



Influence of Individualism on Entrepreneurial Opportunity Exploitation among Small and Medium Enterprises Owners in Tanzania

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Authors' contributions

This work was carried out in collaboration among all authors. Author BHK designed the study, performed the statistical analysis and wrote the first draft of the study. Authors JEJ and ET managed literature searches, proof reading and editing the manuscript. All authors read and approved the final manuscript.

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ABSTRACT

Aims: The main objective of this study was to examine the influence of individualism on entrepreneurial opportunity exploitation among small and medium enterprise owners in Tanzania through the mediation effect of innovativeness. Specific objectives were to examine the influence of

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individualism on entrepreneurial opportunity exploitation and to examine the mediating effect of innovativeness on the influence of individualism on entrepreneurial opportunity exploitation.

Methodology: The study employed an explanatory research design. 370 small and medium enterprise owners were studied using a cross-section survey questionnaire. Partial least square structural equation modelling was used to test the instruments' validity and reliability and testing the direct and indirect hypotheses on the effects of individualism on entrepreneurial opportunity exploitation.

Results: After testing the hypotheses, the direct effects showed that individualism positively and significantly influences entrepreneurial opportunity exploitation among small and medium enterprise owners. Testing mediation effects, it was found that innovativeness partially mediates the relationship between individualism and entrepreneurial opportunity. Therefore, innovativeness has positive significant indirect effects on the relationship between individualism and entrepreneurial opportunity exploitation.

Conclusion: Individualism directly and indirectly influences small and medium enterprise owners to exploit entrepreneurial opportunities. The study helps policymakers to understand that individualistic values, if well addressed in entrepreneurship policy, can help to promote innovativeness and entrepreneurial opportunity exploitation. Practically, the study implies that well-structured culture influences small and medium enterprises owners' behavior to exploit opportunities.

Keywords: Entrepreneurship; individualism; innovativeness; opportunity exploitation.

1. INTRODUCTION

Small and medium enterprises (SMEs) account for at least 90 percent of businesses in the world [1]. SMEs account for 98 percent of all businesses and play the most significant role in the development and growth of national economies globally [2]. The dominance of SMEs in the business industry is also experienced in Tanzania. For instance, 83.3% of businesses in Tanzania are SMEs [3], whereby 12.83 percent of SMEs in Tanzania are concentrated in Dar es Salaam region [4]. Because SMEs occupy a large percentage of the business sector, they play an essential role in the exploitation of entrepreneurial opportunities.

Entrepreneurial opportunity exploitation varies among different nations [5,6]. Efforts to explain the reasons for the variations have concentrated on economic and political factors. However, these formal institutional factors inadequately explain the variations [6,7]. Although cultural values play a significant role in explaining the variations in entrepreneurial opportunity exploitation [8,9], they have been given little attention. Cultural values have the most significant influence on entrepreneurial opportunity exploitation through creating a favorable environment, improving positive attitudes towards entrepreneurial opportunity exploitation, providing social support and creating of misfits who opt for entrepreneurial opportunity exploitation to compensate for what culture cannot satisfy [5].

Hofstede's cultural values have been widely preferred in studying the relationship between culture and entrepreneurship [10,11]. Among the six Hofstede cultural dimensions, individualism has the major role in influencing entrepreneurial opportunity exploitation [5]. Individualism positively and significantly affects entrepreneurial opportunity exploitation [12-14]. Individualism encourages a strong preference for personal freedom, achievement, responsiveness, and competitiveness; thus increasing the propensity to exploit entrepreneurial opportunities [5]. Despite the recognized influence of individualism on entrepreneurial opportunity exploitation, most studies have examined its influence in developed countries rather than developing countries [13,14]. Moreover, there are inconsistent findings among various studies [12].

This study examines the influence of individualism on entrepreneurial opportunity exploitation through the mediation effect of innovativeness. Individualism significantly boosts innovativeness [15,16]. Also, innovativeness significantly affects entrepreneurial opportunity exploitation [17,18]. Entrepreneurial opportunity exploitation depends on innovativeness because SME owners convert business ideas into goods and services through a process of innovativeness [18]. Innovativeness brings new and improved ways through which SME owners exploit entrepreneurial opportunity exploitation [6]. The above relationships motivated this study to examine the relationship through the mediation effect of innovativeness.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

The literature review discusses the influence of innovativeness on entrepreneurial opportunity exploitation, the influence of individualism on innovativeness and the influence of innovativeness on entrepreneurial opportunity exploitation. Hypotheses used for testing the objectives have been formulated being informed by literature review which has conducted.

2.1 Individualism and Entrepreneurial Opportunity Exploitation

Individualism values are concerned with personal freedom, initiative, accomplishment and uniqueness [19]. Entrepreneurs are said to be creative, self-motivated and have the willingness to work independently, thus they possess individualistic values. A strong association exists between living in individualistic values and entrepreneurial opportunity exploitation [5]. Individualism strongly contributes to opportunity exploitation decisions [13,14]. Individualism has positive effects on entrepreneurship activity [12]. Furthermore, individualism influences entrepreneurship in a supportive manner [8]. Despite empirical evidence that individualism facilitates entrepreneurship, some studies have found the insignificant influence of individualism on entrepreneurship [20,21]. Hence it is hypothesized that: Individualism positively and significantly influences entrepreneurial opportunity exploitation among SME owners.

2.2 Individualism, Innovativeness and Entrepreneurial Opportunity Exploitation

Literature has widely explained the relationship between individualism, innovativeness and opportunity exploitation. Individualism accelerates innovativeness [22,23]. Individualism increases SME owners' creativity and uniqueness hence accelerates their innovativeness [6]. Consequently, innovativeness plays a critical role in entrepreneurial opportunity exploitation [17] through bringing improved and new products, services and production techniques [15,17]. From the above studies the sequential relationship among individualism, innovativeness and entrepreneurial opportunity exploitation has been established, hence it is hypothesized that: Innovativeness positively and significantly mediates the relationship between

individualism and entrepreneurial opportunity exploitation among SME owners.

3. METHODOLOGY

Primary data were collected from SME owners from Ilala, Ubungo, Kinondoni, Temeke and Kigamboni districts found in Dar es Salaam, Tanzania. Dar es salaam region was selected because it has a larger number of SMEs than any other region in the country [4]. Proportionate and systematic random sampling were used to identify 370 SME owners who were studied. The study used an explanatory research design which is essential in quantitatively assessing and testing the association among variables. Data were collected using a structured questionnaire. The questionnaire was translated from English to Kiswahili because Tanzanians are more conversant with Kiswahili which is a native language. The seven-point Likert scale measured the relationship among study variables. Data analysis was conducted using partial least square structural equation modeling (PLS-SEM). Partial least structural equation modelling was chosen because it does not consider distribution assumptions, is robust to missing values, more powerful in estimating the significance of paths and is a well-developed and widely used system of estimating relationships in business management and related disciplines [24].

4. RESULTS AND DISCUSSION

This part presents the results of the measurement and structural model. Measurement models is concerned with validation of the reliability and validity of the model. Having been satisfied with the measurement model, the structural model analyses goodness of fit, predictive power, predictive relevance and significance of hypothesized relationships among constructs.

4.1 Measurement Model

When using smart Partial list square structural equation modelling, the measurement model must be assessed before assessing the structural model. Factor loadings measured individual item reliability. Factor loadings above 0.70 mean an indicator contributes more than 50% of the definition of the latent construct, hence the acceptable reliability of an indicator [24]. In measuring Individualism(IND) three indicators (IND1, IND2 and IND6) were removed

because they did not meet the required factor loadings of equal or above 0.7. Also, from innovativeness (INN) two indicators (INN1 and INN8) were removed because they did not meet the recommended factor loadings threshold and from entrepreneurial opportunity exploitation (OE) one indicator (OE1) was removed because it did not meet the threshold of greater or equal to 0.7. After removing indicators with less than 0.7 factor loadings, the partial least square (PLS) algorithm was run to come develop a new model. From the new model developed after removing indicator with low factor loadings; all constructs had Cronbach's alpha greater than 0.70; hence reliability has been attained. Composite reliability of 0.70 or above is adequate to establish reliability [24], all constructs had above 0.7 values of composite reliability. The model is reliable since the required threshold values for factor loadings, Cronbach's alpha and composite reliability have been met. The Average variance extracted (AVE) above or equal to 0.5 shows that convergent validity has been met [24]. All constructs have an AVE value greater than 0.50, thus convergent validity has been met. Discriminant validity was measured using HTMT. HTMT value less than 0.90 for similar constructs and HTMT value less than 0.85 for different constructs indicate the presence of discriminant validity [24]. Table 2 shows HTM less than 0.85 for different constructs; hence discriminant validity has been attained.

4.2 Structural Model

4.2.1 Models predictive power and relevance

Models predictive power was measured by R Square. A value equal to 0.1 Or above indicates model predictive power [25]. R^2 values are higher than 0.1; hence the predictive capability is established. Q^2 measures whether the structural model has predictive relevance or not. Q^2 greater than 0 indicates that the model has predictive relevance [24]. Constructs have predictive relevance since they are above the recommended value.

4.2.2 Hypotheses testing on both direct and indirect (mediation) effects

The first objective examined the influence of individualism on entrepreneurial opportunity exploitation among SME owners in Tanzania. To test this objective, it was hypothesized that

individualism positively and significantly influences entrepreneurial opportunity exploitation among SME owners in Tanzania. Results in Table 3 suggest that individualism positively and significantly influences entrepreneurial opportunity exploitation ($P = .000$) hence the hypothesis was supported. Personal uniqueness, preference for personal success and preference for personal decisions and choices were individualist factors for entrepreneurial opportunity exploitation among SME owners. Findings are in line with [12], who found a positive relationship between individualism and entrepreneurial activities. Findings are also consistent with [5], who found a higher number of opportunity startups in individualistic countries. Also, [13] found a positive and significant relation between individualism and entrepreneurial opportunity exploitation decisions. Findings are aligned with [14], who found a positive and significant influence between individualism and entrepreneurship. However, findings are inconsistent with [20], who found an insignificant association between individualism and entrepreneurial values. Moreover, lack of capital has been acknowledged as one of the challenges hindering entrepreneurial opportunity exploitation in Tanzania [26,27]. Therefore, some form of collectivism is required to raise capital from family and friends for the exploitation of entrepreneurial opportunities.

The second objective examined the mediation effect of innovativeness on the relationship between individualism and innovativeness. To test this objective, it was hypothesized that innovativeness positively and significantly mediates the relationship between individualism and entrepreneurial opportunity exploitation. Results in Table 3 indicate that innovativeness significantly mediates the relationship between individualism and entrepreneurial opportunity exploitation since indirect impact is significant ($P=.000$) and direct impact is also significant ($P =.000$), hence the hypothesis was supported. Cultural values influenced SMEs owners to develop new ideas, improve production methods, introduce new products and discover new markets which ultimately influenced SME owners to exploit entrepreneurial opportunities. Innovativeness helps SME owners to improve goods and services, people, structures and processes [16].

Table 1. Factor loadings, cronbach’s alpha, composite reliability and average variance extracted (AVE)

Construct	Factor loadings	Cronbach's Alpha	Composite reliability	Average variance extracted (AVE)	
Individualism	IND 3	0.817	0.798	0.881	0.712
	IND4	0.859			
	IND5	0.856			
Innovativeness	INN 2	0.777	0.865	0.899	0.598
	INN3	0.784			
	INN4	0.815			
	INN5	0.766			
	INN 6	0.779			
	INN 7	0.715			
Entrepreneurial opportunity exploitation	OE2	0.837	0.808	0.886	0.722
	OE 3	0.807			
	OE4	0.903			

Table 2. Heterotrait monotrait ratio

INN -> IND	0.643194037
OE -> IND	0.789731611
OE -> INN	0.741626162

Table 3. Direct and indirect (mediation) effects

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
IND -> OE	0.296	0.294	0.066	4.471	0.000
IND -> INN -> OE	0.097	0.098	0.028	3.485	0.000

Results are consistent with [28], who asserts that individualism positively influences an organization’s innovativeness. Also, the findings are in line with [22], who found that individualism is important for fostering innovation. Moreover, findings align with [29], who found that innovativeness related to products, services, processes and markets positively and significantly effects business sustainability in small and medium enterprises. A level of individualism stimulates SMEs owners to be innovative, ultimately lead into entrepreneurial opportunity exploitation.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Based on the findings, Individualism positively and significantly influence SME owners to exploit entrepreneurial opportunities. Also, innovativeness positively and significantly mediates the relationship between individualism and entrepreneurial opportunity exploitation. The

partial mediation effect was found to be a mechanism through which innovativeness mediates the relationship since both the direct and indirect effects were significant. Individual uniqueness, individual preference for success and personal decisions and choices were the individualistic factors that influence SMEs owners’ innovativeness and entrepreneurial opportunity exploitation.

5.2 Recommendations

Innovativeness should be considered by practitioners such as policy makers, SME owners and researchers as an important mechanism through which individualistic cultural values influence entrepreneurial opportunity exploitation. Therefore, the findings of the study should guide policymakers and planners to consider and incorporate individualist values in policies and regulations aimed at promoting innovativeness and entrepreneurial opportunity exploitation among SME owners. Also, SME owners should embrace individualist values since they have been found to have positive and significant influence in

promoting innovativeness and entrepreneurial opportunity exploitation

CONSENT

Respondents' consent has been secured and well maintained by the authors in line with the international and university standards.

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COMPETING INTERESTS

Authors have declared that no competing interests exist.

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