

**Business Performance of Small and Medium Scale
Industries through Entrepreneurship Orientation: Special
Reference to Hambanthota District, Sri Lanka.**



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Abstract

Entrepreneurship has played an important role in economic growth, innovation, competitiveness and in poverty alleviation in Sri Lanka whereas SME sector in the country has great potential to generate economic benefits and accounts for about 70% of all industrial establishments. In the service sector SMEs accounts for more than 90 percent of business establishments whereas they contribute about 35 percent of employment. This study investigates the degree of Entrepreneurial Orientation (EO) of fifty seven manufacturing SMEs in Hambanthota District, Sri Lanka (HDSL) and the effects of EO dimensions including proactiveness, innovativeness, and risk taking on Business Performance.

The study explored the degree of EO dimensions of fifty seven established manufacturing SMEs in HDSL and its relationship with performance. Different analyzing methods have been used for the study. A questionnaire was used as the main instruments for data collection. Qualitative and quantitative techniques were applied for data analysis. Simple Linear Regression method was used to analyze the relationship between EO and BP. Multiple regression analyses were employed to identify the relationship among the EO dimensions and BP variables with which degree of EO of SMEs was determined by the mean value. Based on the result of Pearson correlation analysis, the significance of the relationship among variables was established. Reliability analysis ensured the internal consistency and reliability of measures. Cronbach's alpha was calculated to confirm the reliability of constructs.

Analysis of relationship between business performance and each of EO variables separately showed that innovativeness and proactiveness has positive linear relationships with business performance. However, overall effect of innovativeness, proactiveness and risk taking jointly on business performance is also important. The findings of the survey showed that all three jointly account for twenty percent of the variation in business performance. Based on the findings of the survey, it can be concluded that most important variable to increase the business performance is innovativeness of SMEs whereas the most important variable to measure the business performance is growth in number of employees.

Keywords: Small & Medium Scale Enterprises (SMEs), Entrepreneurial Orientation, Business performance, Hambanthota District, Sri Lanka