rivera-Santos, 2016; Zoogah et al., 2015; Kolk and Lenfant, 2010). Though, several researchers have explored EO dimensions and profitability in large companies (Awang et al., 2009; Fatoki, 2014; Matchaba-Hove and Vambe, 2014; Kraus et al., 2012; Muthee-Mwangi and Ngugi, 2014) in developed and foreign countries, but those of SMEs are still lacking (e.g. Boohene et al., 2012; Anlesinya et al., 2015) in developing economies like Ghana. More so, the two studies (Boohene et al., 2012; Anlesinya et al., 2015) that examined risk-taking, innovativeness, proactiveness and profitability focused on retail and professional services SMEs with less emphasis on small scaled manufacturers. This study draws on three dimensions of EO: risk-taking, innovativeness, proactiveness (Covin and Slevin, 1989; Zhang et al., 2012) because they have been widely used and validated by other researchers (Neneh and Van Zyl, 2017; Anderson and Eshima, 2013; Gürbüz and Aykol, 2009) thus creating a robust theoretical basis for this study. Considering the importance of SMEs to the performance of Ghana economy and limited studies on the subject, especially in the manufacturing sector, the authors seek to understand the relationship between risk-taking, innovativeness, proactiveness and the profitability of selected handcraft manufacturing SMEs in Ghana. Indeed, a higher level of profitability could guarantee SMEs survival and growth. The study, therefore, attempts to fill the contextual gap in the literature, by examining risk-taking, innovativeness, proactiveness and profitability of handcraft manufacturing SMEs. Second, propose recommendation based on the evaluation of risk-taking, innovativeness and proactiveness in relation to SMEs profitability in Ghana. Contextually, Ghana is one of the fastest growing economies in sub-Saharan Africa with a GDP growth rate of 8.14 (The World Bank, 2017). Traditionally agriculture and mining has been the backbone of the Ghanaian economy with emphasis on cocoa production and gold mining. In recent years, however, oil extraction has become a key economic pursuit of Ghana. The overreliance on these sectors has resulted in renewed effort to shift focus to other sectors such as manufacturing. This study focuses on handcraft manufacturers. The handicraft sector of Ghana is part of the larger non-traditional export sector which is estimated to generate USD\$ 1 billion a year to the Ghanaian economy. According to the Ghana export promotion authority, the total trade from this sector grew by 23 percent from USD\$ 3 million in 2014 to USD\$ 4.27 million in 2015. Most importantly, the sector serves as a major source of employment in the rural areas of Ghana during the off-farming seasons, (Essabra-Mensah, 2017). Among the popular craft that are often traded include musical instrument, furniture and home accessories, beads and jewellery as well as ceramic wares and textile. Due to the potential for growth, the Ministry of trade and industry has developed comprehensive programme recently to revamp the sector.

2. LITERATURE REVIEW

2.1. *Dynamic capability perspective*

A capability is the ability to leverage resources to carry out a task or an activity, against the opposition of circumstance (Teece, 2014). Dynamic capability theoretical lens has shown potential value within the context of entrepreneurial orientation (EO) (Teece, 2014; Teece, Pisano and Shuen, 1997). Zahra, Sapienza, and Davidson (2006, p. 918) assert that dynamic capabilities are “the abilities to reconfigure a firm’s resources and routines in the manner envisioned and deemed appropriate by important decision-maker(s).” Dynamic capabilities of the firm suggest the entrepreneurial aspect of management (Teece, 2003; Teece, 2014), that focuses on business processes within and outside the firm (Eisenhardt and Martin, 2000; Winter, 2003; Teece, 2014). Importantly, capabilities emanate from bundling or orchestration of resources. In the context of dynamic capabilities, entrepreneurial firms sense and seize opportunities (Teece, 2000; Jantunen, Puumalainen, Saarenketo, and Kylaheiko, 2005) through their actions. Dynamic capabilities can be used to explain the connection between entrepreneurial orientation (EO), opportunity exploitation and subsequent performance (Covin and Lumpkin, 2011). Thus, value creation through entrepreneurs risk-taking, proactiveness and innovativeness, as well as sustaining value through entrepreneurial actions are important elements in the dynamic-capability framework. We reason that Small and Medium Enterprises (SMEs) need to develop dynamic capabilities to achieve superior profitability. Indeed, the (dynamic) capabilities perspective, advanced in the field of strategic management is relevant in the context of entrepreneurship research, particularly SMEs.

2.2. Entrepreneurial Orientation

There is little consensus about the definition of the concept of entrepreneurship (Williams et al. 2010). The most common themes include; wealth, enterprise, innovation, change, employment, value, and growth creation (Morris et al. 2008). According to Stevenson and Jarillo-Mossi (1986) “entrepreneurship involves creating value by integrating a unique package of resources to exploit an opportunity” (p. 10). This definition suggests that entrepreneurial activities is possible in different kind of organisations. Entrepreneurial orientation (EO) measures the entrepreneurial behaviour of an organization. Entrepreneurial orientation shows how SMEs behave in light of changing business environment to remain competitive. EO is found to be connected to entrepreneurial firm behavior (Stambaugh et al., 2017) and firm performance (Wang, 2008). Extant literature has shown that EO influence performance in hotels, service, manufacturing organizations (Jantunen et al., 2005), small firms (Hughes et al., 2007; Wiklund and Shepherd, 2005) and new or established ventures (Su et al., 2011). Empirically, Otache and Mahmood (2015), Arief et al. (2013) and Jia et al. (2014) observed that EO impact positively on performance in different contexts. In this study, the authors adapted Miller (1983) three-dimensional model of EO: risk-taking, innovativeness and proactiveness.

2.3. Risk-taking and Performance

Risk-taking is used to explain the uncertainty that emanates from behaving entrepreneurially. Ogunsiji and Kayode (2010) assert that risk-taking show the ability of an entrepreneur to identify risk and to find ways of dealing with them. Lumpkin and Dess, (2001) submitted that risk-taking enable a firm to calculate and plan business opportunities considering uncertainties in the marketplace. Empirically, Karacaoglu et al. (2013) found that risk-taking dimension of entrepreneurial orientation has a positive relationship with the financial performance of manufacturing firms in Turkey. Neneh (2011) affirms that risk-taking has a positive effect on SMEs survival. Likewise, Jalali et al. (2014) submitted that risk-taking had a strong positive correlation with firm performance and growth. Anlesinya et al. (2015) observed that the relationship between risk-taking and profitability is positive and significant in micro enterprises operating in the retail sector in Ghana. However, Gürbüz and Aykol (2009), observed that risk-taking has a significant negative relationship with sales growth. Zhou and de Wit (2009) submitted that there is no significant association between risk-taking and employment growth. Hughes and Morgan (2007) asserted that firms that are risk-averse are not willing to take advantage of market opportunities which make them achieve poor performance. We argue that SMEs that take calculated risk will experience higher profitability.

We hypothesize thus;

H1. Risk-taking dimension of EO is positively related to the profitability of SMEs in Ghana.

2.4. Innovativeness and Performance

Innovativeness refers to the ability of firms to use new processes and technology to create new products, services and inventions. Changing consumers' demands, preferences and trends in technology call for the need to provide products that exceeds customers expectations (Nwachukwu and Zufan, 2017). In this context, SMEs innovative activities can enable them to deliver innovative products and services to customers which improve their profitability. Mirela (2008) submitted that innovation is an important factor that helps businesses to survival, grow, develop, and succeed. Nwachukwu, Chladkova and fadeyi (2018), submitted that innovation is an important factor for explaining competitive heterogeneity between organisations. Arguably, the EO dimension of innovativeness is about developing and adopting new ideas that will create value for divergent stakeholders. Empirically, Calvo (2006) observed that innovation had a significant impact on sales and productivity growth and insignificant effect on employment growth in Spanish SMEs. Deschryvere (2014) found that continuous product and process innovators are positively related to sales growth. Masona et al. (2015) submitted that the relationship between innovativeness and firms' performance is positive and significant. In the study of 140 manufacturing companies in Turkey, Karacaoglu et al. (2013) concluded that innovation has a positive impact on the financial performance of the firms. Similarly, Matchaba-Hove and Vambe (2014) observed that innovativeness have a significant positive effect on the success of small businesses in South

Africa. In Kenya, Muthee-Mwangi and Ngugi (2014) concluded that innovativeness has a significant positive association with the growth of Micro and Small Enterprises (MSEs). Boohene et al. (2012) observed that innovation have a positive and significant effect on SMEs profitability in Ghana. However, Neneh (2016) concluded that there is no significant relationship between innovativeness and firm performance. Also, Anlesinya et al. (2015) found that there is no relationship between innovativeness and profitability of microenterprise operating in the retail sector. We argue that the innovative capability of MSMEs may enable them to develop new products, services and new markets which could enhance their profitability. Nonetheless, innovation improves firms' success, survival and performance. Additionally, well managed innovative activities may enable SMEs to create superior value for various stakeholders. Based on these arguments, We hypothesize that;

H2. Innovativeness dimension of EO is positively associated with the profitability of SMEs in Ghana.

2.5. Proactiveness and Performance

Proactiveness enables firms to take advantage of market opportunities before competitors. To remain competitive, SMEs need to introduce new products, new processes, new technologies, and new services ahead of competitors. Wiklund and Shepherd (2005) submitted that a proactive firm tends to identify and exploit new market opportunities to achieve innovative performance more easily. Hughes and Morgan (2007) note that proactive firms generally have a robust insight into market dynamics and are able to quickly respond to market signals. Arguably, SMEs that are proactive may be able to identify, assess and exploit new opportunities ahead of competitors. Proactiveness is important to firms because it gives them first movers advantage in terms of profitability and market share (Lumpkin & Dess, 2001). Gürbüz and Ayko (2009) affirm that proactiveness has a significant connection to SMEs employment and sales growth. Kaya and Agca (2009) suggest that proactiveness dimension of EO have a positive and significant influence on performance. Similarly, Matchaba-Hove and Vambe (2014) concluded that proactiveness has a significant and positive impact on the success of the SMEs in South Africa. In Ghana, Anlesinya et al. (2015) and Boohene et al. (2012) submitted that a significant positive relationship exists between proactiveness and profitability of microenterprises that operate in the retail and professional services sector in Ghana. However, Fatoki (2014) observed that Microenterprises are less proactive and preferred to be followers rather than leaders. Based on literature reviews, authors propose that proactive SMEs will have better profits compare to less proactive firms.

H3. Proactiveness dimension of EO is positively correlated with the profitability of SMEs in Ghana.

We propose a framework that draws on extant literature to stimulate research agenda on entrepreneurship within SMEs in the emerging market. Figure 1 shows the links between risk-taking, proactiveness, innovativeness and profitability. In light of Figure 1, this paper addresses the impact of risk-taking, proactiveness, innovativeness on SMEs profitability in an attempt to empirically validate the relationships.

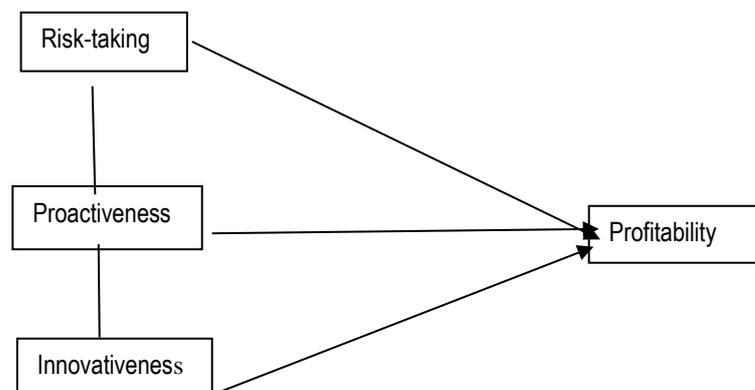


FIGURE 1 - RESEARCH MODEL SHOWING THE RELATIONSHIP BETWEEN THE RISK-TAKING, PROACTIVENESS, INNOVATIVENESS AND PROFITABILITY.

Source: Authors, 2020

3. RESEARCH METHODOLOGY AND DATA

3.1. Data collection, procedures, and sampling size

The aim of this study is to identify the relationship between EO of risk, innovativeness and proactiveness and profitability. To achieve this, a cross-sectional method was employed by adopting a simple random sampling to select a sample of 200 SMEs in the handicraft manufacturing sector located at the Art centre and Oxford street, Osu in the Greater Accra region of Ghana. The study focused on handicraft manufacturers aforementioned areas in Accra, Ghana due to the popularity of these two areas to tourist who are often the target market. The unit of analysis is the SME firm is the unit of analysis while owner-manager were the units of inquiry. To achieve the aim of the study, semi-structured questionnaires were used to collect data from SMEs owner-managers. The list of the companies was obtained from the database of the Ghana export promotion authority and the Ghana chamber of commerce. The data collection method used was a combination of self-administered questionnaires and the drop - and - pick technique. The drop and pick technique have been considered more appropriate in collecting data from developing countries due to poor communication infrastructure (Ibeh, 2004). It involves the practice where the researcher drops the questionnaires with the respondents and come back to collect them at a scheduled date. The combination of these two-collection methods ensured a high response rate of 75% (150 SMEs) which is considered very good (Mugenda, 2008).

3.2. 3.2 Research Measurement

The variables were subjectively measured based on respondents' perceptions using a 5-point Likert scale ranging from 1 = strongly agree to 5 = strongly disagree. These scales were grounded on Covin and Slevin's 1989 and Lumpkin and Dess (1996) entrepreneurial orientation scale which is widely employed in entrepreneurial orientation research. We used three questions to assess risk-taking; "our firm takes bold and wide-ranging acts to achieve our objectives, our firm adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities, our firm encourages risk-taking behaviours". To measure proactiveness, four questions asked questions on the extent of agreement; "our firm typically initiates actions to which competitors have to respond to, our firm is often the first to introduce new products, our firm typically adopts a very competitive strategy, our firm is proactive". Three questions was used to evaluate innovativeness; "our firm has a strong emphasis on R&D, technological leadership and innovation, our firm has many new lines of products in the past five years (or since its establishment), our firm engages innovative behaviours and activities establishment". One question was used to assess profitability; "What is the average profit after tax in the last three years?" Prior studies suggest that single-item (SI) have a high predictive validity as multiple-items (MI) scales (Bergkvist and Rossiter, 2007, 2009). The variables were subjectively measured based on respondents' perceptions. To ensure internal consistency and reliability, the researchers used Cronbach's alpha (0.77) to establish reliability and consistency of the measurement instrument. The questionnaire was reviewed by six experts (academic and business owners) to ensure face validity, comprehensiveness and coherency.

3.3 Data analysis technique

This study used descriptive statistics and inferential statistics for data analysis and validation. Regression analysis was employed to determine the level of significance and predictability of risk-taking, proactiveness and innovativeness on profitability. Regression analysis is a robust tool for testing linear relationships between variables. Statistical Package for Social Sciences (SPSS 17) software was used for analysing our data.

3.4 Handling common method bias

We asked owner-managers concerning their entrepreneurial orientation. These group of individuals are in the best position to give reliable information about the study variables. To reduce evaluation apprehension, we assured participants that their responses will be treated with confidentiality (Conway and Lance, 2010). They were also informed that none of the answers is right or wrong. The questionnaire consists of different sections and formats for collecting accurate responses. Respondents were told that the measurements of the

independent variables are not related to the that of the dependent variable (Podsakoff et al., 2003). The questionnaire was carefully constructed and evaluated by a panel of five academic and non-academic experts. This procedure enabled us to minimise common method bias.

4 RESULTS

4.1 Descriptive statistics

A mean score of (1.00-1.99 = strongly disagree), (2.00-2.49 = disagree), (2.50-3.49 = undecided), (3.50 - 4.49 = agree) and (4.50-5.00 = strongly agree). The results in table 1 shows that the respondents agreed with the following statements based on risk-taking dimensions of EO: Our firm takes bold and wide-ranging acts to achieve our objectives (mean score, 4.00; SD, 1.129), Our firm adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities (mean score, 4.06; SD, .899), Our firm encourages risk-taking behaviours (mean score, 4.06; SD, .899). Respondents agreed with the following statements based on proactiveness dimensions of EO: Our firm typically initiates actions to which competitors have to respond to (mean score, 3.95; SD, .922), Our firm is often the first to introduce new products (mean score, 4.05; SD, .915), Our firm typically adopts a very competitive strategy (mean score, 4.27; SD, 1.140), Our firm is proactive (mean score, 4.31; SD, .820). Respondents agreed with the following statements based on innovativeness dimension of EO: Our firm has a strong emphasis on R&D, technological leadership and innovation (mean score, 4.12; SD, 1.117), Our firm has many new lines of products in the past five years (or since its establishment (mean score, 4.07; SD, .898), Our firm engages innovative behaviours and activities establishment (mean score, 4.30; SD, .865) The firms' profitability was assessed based on managers' perception. A mean score of (1.00-1.99 = below average), (2.00-2.49 = slightly below average), (2.50-3.49 = average), (3.50 - 4.49= slightly above average) and (4.50-5.00 = above average). The results further show that profit after tax, in the last 3 years, is average (mean score, 3.23; SD, .956).

TABLE 1 - ITEM MEAN AND STANDARD DEVIATIONS

Items	Mean	Standard Deviation
Risk-taking		
<i>Our firm takes bold and wide-ranging acts to achieve our objectives</i>	4.00	1.129
Our firm adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities.	4.06	.899
Our firm encourages risk-taking behaviours	4.06	.899
Proactiveness		
Our firm typically initiates actions to which competitors have to respond to.	3.95	.922
Our firm is often the first to introduce new products	4.05	.915
Our firm typically adopts a very competitive strategy	4.27	1.140
Our firm is proactive	4.31	.820
Innovativeness		
Our firm has a strong emphasis on R&D, technological leadership and innovation	4.12	1.117
Our firm has many new lines of products in the past five years (or since its establishment)	4.07	.898
Our firm engages innovative behaviours and activities	4.30	.865
Profitability		
How was the firm profit after tax, in the last 3 years, in term of profitability.	3.23	.956

N= 150

Source: Authors, 2020

4.2 Regression results

As indicated in table 2 below, the study employed regression to establish how innovativeness, risk-taking and proactiveness can predict profitability of Small and Medium Enterprises (SMEs). In the first model, proactiveness predicted profitability ($\beta = .409$; $p < 0.05$). Also, in the second model, innovativeness significantly predicted profitability ($\beta = .473$; $p < 0.05$). However, in the third model risk-taking did not predict profitability ($\beta = .046$; $p > 0.05$). These results suggest that **H2**, innovativeness dimension of EO is positively associated with the profitability of Small and Medium Enterprises in Ghana and **H3**, proactiveness dimension of EO is positively correlated with the profitability of SMEs in Ghana are **supported**. Contrary to our expectation, **H1**, risk-taking dimension of EO is positively related to the profitability of SMEs in Ghana is **not supported**. The results in table 2 further show that proactiveness $R^2 = .167$ account for 16.7% variation in profitability of SMEs in Ghana. Innovativeness ($R^2 = .224$) explains 22.4% in the variation in SMEs profitability. Risk-taking does not account for variation in the profitability of SMEs in Ghana.

Table 2. Regression results- risk-taking, proactiveness, innovativeness and profitability

	Risk-taking/profitability	Proactiveness/profitability	Innovativeness /profitability
β	.046	.409	.473
F	.316	14.72	14.05
P-value	.575	.000	.000
R^2	.002	.167	.224

N= 150, **. Correlation is significant at the 0.01 level (2-tailed). *. Correlation is significant at the 0.05 level (2-tailed).

Source: Authors, 2020

4.3 Discussions

The aim of this research was to ascertain whether there is a significant positive association between profitability, risk-taking, innovativeness, and proactiveness among SMEs in Ghana. Our study contributes to the Dynamic capability perspective (e.g. Covin and Lumpkin, 2011; Teece, 2014) by affirming that entrepreneurial orientation dimensions (proactiveness and innovativeness) are essential capabilities that foster profitability. This paper enriches our understanding of how risk-taking, innovativeness and proactiveness affect the profitability of SMEs in Ghana context. We identified a positive and statistically significant relationship between profitability and innovativeness. This finding supports earlier studies by Muthee-Mwangi and Ngugi (2014), Karacaoglu et al. (2013), Matchaba-Hove and Vambe (2014) who observed a significant positive association between profitability and innovativeness. On the other hand, the research results contradict a previous finding that was conducted in the retail and service sector of Ghana by Anlesinya et al. (2015), that reported no significant positive relationship between innovation and profitability of small businesses in Ghana. One probable explanation could be the nature of industries and the kind of business their studies focused on. The current studies focused on small scaled manufacturers. Majority of the respondents happen to be in the handicraft sector, where new product designs, innovativeness, and artistry is key to the success of the business. Business owners must constantly come up with new designs and craftsmanship's that will attract buyers. This might partly explain the findings of the current research although one must be cautious in making such conclusions. In addition, the current study found a significant positive relationship between profitability and proactiveness. This result confirms previous findings by Anlesinya et al. (2015) and Boohene et al. (2012), who found that a significant positive relationship exists between proactiveness and profitability of microenterprises in the retail and service sectors in Ghana. It also confirms the findings of Matchaba-Hove and Vambe (2014). Wiklund and Shepherd (2005) contend that a proactive firm tends to identify and exploit new market opportunities to achieve innovative performance more easily. Apparently, the ability to identify and exploit these new opportunities before competitors do is a key determinant of SMEs performance. It appears that proactiveness relates to innovativeness as a proactive firm responds to new opportunities with innovative products and services before their competitors. Lastly, the research found no significant relationship between profitability and risk-taking, though a very weak positive effect ($\beta = 0.046$) exists between the variables. The finding supports Boohene et al. (2012) earlier observation that there is no significant relationship between profitability and risk-taking. On

the other hand, it contradicts Jalali et al. (2014) and Anlesinya et al. (2015), who have reported that risk-taking has a strong positive correlation with firm performance and growth. The current findings suggest that taking risks might not necessarily translate into higher performance in terms of profitability which is not in consonance with our earlier argument.

4. CONCLUSIONS

Entrepreneurial behaviour of Small and Medium Enterprises (SMEs) foster superior performance. The findings of this study reveal that a positive and significant relationship exists between innovativeness, proactiveness, and profitability. A very weak positive relationship was found to exist between risk-taking and profitability, though, the relationship was not significant. The study contributes to the limited literature on African businesses as opined by scholars and enhances our understanding of the connection between risk-taking, proactiveness, innovativeness and profitability of smaller firms in the context of a developing African economy.

4.1. Managerial implications

The findings of this study have several implications for SME owners, governments, and researchers. For Small business owners in the small-scaled manufacturing sector of Ghana, the study implies that their ability to innovate is crucial to their financial performance and profitability. Such businesses must constantly look for new ways of doing business either by way of research and development or encourage creative thinking. This also applies to development agencies and governmental institutions that are mandated to assist these businesses to grow. They must encourage innovative thinking and assist SMEs to innovate. Equally important, is the need to be proactive. SMEs must be able to identify and exploit new market opportunities to achieve innovative performance. The findings that risk-taking has no significant association with profitability imply that SMEs owners must be careful in taking risks because it may hinder their ability to achieve superior profits. A thorough cost-benefit analysis must be conducted prior to any risky initiative.

4.2. Limitation and directions for further research

It must, however, be emphasized that the study has some limitations. For researchers, the study findings imply that extant findings on the relationship between the risk-taking, proactiveness, innovativeness and profitability might significantly differ from industry and geographical context to the other. Therefore, it may be interesting to extend the current study to other industries and business sectors. Contextually, the study mostly concentrated on small scaled handicraft manufactures in the Art center and Osu area of the greater Accra region of Ghana. Therefore, one must be cautious in generalizing the findings of the study. In conclusion, the findings of this study reveal that a positive and significant relationship exists between innovativeness, proactiveness, and profitability. A very weak positive relationship was found to exist between risk-taking and profitability, though, the relationship was not significant. The study contributes to the limited literature on African businesses as opined by scholars and enhances our understanding of the connection between risk-taking, proactiveness, innovativeness and profitability of smaller firms in the context of a developing African economy.

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