



Business Startup Motives and Growth Expectations of Micro and Small-Scale Entrepreneurs in Southern Province of Sri Lanka: The Mediating Role of Entrepreneurial Orientation

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Abstract

New venture creations are vital for the economic growth of any country because of its contribution to employment generation, employment generation, GDP, innovations and value additions. Though a large number of new venture creations occur every year in Sri Lanka, research findings highlighted that a smaller percentage was able to survive. Hence, the number of business establishments cannot be considered as a meaningful indicator of economic growth of the country and the high failure rate is a crucial issue. Past studies revealed that business startup motives effect on the business growth and Entrepreneurial Orientation (EO) plays a crucial role in directing the business towards success. Studies are lacking about the impact of business startup motives on the success and survival of newly established ventures and the mediating role of the EO on the relationship between start-up motives and new venture success. Therefore, the present study focused to reveal whether significant relationship exists between business startup motives and growth expectations; growth expectations between the necessity driven (NDEs) and opportunity driven entrepreneurs (ODEs); and whether EO plays a mediating role on the relationship between business startup motives and growth expectations. Independent Sample T test and Structural Equation Modeling were applied to test the hypotheses. Findings revealed that significant difference exists between the NDEs and ODEs in terms of proactiveness, competitive aggressiveness, and autonomy and no significant difference exists in growth expectations between the NDEs and ODEs. Entrepreneurial Orientation partially mediates the relationship between business startup motives and growth expectations.

Keywords: Business startup motives; Entrepreneurial orientation; Growth expectations; Micro and Small Enterprises, Necessity driven and Opportunity driven entrepreneurs

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INTRODUCTION

Number of establishments of micro, small and medium scale enterprises (MSMEs) is considered as an indicator of economic growth by many developing countries (Lecuna, 2014). Moreover, regardless of the scale of the enterprise, growth and survival are considered as the main expectations of every entrepreneur. However, due to the high failure rate and low survival rate of new venture startups, the number of establishments further cannot be considered as a meaningful indicator of economic growth. This is the general phenomenon among many developing countries including Sri Lanka. The failure rate of small and medium scale entrepreneurs (SMEs) has remained very high (45%) in Sri Lanka for many years (Bandara, 2016; Kulupparachchi et al., 2017). The rate of closing down within seven years is also very high (75%) (Jayathilaka, 2016). Further, they pointed out that a high proportion of new ventures have to be closed down during their first few years of life. Kumarasinghe (2017) expressed that despite the Western province of Sri Lanka having rates as having a high level of business climate, SMEs which operate in this province have reported an 80% failure rate within the five years from the start. Despite the low survival rate of MSMEs reported in Sri Lanka, many business startups happen every year. Such startups were stimulated either by negative (push) factors or positive (pull) factors.

During the period of economic crisis, unemployed individuals are pushed towards self-employment due to the absence of alternatives for living (Fairlie and Fossen, 2018; Dawson and Henley, 2012). Instead, several venture creations occur due to pull motives such as inner talents of a person, seeking opportunities in the business environment, etc. This dilemma implies that all the entrepreneurs do not respond to the environment in a uniform way. Thus, business creation occurs due to either responding favorably for market opportunities or due to unfavorable circumstances. Such happenings of entrepreneurship had been labeled as “opportunity-driven” or “necessity-driven” entrepreneurship.

As précised by the definition of entrepreneurship, an entrepreneur continuously exploits opportunities and seeks novelties to bring new capacity to the market. However, past researchers (Edelman, et al., 2010 and De Silva, 2010) argued that level of business growth and growth expectations will vary based on this demarcation of startup motives. For example, De Silva, (2010) argued that the level of business growth and growth intentions vary between the necessity driven entrepreneurs (NDEs) and opportunity driven entrepreneurs (ODEs). Manolova et al. (2007) found that ODEs aspire to grow faster than NDEs. The existing literature revealed that business startup motives affect the business growth and the growth



expectations. Therefore, by taking into consideration the existing low performance rates of micro and small-scale enterprises (MSEs) in Sri Lanka, the first objective of this study focuses on revealing whether any significant relationship exists between business startup motives and growth expectations of micro and scale enterprises.

Further, this research intends to reveal the growth and growth expectations of ODEs and NDEs in terms of Entrepreneurial Orientation. Kozubikova et al. (2017) argued that this relationship was mediated by entrepreneurial orientation including proactiveness, risk taking, innovativeness and competitiveness. However, a contradictory debate was there among the previous findings on how differently behaved NDEs and ODEs in achieving business growth (Alarape, 2015; Neneh, 2017). Jeewan et al. (2017) and Kozubikova et al. (2017) also found that differences can be seen between the NDEs and ODEs in terms of EO constructs. Based on the diverse arguments on the growth and growth expectations as well as the entrepreneurial orientation of ODEs and NDEs, the second objective of this study aims at disclosing is there any distinction exist in EO constructs between ODEs and NDEs as well as does such a demarcation creates difference in growth expectations between the ODEs and NDEs. Finally, based on the findings of this study, it expects to provide a concluding view

about which type of motive is popular in Sri Lankan context, which type of motive leads to achieve higher level of EO dimensions and thereby higher level of growth expectations which are required to achieve higher level of business growth and survival.

LITERATURE REVIEW

Necessity Driven vs. Opportunity Driven Startup Motives and Growth Expectations

The evolution of research on business startup motives can be identified from the push-pull drives to the necessity-opportunity dichotomy (Buttner and Moore, 1997). In recent decades, the terminology of 'push' and 'pull' motives have been shifted towards the necessity entrepreneurship and opportunity entrepreneurship respectively (Verheul et al., 2010). Push motives are "the elements of necessity in which entrepreneurs are pushed or forced to start new businesses in order to overcome negative external forces and pull motives are attractive reasons as to why entrepreneurs decide to start businesses" (Gilad and Levine, 1986 - Cited by De Silva, 2010, p.5). Many researchers argued that individuals are often driven into entrepreneurship by negative situational factors such as losing a job, dissatisfaction with existing employment, having problems with family responsibilities, or after experiencing a career setback (Dawson and Henley, 2012; Galid and



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Levine, 1986). In contrast, others may be compelled to become entrepreneurs with the idea of grabbing an opportunity and taking the decision to start a business. Many past studies used unemployment nature of the entrepreneur before starting the business as the major indicator to distinguish ODEs from NDEs (Fairlie and Fossen, 2018 and Kautonen and Palmroos, 2010). Demarcation of opportunity vs. necessity entrepreneurship was done by relying on the survey question of "Are you involved in a new venture creation process because you want to take advantage of a business opportunity or because you have no other employment choice?" (Robichaud's et al. 2006, p.6). However, still there is no clear-cut edge between the ODEs and NDEs as aforementioned authors made-up and might have several motives instead of having a single motive (Arias and Penas, 2010 and Hughes, 2006).

Difference in level of growth between the ODEs and NDEs is another aspect that has been emphasized in entrepreneurship research literature. Also, at the micro level, ODEs are more profitable and more successful than NDEs is another opinion (Block and Wanger, 2006 - cited by Zali and et al., 2013). A similar view was presented by Vivarelli (2004). He mentioned that the firms which started due to positive entrepreneurial calculation record higher performance than the firms which were backed up

by a defensive reason (cited by Zali et al. (2013). Fairlie and Fossen (2018) presented that through discovering better production methods, high entrepreneurial ability and availability of capital direct ODEs towards high growth. De Silva (2010) noted that both "pull" and "push" motives affect an entrepreneur at the initial stage while "pull" motives mainly affect at the growth stage. Grounded by these contradictory arguments, much empirical evidence is found to support that ODEs reach higher business growth comparatively with NDEs.

Previous researchers also made a debate about the relationship between the business startup motive and business growth and growth expectations. Langevang et al. (2012) highlighted that "*NDEs are unlikely to have growth aspirations*" is a widespread assumption having *in developing countries*. Zali et al. (2013) mentioned that there is a negative relationship between NDEs and business growth expectations while having a positive relationship between the ODEs and business growth expectations. Lecuna (2014) also found that growth expectations benefit directly through opportunity motivation rather than necessity motivation.

Based on these arguments on differences between growth and growth aspirations between the ODEs and NDEs as well as focusing the attention on the pro-poor strategy



applied by many developing countries to motivate unemployed youth towards new venture startups, it is worthwhile to reveal is there any significant difference exist in growth and growth expectations between ODEs and NDEs in the Sri Lankan context. Therefore, the first and second hypotheses of this study were formulated as follows:

Hypothesis 1: There is a significant difference in growth expectations between NDEs and ODEs.

Hypothesis 2: There is a statistically significant relationship between business start-up motives and growth expectations.

Startup Motives and Entrepreneurial Orientation

Regarding the new venture decision, the Entrepreneurial Orientation concept is rooted in the Mintzberg (1973) theory of strategic decision making (Teixeira et al., 2019). Later, Khandwalla (1977) discussed management decision making style in terms of risk taking and proactiveness are important dimensions to identify new business opportunities. Afterwards, Covin and Slevin (1989) and Miller (1983) explained EO as the strategic orientation of the business which demonstrates “proactiveness”, “innovativeness”, and “risk taking”. Lumpkin and Dess (1996) proposed two additional elements to reflect EO as “competitive aggressiveness” and “autonomy”. This conceptualization has received widest attention around

the globe during the past two decades as a strategic posture of the firm (Gupta et al., 2019). Innovativeness refers to a propensity to introduce novelties (Covin and Slevin, 1989). Proactiveness denotes the behavior of searching for new business opportunities to become pioneers in the industry (Wiklund and Shepherd, 2003). Risk taking emphasizes as an inclination for involving the projects and activities with increasing risk and return in the ambiguous business atmosphere (Covin and Slevin, 1989; Rauch, et al, 2009). Competitive aggressiveness refers to “intense competition among rivals and the speedy response for competitive actions including newcomers to the industry” (Lumpkin and Dess, 1996, p.140). Autonomy is defined as “generating and exploiting new ideas through autonomous acts by personally or as a team towards success” (Lumpkin and Dess, 1996, p. 148).

Kozubikova, et al. (2017) found that substantial distinction exists in between innovativeness, proactiveness and competitive aggressiveness of entrepreneurs with financial motives and mission motives. Jeewan et al. (2017) examined the effect of OD and ND factors on EO of women entrepreneurs in India and findings verified that there was a significant influence of pull factors on EO than push factors. These results implied that ODEs demonstrate higher EO



than NDEs. Therefore, the third hypothesis of this study was formulated as follows.

Hypothesis 3: Entrepreneurial orientation is comparatively higher among the opportunity driven entrepreneurs than the necessity driven entrepreneurs

Startup Motive, Entrepreneurial Orientation and Growth Intention

Lumpkin and Dess (1996) explained EO as a behavior which searches for opportunities to start a new venture by using its resources. Levie and Autio (2013) discovered that the need for achievement showed minor but positive and strong effects with risk-taking propensity and innovativeness that directly link with intention to growth. Through a comparative analysis between manufacturing and service firms in some of the European economies, Rigteringa et al. (2014) revealed that EO is positively associated with growth aspirations of ODEs and NDEs. Therefore, by considering these arguments, the fourth hypothesis was formulated as follows.

Hypothesis 4: Entrepreneurial orientation has a significant mediating effect on the relationship between startup motive and growth expectations

RESEARCH METHODOLOGY

Sample and Data Collection

Population of the study is all the registered MSEs of the Small Enterprise Development Division and Chamber of Commerce and Industries in Galle and Matara districts of the Southern province of Sri Lanka. MSEs were defined based on the number of employees of the entity as 1-50 employees by using the criteria of National Policy Framework for SME Development in Sri Lanka (2016). Further, MSEs with at least 3 years of age of their business were also considered. Accordingly, the size of the population is 3055. Random sampling technique was used to select the sample of 150 MSEs from the databases of the above business development service organizations (BDS) and cross-sectional survey method was applied in collecting primary data. Semi-structured questionnaire was used to collect data and the first part of the questionnaire focused on the demographic profile of the respondents and profile of the business. Second part included five-point Likert-scale questions by focusing on revealing the start-up motives, entrepreneurial orientation and growth expectations of the entrepreneur. With the purpose of data collection, the research team attended the four workshops which were conducted to MSEs by the above mentioned BDS organizations. By priority allocating a time, a member of the research team explained the



questionnaire to the predetermined entrepreneurs who have registered under these BDS organizations and gave them sufficient time to read the questionnaire and fill the questionnaire. Out of 120 questionnaires were collected, 20 questionnaires were discarded due to missing data. Finally, the remaining 100 questionnaires were used for data analysis purposes. **3.2 Measures**

This study includes independent, dependent, and mediating variables. Respectively, business startup motives, growth expectation, and entrepreneurial orientation are the independent, dependent, and mediating variables of this study. Based on the definitions and demarcation used by most of the previous researchers for necessity driven and opportunity driven entrepreneurs (Fairlie and Fossen, 2018; Kautonen and Palmroos, 2010; and Robichaud's et al., 2006), a single question of "Did you have done a job before starting this business" was used to categorize the entrepreneurs as NDEs and ODEs. For this question, those who answered as "unemployed before starting the business" have been identified as NDEs and otherwise as ODEs. By considering the existing research literature (De Silva, 2010; Fairlie and Fossen, 2018; Gupta et al., 2013), except this main categorization as NDEs and ODEs, six push and pull motives were taken into account.

By labeling those from M1 to M6 with the purpose of testing the relationship between startup motives and growth expectations of MSEs. These six motives included: high demand and market potentials (M1), independence and more flexibility (M2), favorable industry environment (M3), desire to start my own business (M4), having good business idea (M5), and having the required knowledge, skills and resources (M6).

Entrepreneurial Orientation (EO) was considered as the mediating variable of this study and five dimensions (innovativeness, proactiveness, risk taking, competitive aggressiveness, and autonomy) were used to measure the EO by slightly amending the conceptualization of EO presented by Miller (1983, p. 45), Covin & Slevin (1989, p 79), and Lumpkin and Dess (1996, p. 151) for better fit with MSEs in Sri Lankan context. Scale contains 5 items to measure innovativeness (EOI), proactiveness (EOP), and risk taking (EOR), 4 items to measure competitive aggressiveness (EOC), and 3 items to measure autonomy (EOA). In overall, 22 statements were presented under these 5 dimensions to determine the degree of EO of the MSEs in the sample. As per the research objectives, the difference of EO between the NDEs and ODEs as well as the relationship of EO and growth expectations were tested.



The dependent variable of 'growth expectation' is defined as what the entrepreneur expects to do in achieving a substantial growth of the business in the future. Interchangeably, the terms "growth intention", "growth ambition" or "growth aspiration" were used by previous researchers (De Silva, 2010; and Levie and Autio, 2013). Nine (9) growth expectations that were mesh with MSEs in Sri Lankan context were used in this study. Those include: exporting, facility improvement, new segments, geographical expansion, increasing market share, technology upgrading, product line extensions, differentiation, and increasing employment.

RESULTS AND FINDINGS

Independent sample T test and Structural Equation Modeling (SEM) were used to analyze data. To reveal the difference in entrepreneurial orientation and growth expectations between NDEs and ODEs, an independent sample T test was used. SEM can be used for confirmatory factor analysis and the estimation of a series of structural equations (Hair et al, 2014). Accordingly, the mediating effect of EO was analyzed through SEM. Covariance-based Structural Equation Modeling (CB-SEM) and Partial Least Squares Structural Equation Modeling (PLS- SEM) are the widely used structural equations modeling techniques. PLS - SEM was

selected for this study because of it expects to test the mediating effect of EO between motives and growth expectations.

Reliability of a construct is an indicator of the stability and consistency and it helps to assure the goodness of a measure. Cronbach's alpha is commonly used to measure multiple items scale's reliability. The Cronbach's alpha between 0.8 and 0.95 confirms very good reliability, alpha between 0.7 and 0.8 reflects good reliability, and alpha between 0.6 and 0.7 indicates fair reliability (Zikmund, 2013, p. 306). Table 1 shows the reliability results of the study constructs which assures the internal consistency. These results allow for the calculation of an overall mean score for study constructs. EO was measured by using the mean value of innovativeness, proactiveness, risk taking, competitive aggressiveness, and autonomy while growth expectation was measured by getting the mean value of 9 indicators as shown in Table 1.

Table 2 shows group statistics of growth expectations (GEs) of NDEs and ODEs. As per the independent sample T test results in Table 3, there is no significant difference between NDEs and ODEs ($p > 0.05$) relating to any constructs of the GEs such as exporting ($p = 0.141$), facility improvement ($p = 0.553$), new segments ($p = 0.555$), geographical expansion ($p = 0.300$), increasing



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market share ($p = 0.142$), technology upgrading ($p = 0.720$), differentiation ($p = 0.821$), product line extension ($p = 0.384$), and increase employments ($p = 0.593$). This reveals that after establishing the business, similar types of GEs are having regardless of the type of startup motive. Therefore, the 1st hypothesis (*“There is a significant difference in growth expectations between NDEs and ODEs”*) cannot be accepted. This implies that there is no significant difference in Growth Expectations between NDEs and ODEs.

Table 1: Reliability Statistics of the Study Variables

Construct	Indicators	Cronbach's alpha
Innovativeness	EOI1, EOI2, EOI3, EOI4, EOI5	0.799
Pro-activeness	EOP1, EOP2, EOP3, EOP4, EOP5	0.843
Risk Taking	EOR1, EOR2, EOR3, EOR4, EOR5	0.818
Competitive aggressiveness	EOC1, EOC2, EOC3, EOC4	0.870
Autonomy	EOA1, EOA2, EOA3	0.856
Entrepreneurial Orientation	AvgEon, AvgEop,	0.838

Motive	AvgEor, AvgEoc, AvgEoa	
Growth expectation	Export, Physical facility, New segments, Geographical Expansion, Mkt share, Technology, Differentiation, Line Extension, Employees	0.882
Motive	M1, M2, M3	0.610

Source: survey 2019

Table 2: Group Statistics of Growth Expectations

Construct	Motive	N	Mean	Std. Deviation
Exporting	NDEs	44	3.902	1.1677
	ODEs	56	4.198	.8300
Facility improvement	NDEs	44	4.089	.8462
	ODEs	56	4.176	.6113
New segments	NDEs	44	4.088	.9497
	ODEs	56	4.191	.7999
Geographical expansion	NDEs	44	3.904	.8740
	ODEs	56	3.702	1.0232
Increasing market share	NDEs	44	4.052	.7332
	ODEs	56	4.262	.6805
Technology	NDEs	44	4.295	.6439
	ODEs	56	4.345	.7190
Differentiation	NDEs	44	4.157	.8495
	ODEs	56	4.114	.9765
Line extension	NDEs	44	4.174	.7323
	ODEs	56	4.302	.7180
Increasing employments	NDEs	44	3.800	1.0153
	ODEs	56	3.908	.9877
Growth intention	NDEs	44	4.0512	.61465
	ODEs	56	4.1332	.61060

Source: survey 2019



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Table 3: Independent Samples T Test Results for Growth Expectations of NDEs and ODEs

		Levene's Test for Equality of Variances			t-test for Equality of Means				
		F	Sig.	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Exporting	Equal variances assumed	6.662	.011	98	.141	-.2965	.1999	-.6932	.1003
	Equal variances not assumed			74.714	.158	-.2965	.2081	-.7110	.1181
Facility improvement	Equal variances assumed	2.376	.126	98	.553	-.0867	.1458	-.3761	.2026
	Equal variances not assumed			75.558	.569	-.0867	.1515	-.3885	.2150
New segments	Equal variances assumed	1.104	.296	98	.555	-.1037	.1750	-.4510	.2437
	Equal variances not assumed			83.915	.563	-.1037	.1787	-.4590	.2517
Geographical expansion	Equal variances assumed	1.430	.235	98	.300	.2017	.1935	-.1824	.5857
	Equal variances not assumed			97.279	.291	.2017	.1899	-.1752	.5785
Increasing market share	Equal variances assumed	.015	.904	98	.142	-.2097	.1418	-.4912	.0718
	Equal variances not assumed			89.020	.146	-.2097	.1431	-.4941	.0747
Technology	Equal variances assumed	.009	.927	98	.720	-.0498	.1384	-.3245	.2249
	Equal variances not assumed			96.282	.716	-.0498	.1366	-.3209	.2213
Differentiation	Equal variances assumed	.182	.670	98	.821	.0423	.1859	-.3267	.4113
	Equal variances not assumed			96.941	.818	.0423	.1828	-.3206	.4052
Line extension	Equal variances assumed	.411	.523	98	.384	-.1276	.1459	-.4172	.1619
	Equal variances not assumed			91.618	.385	-.1276	.1463	-.4181	.1629
Increasing employments	Equal variances assumed	1.831	.179	98	.593	-.1081	.2014	-.5079	.2916
	Equal variances not assumed			91.269	.594	-.1081	.2021	-.5096	.2933



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Growth intention	Equal variances assumed	.188	.666	98	.508	-.08201	.12337	-	.16281
	Equal variances not assumed			92.198	.508	-.08201	.12347	-	.16319
								.32683	.32722

Source: survey 2019

Table 4 shows Group statistics of EO and Table 5 shows independent sample T test results. The results reveal that there is a significant difference ($p < 0.05$) in pro-activeness ($p = 0.018$), competitive aggressiveness ($p = 0.021$), and autonomy ($p = 0.017$) and no significant differences ($p > 0.05$) in innovativeness ($p = 0.310$) and risk taking ($p = 0.164$) between NDEs and ODEs. However, the overall EO ($p = 0.014$) is significantly different between the NDEs and ODEs. Therefore, H_3 of this study (*Entrepreneurial orientation is comparatively higher among the opportunity driven entrepreneurs than the necessity driven entrepreneurs*) can be accepted.

Table 4: Group Statistics of Entrepreneurial Orientation

Construct	Motive	N	Mean	Std. Deviation
Innovativeness	NDE	44	3.9469	.61918
	ODE	56	4.0746	.62256
Pro-activeness	NDE	44	3.6558	.53813
	ODE	56	3.9453	.63713
Risk Taking	NDE	44	3.4296	.66781
	ODE	56	3.6122	.62964
Competitive aggressiveness	NDE	44	3.5684	.65162
	ODE	56	3.8816	.66722
Autonomy	NDE	44	3.6216	.88222
	ODE	56	3.9933	.65377
Entrepreneurial Orientation	NDE	44	3.6444	.49132
	ODE	56	3.9014	.52236

Source: survey 2019

The measurement model: PLS – SEM

The entrepreneurial growth expectation model as depicted in Figure 1 has three latent variables with reflective measurement models (i.e., motive, EO, and GEs). Invalidating the model, three indicators from the motive construct (M4, M5, and M6) were removed due to the outer loadings below 0.4. Other indicators remained in the revised model for further analysis. All outer loadings of reflective constructs: Motive, EO, and GEs are well above the threshold value of 0.708 (Hair et al., 2017) except indicators of Avg EoA (0.656) and Employments (0.614). The indicators with outer loadings below 0.708 (Avg EoA and Employments) were not removed from the study because of deleting these will not have significant increase in composite reliability (CR) and average variance extracted (AVE). All indicators of the three reflective constructs exceed the minimum acceptable level for outer loadings.



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Table 5: Independent Samples T Test of Entrepreneurial Orientation

		Levene's Test for Equality of Variances			t-test for Equality of Means				
		F	Sig.	df	Sig. (2- taile d)	Mean Differe nce	Std. Error Differe nce	95% Confidence Interval of the Difference	
								Lower	Upper
Innovativeness	Equal variances assumed	.299	.586	98	.310	-.12775	.12512	-.37605	.12054
	Equal variances not assumed			92.710	.310	-.12775	.12504	-.37606	.12056
Pro- activeness	Equal variances assumed	1.884	.173	98	.018 *	-.28954	.12001	-.52770	- .05138
	Equal variances not assumed			97.455	.016	-.289548)	.11760	-.52293	- .05614
Risk Taking	Equal variances assumed	.616	.434	98	.164	-.18263	.13027	-.44115	.07590
	Equal variances not assumed			89.796	.167	-.18263	.13121	-.44330	.07804
Competitive aggressiveness	Equal variances assumed	.000	.986	98	.021 *	-.31323	.13305	-.57725	- .04920
	Equal variances not assumed			93.447	.020	-.31323	.13266	-.57666	- .04980
Autonomy	Equal variances assumed	3.244	.075	98	.017 *	-.37174	.15361	-.67657	- .06691
	Equal variances not assumed			76.917	.022	-.37174	.15913	-.68861	- .05487
Entrepreneurial Orientation	Equal variances assumed	.000	.983	98	.014 *	-.25698	.10254	-.46046	- .05350
	Equal variances not assumed			94.822	.013	-.25698	.10178	-.45904	- .05492

Source: survey 2019



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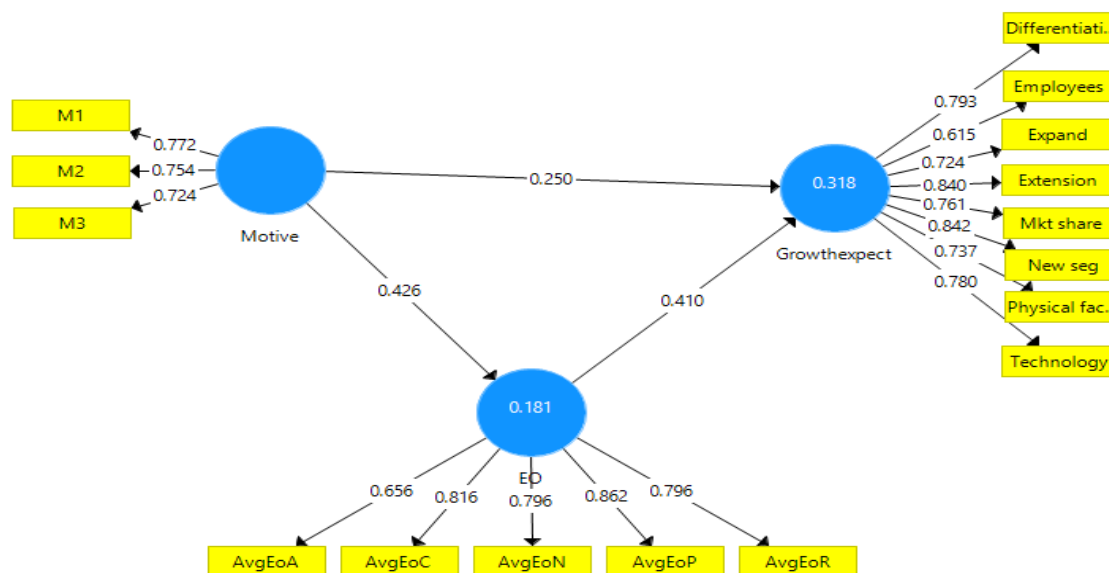


Figure 1: Structural model

As per Table 6, composite reliability values of all three constructs (Motive - 0.794; EO - 0.891; GEs - 0.918) have high levels of internal consistency reliability. The AVE values of 0.563 (Motive), 0.585 (EO), and 0.621 (GEs) are well above the threshold level of 0.5. Thus, the three constructs have high levels of convergent validity. It further shows that the square root of each construct’s AVE and correlations with other constructs to assess the discriminant validity. As per the Fornell – Larcker criterion, the square roots of the AVEs for constructs of 0.750 (Motive), 0.788 (EO), and 0.765

(GE) are all higher than the correlations of these constructs. Further, heterotrait-monotrait (HTMT) ratio of correlations proposed by Henseler et al. (2015) was used to examine discriminant validity. Table 7 shows the HTMT ratio of correlations and all the values are lower than the threshold value of 0.85. The Fornell – Larcker criterion and HTMT ratio provide evidence for the constructs’ discriminant validity. Accordingly, all the model evaluation criteria were met and supported for the measures of reliability and validity.

Table 6: Construct Correlations with the Square Root of AVE, Reliability, and Validity

Construct	Motive	Entrepreneurial Orientation	Growth Expectation	AVE	Composite reliability
Motive	0.750			0.563	0.794
Entrepreneurial Orientation	0.426*	0.788		0.585	0.891
Growth Expectation	0.425*	0.517*	0.765	0.621	0.918

Source: survey 2019

Items in bold are square root of AVE * construct correlations



Table 7: HTMT Values

	Entrepreneurial Orientation	Growth Expectation
Entrepreneurial Orientation		
Growth expectation	0.576	
Motive	0.581	0.551

Source: survey 2019

The Structural Model

The tolerance (VIF) values of Motive (1.000) and EO (1.222) show that there are no collinearity issues among the predictor constructs. Investigation of the predictive capabilities of the model and the relationship between constructs were assessed by the structural model (Hair et al., 2016). Accordingly, level of R², effect sizes f², predictive relevance Q² are essential in assessing reflective structural models. Results relating to testing the H3 and H4 of this study are illustrated in Figure 1. Coefficient of determination (R²) provides evidence of predictive accuracy. The R² values of GE (0.318) and EO (0.181) indicate that 31.8 percent variance of growth expectation can be explained by entrepreneurial motive and EO while 18.1 percent of the variance of EO can be explained by the entrepreneurial motive respectively. 2nd hypothesis (H2) of this study (There is a statistically significant relationship between business start-up motives and growth expectations) is supported by the data ($\beta = 0.250$, $t = 2.282$) which indicates the positive and statistically significant relationship between motive and GE. Further in this context, the model shows the relationship between motive and EO ($\beta = 0.426$, $t = 5.294$),

and EO and GE ($\beta = 0.410$, $t = 4.716$) also positive and statistically significant.

The effect size f^2 motive to GE is 0.08, motive to EO is 0.22, and EO to GE is 0.20. As per Cohen's (1988), effect size values of 0.02, 0.15, and 0.35 are reflecting small, medium, and large effects respectively. Therefore, the motive reflects small effect while EO represents medium effect to GE, and motive reflects medium effect of EO. The predictive relevance of the model is indicated by Q². The Q² is of 0.09 and 0.16 for EO and GE respectively. According to Hair et al. (2016), Q² over than '0' reflects the model has predictive relevance for the endogenous constructs.

Mediation Effect

The mediating effect of EO between motive and GEs has been examined to get a better understanding of the role of EO. Table 8 reveals that there is a significant direct effect between motive and GE ($\beta = 0.250$, $t = 2.282$). The significance of indirect effect and associated t value are then checked by using path coefficients when mediator (EO) is included in the model. Mediation effect can be identified as an indirect effect. The results of Table 8 reveal that the indirect effect ($\beta =$



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0.175, $t = 3.222$) is statistically significant. Thus, the direct and indirect effects are statistically significant, the magnitude of the mediator (EO) of this study considered to be partial. This finding support for

the 4th hypothesis (H4) about mediating role of EO and EO has a significant mediating effect on the relationship between business startup motive and GEs.

Table 8: Structural Model Path Coefficients and Mediation Analysis

Hypothesis	Procedure	Path	Path Coefficient	Indirect Effect	t-values	p-values
H ₄	Direct effect (without mediator)	Motive → Growth expect	0.453		5.565	0.000
	Direct effect (with mediator)	Motive → Growth expect	0.250		2.282	0.023
		Motive → EO	0.426		5.294	0.000
		EO → Growth expect	0.410		4.716	0.000
	Indirect effect (with mediator)	Motive → EO → Growth expect		0.175	3.222	0.001

Source: survey 2019

DISCUSSION

According to the outcomes of data analysis, EO dimensions of innovativeness, proactiveness, risk taking, competitive aggressiveness, and autonomy of ODEs show higher mean values than NDEs of the sample. Notably, the results confirmed that there is a significant difference in proactiveness, competitive aggressiveness, autonomy, and EO between NDEs and ODEs while there is no significant difference in innovativeness and risk taking between NDES and ODEs. Koe (2016) also revealed that there is no significant difference in risk taking and intention. This finding is partially

harmonious with the results of Kozubikova, et al., (2017), and their results verified that a statistically significant difference is there in innovativeness, proactiveness and competitive aggressiveness between the entrepreneurs who are motivated by money and mission. Findings revealed that there is no significant difference between NDEs and ODEs relating to any dimension of the GEs and this may be due to after establishing the business, similar types of GEs are having regardless of the startup motive. However, in testing motive and GE relationship, the SEM model automatically remains only opportunity driven motives and it reveals that start-up motives positively



and significantly influence growth intention and this is in line with previous research of De Silva (2010) and Edelman et al. (2010). This finding implies that consideration on a single motive may not create fruitful findings. Tagiuri and Davis (1992) also stated that entrepreneurs could have multiple motives rather than a single overarching type of motive and De Silva (2010) revealed that each entrepreneur is motivated by a combination of “pull” and “push” motives at the start-up stage.

Moreover, the present study confirmed that EO has a positive significant effect on GE and the results are consistent with the Rigtering et al. (2014) who concluded that EO is positively associated with growth aspirations. Specifically, current study accepts that EO partially mediates the relationship between start-up motives and growth expectations of MSEs in Sri Lanka. Our research contributes to the literature through important findings that start-up motives of entrepreneurs led to increased growth intention when enhancing EO of MSEs. It suggests that MSEs in Sri Lanka need to develop strategic entrepreneurial posture to increase their growth. Moreover, intense competition, turbulent environment, and market dynamics may challenge MSEs in achieving their growth aspirations and ability to be proactive,

innovative, risk taking, competitive, aggressive, and autonomy significantly supports that. In fact, entrepreneurs should be provided a favorable environment with infrastructure and supporting services in order to create more opportunity driven MSEs in Sri Lanka.

CONCLUSION

Present study attempts to disclose the relationship among the start-up motives, entrepreneurial orientation and growth expectations of MSEs in Sri Lanka. Findings revealed that the majority of MSEs in the Southern province of Sri Lanka are opportunity-driven entrepreneurs. Entrepreneurial orientation of MSEs played an important role in shaping the relationship between start-up motives and growth expectations. Furthermore, it is found that significant differences exist in terms of the dimensions of entrepreneurial orientation i.e., proactiveness, competitive aggressiveness, autonomy, and entrepreneurial orientation between the necessity and opportunity driven entrepreneurs. In addition, start-up motives significantly influence the growth expectations of MSEs. However, using a single motive to demarcate entrepreneurs as necessity driven (NDEs) and opportunity driven (ODEs) and analyze the impact of startup motive on entrepreneurial orientation or growth expectations is problematic.



Thus, using several motives instead of a single dimension creates fruitful results. It is evident that MSEs should enhance their capability to beat competition and cultivate independent thinking in order to exploit new business opportunities which in turn to achieve their growth expectations in a dynamic business environment. Finally, this research adds new knowledge to the existing literature while opening-up a new path for future research in the nexus among start-up motives, entrepreneurial orientation, and growth aspirations in diverse socio-cultural settings such as demographic diversity, cultural diversity and sector wise diversity, etc.

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