

Original Research Article

Influence of individualism on entrepreneurial opportunity exploitation among Small and Medium enterprises in Tanzania. The mediating effect of innovativeness.

ABSTRACT

Aims: The purpose of this study was to examine the influence of individualism on entrepreneurial opportunity exploitation among SMEs owners in Tanzania through the mediation effect of innovativeness. Specific objectives were to examine influence of individualism on entrepreneurial opportunity exploitation and to examine the mediating effect of innovativeness on the influence of individualism on entrepreneurial opportunity exploitation

Design/Methodology: The study employed explanatory research design 370 SMEs owners were studied using a cross section survey questionnaire. Partial least square structural equation modelling was used to test the hypotheses on the direct and indirect effects of individualism on entrepreneurial opportune exploitation.

Results: After testing the hypotheses, empirical results showed that individualism positively and significantly influences entrepreneurial opportunity exploitation among SMEs owners. Also, innovativeness significantly mediates the relationship between individualism and entrepreneurial opportunity exploitation

Contribution to theory, policy and practice: Theoretically influence of individualism cultural values on entrepreneurial opportunity exploitation has been mediated by innovative behavior. Practically the study helps policymakers to understand that individualism value, if well addressed in entrepreneurship policy, can be helpful in promoting innovativeness and entrepreneurial opportunity exploitation among SMEs owners. Practically the study implies that well-structured culture influence SMEs owners' behavior to exploit opportunities

Key words: Individualism, innovativeness, entrepreneurship, opportunity exploitation.

1. INTRODUCTION

Almost 90% of businesses worldwide are in form of SMEs [1]. SMEs account 83.3% of businesses in Tanzania [2]. Almost 12.83 percent of SMEs in Tanzania are in Dar es Salaam [3]. Considering a large percent that SMEs occupy in both developing and developed countries, they play an important role on entrepreneurial opportunity exploitation.

Entrepreneurial opportunity exploitation varies among different nations [4,5]. Cultural values play a significant role in explaining the variations among different countries [6,7,8]. Cultural values have the most significant influence because of their role in creating a favorable environment, improve positive attitudes towards entrepreneurial opportunity exploitation and creating misfits who opt for entrepreneurial opportunity exploitation [4].

Scholars have widely used Hofstede's cultural values in assessing the relationship between culture and entrepreneurship [9, 10]. Among the six Hofstede cultural dimension individualism cultural value has the major role in influencing entrepreneurial opportunity exploitation [4]. Individualism positively and significantly influence entrepreneurial opportunity exploitation [4,11,12]. Individualism encourages a strong preference for personal freedom, achievement, responsiveness, and competitiveness; thus increasing propensity to exploit entrepreneurial opportunities [4]. Despite the recognized influence of individualism on entrepreneurial opportunity exploitation, most of the studies have been conducted in developed countries rather than developing countries [11,12].

This study examines the influence of individualism on entrepreneurial opportunity exploitation through the mediation effect of innovativeness. Individualism significantly boosts innovativeness [13,14,15]. Also innovativeness significantly affects entrepreneurial opportunity exploitation [12,16]. The above relationships motivate this study to examine the relationship through mediation effect of innovativeness.

Findings from this study suggest that individualism positively and significantly influences entrepreneurial opportunity exploitation. SMEs owners with individualist values: preference for person freedom, responsibility, rewards and personal achievement, are more likely to exploit entrepreneurial opportunities.

Moreover, innovativeness significantly mediates the relationship between individualism and entrepreneurial opportunity exploitation.

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.

2.1 Individualism and entrepreneurial opportunity exploitation

Individualism values are concerned with personal freedom, initiative, accomplishment and uniqueness [4,17]. Entrepreneurs are said to be creative, self-motivated and have willingness to work independently, thus they possess individualistic values. Higher opportunity entrepreneurship is found in countries higher in individualistic values [11]. Individualism highly contributes to opportunity exploitation decision [11,12]. Individualism has a positive significant effect on entrepreneurship [4]. Furthermore, Cultural dimensions of individualism influence entrepreneurship in a supportive manner [6]. Despite empirical evidence that individualism cultural values facilitate entrepreneurship, there are some studies that have found insignificant influence of individualism on entrepreneurship [18,19]. Hence it is hypothesized that:

H1 Individualism positively and significantly influences entrepreneurial opportunity exploitation

2.2 Individualism, innovativeness and entrepreneurial opportunity exploitation

Literature has widely explained the relationship between individualism and innovativeness and opportunity exploitation. Individualism accelerates innovativeness [20,21,22]. Consequently, innovativeness plays a critical role on entrepreneurial opportunity exploitation [16] through bringing improved and new products, services and production techniques [14]. Innovativeness create supportive situation [16] for business owners to exploit opportunities. From the above studies sequential relationship among individualism, innovativeness and entrepreneurial opportunity exploitation it has been established, hence it is hypothesized that:

H2 Innovativeness positively and significantly mediates the relationship between individualism and entrepreneurial opportunity exploitation

3. METHODOLOGY

Primary data was collected from SMEs owners from Ilala, Ubungo, Kinondoni, Temeke and Kigamboni districts which are found in Dar es Salaam, Tanzania. Both proportionate sampling and systematic random sampling were used to identify 370 SMEs owners who were studied. The study used explanatory research design which is important 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). PLS-SEM was preferred because it does not consider distribution assumptions, it is robust to missing values, allows testing of theoretical framework from prediction view point. Furthermore, Smart PLS-SEM is well-developed and widely used system of estimating relationships in business management and related disciplines [23].

4. RESULTS AND DISCUSSION

This part presents results of the measurement and structural model. Measurement models is concerned with validation of reliability and validity of the model. Having been satisfied with the measurement model, the structural model analyses goodness of fit, predictive power and 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 means an indicator contributes more than 50% of the definition of the latent construct hence the acceptable reliability of an indicator [24]. IND1, IND2 and IND6 from individualism, INN1, INN7 and INN8 from innovativeness and OE1 from opportunity exploitation were removed because they did not meet the threshold of greater or equal to 0.7 while other items were retained. All constructs have 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] Composite reliability measures are greater than the

recommended threshold; thus indicating the reliability of the constructs studied. The Average variance extracted (AVE) above or equal to 0.5 shows that convergent validity has been met [24]. All constructs have 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.

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

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

Hypotheses were tested where results indicate that individualism has a positive significant effect. The study examined the direct and indirect effect of individualism on entrepreneurial opportunity exploitation among SMEs owners in Dar es Salaam region. Results suggest that individualism positively and significantly influences entrepreneurial opportunity exploitation ($P = .00$). Personal uniqueness, preference for personal success and preference for personal decisions and choices were individualist factors for entrepreneurial opportunity exploitation among SMEs owners. Findings are in line with [4],[11] and [12]. However, lack of capital has been acknowledging as one of the challenges hindering entrepreneurial opportunity exploitation in Tanzania [26,27] therefore, some form of collectivism may be required to raise capital from family and friends for the exploitation of entrepreneurial opportunities.

Assessing the mediating effect of innovativeness on the relationship between individualism and innovativeness. Results indicate that innovativeness significantly mediates the relationship between individualism and entrepreneurial opportunity exploitation since indirect impact is significant ($P=.00$) and direct impact is as well significant ($P =.00$). Results are consistent with [20] who asserts that individualism positively influence on organization innovativeness. Also, findings are in line with [21] who found that

individualism is an important for fostering innovation. [22] found that innovativeness is positively related country's higher levels of individualism. Level of individualism stimulates SMEs owners to be innovative which ultimately lead into entrepreneurial opportunity exploitation.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Based on the findings, Individualism positively and significantly influence SMEs owners to exploit entrepreneurial opportunities. Also it was found that individualism influence innovativeness which in turn influence entrepreneurial opportunity exploitation. In presence of the mediating variable some effects of individualism directly pass to entrepreneurial opportunity exploitation while some pass through innovativeness. Individual uniqueness, individual preference for success and individual decisions and choices were the factors which influences SMEs owner's innovativeness and entrepreneurial opportunity exploitation.

5.2 Recommendations

Innovativeness should be considered as an important mechanism through which individualism cultural values influences entrepreneurial opportunity exploitation. Therefore, findings of the study should guide policy makers and planners to consider and incorporate individualist values in policies and regulations aimed at promoting innovativeness and entrepreneurial opportunity exploitation among SMEs owners. Also, SMEs 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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UNDER PEER REVIEW

APPENDIX

THE OPEN UNIVERSITY OF TANZANIA
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Date: March 21, 2022.

RE: RESEARCH CLEARANCE

The Open University of Tanzania was established by an Act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No.55 in the official Gazette. The Act was however replaced by the Open University of Tanzania Charter of 2005, which became operational on 1st January 2007. In line with the Charter, the Open University of Tanzania mission is to generate and apply knowledge through research.

To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you Mr. KAMWFLA, Baraka H. Reg.No: PG201702930 pursuing Doctor of Philosophy (PhD). We hereby grant this clearance to conduct a research titled "Influence of Cultural Values on Entrepreneurial Opportunity Exploitations among Tanzania SMEs owners in Dar es Salaam Region". He will collect his data at your area from March 25th, 2022 to May 2nd 2022.

In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O.Box 23409, Dar es Salaam. Tel: 022-2-2668820. We lastly thank you in advance for your assumed cooperation and facilitation of this research academic activity.

With kind regards,

A handwritten signature in blue ink, appearing to read 'Magreth Bushelwa'.

Prof. Magreth Bushelwa

DIRECTOR OF POSTGRADUATE STUDIES

JAMHURI YA MUUNGANO WA TANZANIA
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Kumb. Na. EA.260/307/03/107

05 Aprili, 2022


Mkurugenzi wa Jiji,
Halmashauri ya Jiji la Dar es Salaam,
Dar es Salaam.

Wakurugenzi wa Manispaa,
Halmashauri ya Manispaa Kinondoni,
Kigamboni, Temeke na Ubungo,
Dar es Salaam.

Yah: KUMTAMBULISHA BW. KAMWELA BARAKA H. KUFANYA UTAFITI

Tafadhali husika na somo tajwa hapo juu.

2. Ofisi ya Mkuu wa Mkoa imepokea barua Kumb. Na. PG201702930 ya tarehe 21 Machi, 2022 kutoka Chuo Kikuu Huria Tanzania ikimtambulisha na kumuomba kibali cha kufanya utafiti Bw. Kamwela, Baraka H. kufanya utafiti katika Halmashauri yako.
3. Mwanafunzi huyu anafanya utafiti kuhusu "*Influence of Cultural Values on Entrepreneurial Opportunity Exploitations among Tanzania SMEs Owners in Dar es Salaam Region*".
4. Kwa barua hii, kibali kimetolewa kuanzia 25 Machi, 2022 hadi 02 Mei, 2022.
5. Asante kwa ushirikiano wako.


John J. Ngonyani
Kny: KATIBU TAWALA MKOA
DAR ES SALAAM

Nakala: Makamu Mkuu wa Chuo,
Chuo Kikuu Huria Tanzania,
S.L.P 23409,
Dar es Salaam.

Bw. Kamwela, Baraka H.



Appendix I: Questionnaire for survey

Dear Respondents:

I am Baraka Hebron Kamwela, a Ph.D. Candidate at the Open University of Tanzania. Currently am doing a Ph.D. study on influence of cultural values on entrepreneurial opportunity exploitation among Tanzanian SMEs owners in Dar es salaam region.

You have been selected to participate in this study. Kindly respond to the questions as carefully as possible. Answers remain anonymous and confidential.

Part A: General information

To each question please tick in the blank box with appropriate option.

1) What is your sex <input type="checkbox"/> Male <input type="checkbox"/> Female <input type="checkbox"/>
2) Which of the following categories describes your age in years? Less than 20 <input type="checkbox"/> , 20 – 29 <input type="checkbox"/> , 30 – 39 <input type="checkbox"/> , 40 – 49 <input type="checkbox"/> , 50– 59 <input type="checkbox"/> , 60 or above <input type="checkbox"/>
3) What is your marital status? Single <input type="checkbox"/> , Married <input type="checkbox"/> , Divorce <input type="checkbox"/> , Separated <input type="checkbox"/> , widow <input type="checkbox"/> widower <input type="checkbox"/>
4) What is your highest level of education? Not attended any school <input type="checkbox"/> , Primary education <input type="checkbox"/> Secondary education <input type="checkbox"/> , Technical education <input type="checkbox"/> , University Education <input type="checkbox"/>
5) How long has your business existed Less than one year <input type="checkbox"/> , 1-5 years <input type="checkbox"/> , 6 -10 Years <input type="checkbox"/> , More than ten years <input type="checkbox"/>
6) which of the following describe total number of employees in your business

1-4 <input type="checkbox"/> , 5-49 <input type="checkbox"/> , 50-99 <input type="checkbox"/> , More than 100 <input type="checkbox"/>
7) Which of the following describe the size of capital invested in your business(in Tanzania shillings) up to 5 million <input type="checkbox"/> ,above 5- 200 million <input type="checkbox"/> ,above 200-800 million <input type="checkbox"/> , More than 800 million <input type="checkbox"/>

Part B: Influence of Cultural values on entrepreneurial opportunity exploitation among SMEs in Dar es Salaam Region

Please read the statements and tick the appropriate number reflecting the extent of your agreement or disagreement. The response scale is as follows: 1. Strongly disagree 2. Disagree 3. Somewhat disagree 4. Neither agree or disagree 5. Somewhat agree 6. Agree 7. Strongly agree

<i>OPPORTUNITY EXPLOITATION</i>								
1	I have set up a business organization to act on a business opportunity i discovered	1	2	3	4	5	6	7
2	Based on a business opportunity i discovered I have established a new market	1	2	3	4	5	6	7
3	I have approached investors to get funds for establishing a business	1	2	3	4	5	6	7

4	I have put together a team to pursue an identified business opportunity	1	2	3	4	5	6	7
<i>INDIVIDUALISM</i>								
1	I want to decide myself about things related to my business	1	2	3	4	5	6	7
2	I do what I feel is the best for me, no matter what others say	1	2	3	4	5	6	7
3	I always want to be somehow different from others	1	2	3	4	5	6	7
4	Individual success is better than group success	1	2	3	4	5	6	7
5	Success is determined by my own decisions and choices	1	2	3	4	5	6	7
6	I would rather depend on myself than others	1	2	3	4	5	6	7
<i>INNOVATIVENESS</i>								
1	I think of new ways of running my business	1	2	3	4	5	6	7
2	I am driven by creativity	1	2	3	4	5	6	7

3	I am committed to bring improvement in my products/services	1	2	3	4	5	6	7
4	I have developed new business processes to improve productivity	1	2	3	4	5	6	7
5	I have introduced new products/services in the past	1	2	3	4	5	6	7
6	I have a commitment to introduce new markets for my products	1	2	3	4	5	6	7
7	I often surprise people with my novel ideas	1	2	3	4	5	6	7
8	I like to experiment with various ways of doing the same thing	1	2	3	4	5	6	7

Thank you very much for your cooperation to participate on this survey