Does Managerial Foresight Matter in Microenterprise Performance? Evidence from Nepalese Microenterprises

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Abstract

Foresight aspect of micro-entrepreneurs and its effects on the microenterprise performance is a novel field of study. In this regard, using primary data enumerated from 501 randomly sampled micro-entrepreneurs across three ecological belts in Nepal, the study focused on assessing the effects of managerial foresight on the microenterprise performance in Nepal. The study observed significant indirect effects of educational attainment, need for achievement, need for autonomy, enterprise size, initial financial constraints, environmental hostility and social network on the microenterprise performance through managerial foresight. Managerial foresight appears to fortify the positive effects of educational attainment, initial financial constraints meanwhile reduce the negative effects of need for achievement, enterprise size, need for autonomy, environmental hostility and social network. The findings of this study, apart from confirming the findings of some of the previous studies and nullifying the findings of some other studies, have also explored some interesting mediating effects of managerial foresight on the microenterprise performance.

Keywords: Development, managerial foresight, microenterprise performance, poverty

1. Introduction

"Foresight is no longer a choice: it is a necessity" (Slaughter, 1996:162). Oxford Advanced Learner's Dictionary defines foresight as "the ability of a person to predict what is likely to happen and to use this to prepare for the future". It is a system thinking, which catalyzes new insights in the minds of decision-makers (Bezold et al., 2009). It is widely used in referring to the activities and processes that assist decision-makers in drawing the firm's future course of action (Vecchiato, 2012). It brings an awareness of long-term challenges and opportunities into more immediate decision-making (FOREN, 2001). In other words, foresight is a condition where the actions and decisions are founded both on what has gone before and on what is intended for the future (Slaughter, 1996). It provides a comprehensive visionary approach at the present for an entrepreneur or a manager to view the future of the firm and prepare accordingly.

Butter et al. (2005:3) defined foresight, which is often remarked as the best explanation of the foresight (Calof, 2012), as "a participative, approach to creating shared long-term visions that inform short-term decision-making processes". It implies that the foresight has a long-term influence on the firm's performance. It benefits the firms from different pathways such as building early warning systems, impacting on firm strategy, prioritizing resources, propelling societal learning processes, stimulating innovative policy making (Yuan et al., 2010) informing policy, facilitating policy implementation, embedding participation in policy making, supporting policy definition, reconfiguring the policy system, and as a symbolic function (DaCosta et al., 2008).

In the field of entrepreneurship or business research, managerial foresight can be viewed as a behavior of a manager (Amsteus, 2008).

In the case of micro-entrepreneurship study, as the micro-entrepreneur himself or herself is the owner and manager of the enterprise, managerial foresight can be referred to the behavior of a micro-entrepreneur himself or herself. In this regard, among limited studies on managerial foresight, most of them have focused solely on large-scale enterprises (Jannek and Burmeister, 2007); very few studies have considered small-scale enterprises.

Moreover, in the case of microenterprises, the foresight aspect of micro-entrepreneurs and its effects on the microenterprise performance is a novel field of study. The aspect of managerial foresights in micro-entrepreneurship needs to be explored. Therefore, this study aims to assess the effects of managerial foresight on the microenterprise performance.

2. Theoretical Framework

Theoretical framework provides the foundation for the research. A brief review and discussion of the related theories and findings of the previous studies on factors determining the microenterprise performance are presented below. The factors are classified as entrepreneur-, enterprise- and environment related factors that can have direct and or indirect effects on the microenterprise performance.

2.1 Entrepreneur-Related Factors and Microenterprise Performance

Trait theory, resource based view of the firm, and behavioral theory of entrepreneurs are some of the key theories that are widely used to explain different personal and background characteristics of entrepreneurs and their influence on enterprise performance. According to the resource-based view of the firm, valuable, rare, inimitable and non-substitutable resources strengthen the competitiveness of the firms (Barney, 1991). Educational attainment, trainings, experiences, intelligence, relationships and insights of individual managers and workers are the key human capital resources of the firms (Becker, 1964, Williamson, 1975, Tomer, 1987, cited in Barney 1991:101). Several studies have reported significant effects of education and experience (Praag et al., 2005; Segal et al., 2010) and age (Box et al., 1994; Segal et al., 2010). Moreover, studies have also observed a significant gender difference on microenterprise performance (Cooper et. al., 1994; Kim and Zahn, 2011)

Behavioral theory argues that the managerial skills such as ability to search business related information, identify opportunities, deal with risk, establish relationships and networks, make decisions under pressure and learn from experience are crucial for the success of an enterprises (Veciana, 2007). Industry Canada (2003) reported a significant effect of managerial skills on firm performance. Similarly, according to trait theory, entrepreneurs have different psychological profile than the rest of the population, and successful entrepreneurs have a psychological profile distinct from the less successful ones (Veciana, 2007:42). Need for achievement, need for autonomy, creative tendency, calculated risk taking and internal locus of control are some of the widely discussed entrepreneurial traits and motivational factors that may influence the enterprise success (Caird and Johnson, 1988; Veciana, 1989, cited in Veciana, 2007).

2.2 Enterprise-Related Factors and Microenterprise Performance

Economic theories claim that increasing size of the firms enables them to gain advantage on the economies of scale and thereby conquer greater profitability (Whittington, 1980). Studies have observed significant effects of enterprise size (Hall and Weiss, 1967, cited in Ramasamy et al., 2005; Whittington, 1980), enterprise age (Liedholm, 2002; Wiklund et al., 2009) and enterprise sector (Liedholm, 2002; Masakure et al., 2009; Gebreeyesus, 2009). Regarding the effects of financial capital on performance, there is a theoretical debate with two opposing views - "Capital markets are perfect and, therefore, do not hinder entrepreneurs in their required investments with regards to the levels and timeliness, vis-à-vis, and; capital markets do not supply the right amounts of capital to entrepreneurs due to asymmetric information" (Praag et al., 2005:42). According to Praag et al. (2005:36), "financial capital constraints might prevent entrepreneurs from creating buffers against random shocks, thereby affecting the timing of investments negatively." Empirical studies have reported a significant contribution of the amount of initial financial capital on the survival and growth of the firm (Cooper et al., 1994).

2.3 Environment-Related Factors and Microenterprise Performance

Enterprises have direct and indirect interactions with the environment such as family environment, social network, task environment and so on. Role theory of entrepreneurship argues that the entrepreneurship culture is crucial in the creation and success of new entrepreneurs or enterprises (Veciana, 2007). In the context of microenterprises, since they are family-based enterprises, the role of family environment seems to be highly considerable.

New entrepreneurs are more likely to emerge in the family environment where a person has seen and experienced the role of entrepreneurs (Veciana, 2007). Studies have found a relatively higher performance of the businesses owned by entrepreneurs who follow parental occupation (Lentz and Leband, cited in Parker, 2004) or who work in the family business before starting their own (Fairlie, 2009).

Similarly, network theory views a strong relationship between the network and entrepreneurship (Viciana, 2007). Network theory argues that those entrepreneurs who have a broad and diverse social network and who receive a good deal of support from their network are more successful (Bruderl and Preisendorfer, 1998).

According to the adaptation perspective of organization theory, the managers who scan the relevant environment for opportunities and threats, formulate strategic responses and adjust organizational structure appropriately (Hannan and Freeman, 1977) are more successful. The population ecology theory also argues that the environment determines the birth, growth and death of organizations or enterprises (Veciana, 2007). The environment around the firms tends to be dynamic, heterogeneous and hostile that seems to have significant influences on firm performance (Miller and Friesen, 1982; Miller, 1983; Awang et al., 2009).

2.4 Managerial Foresight and Microenterprise Performance

Martin Amsteus (2008) is among the few scholars who have made remarkable contributions in the study of managerial foresight and its association with enterprise performance. Amsteus (2008:53) viewed foresight behavior along three dimensions – "Degree of analyzing present contingencies and degree of moving the analysis of present contingencies across time; degree of analyzing a desired future state or states a degree ahead in time with regard to contingencies under control, and degree of analyzing courses of action a degree ahead in time to arrive at the desired future state." Jannek and Burmeister (2007) opined that during the period of changing business environment resulting with the need of greater competitiveness and environmental dynamics, the need of foresight requirement is assumed to be substantial. Similarly, Anita et al., (2010) noted that the longer decision horizons tend to have association with better firm performance. Amsteus (2011) in a study conducted among Swedish managers observed a significant positive correlation between managerial foresight and firm performance.

Moreover, managerial foresight might also mediate the effects of other entrepreneurial and environment-related factors on enterprise performance. Amsteus (2011) also suggested further research to identify the antecedents of foresight, for instance, what may promote (or negate) behavior on each of sub-components as well as on (overall) foresight such as environmental conditions, formal systems, training programs, and so on. Furthermore, educational attainment improves the knowledge and skills of a person and develops the ability of system thinking. Anderson (1997) prioritized the need of skills, education, business awareness, technology, and networks to strengthen the foresight. Similarly, Slaughter (1997) also opined that education can fortify the capacity to explore its future implications. Therefore, a more educated and skilled manager or entrepreneur is expected to have a greater foresight. Mackay and McKiernan (2004) noted foresight as a result of continuous analysis of the past at the present and thereby understanding the future. They argued that the memories of the past are influenced by the individual lenses, previous experiences, cultural myths, and so on; the experience of actual events in the present is influenced by viewpoint, involvement, quality of information, and so on; and the concepts of the future behavior and cognition are influenced by the foresight bias, counterfactual pasts and memory of the future.

Furthermore, in the patriarchal societies like Nepal, gender (being male) is regarded as an advantage for a manager to run a business. Males appear to have access to better opportunities and exposures to the external environment that may enhance their ability to presume the future; therefore, have better foresight. The age is not just a demographic variable. Age also indicates greater maturity and more experiences in the life of a person that enhance the system thinking of a person; thus, resulting in a positive effect on managerial foresight. Anita et al. (2010) in a study conducted across 1,500 S&P firms between 1996 and 2003 found a significant positive association between longer decisions horizons and firm performance. Furthermore, they observed that long-term oriented CEOs were either young or expected to be longer in the firm.

Likewise, the need for achievement and need for autonomy are the motivational factors of entrepreneurs that are related to future gain. These factors point out some aspects of hidden foresight in these persons. In other words, future is never certain. It is always about risk-taking. Similarly, creative tendency can strengthen future competitiveness. The entrepreneurs with creative tendency can be very creative to design new products and strategies to create a future market for their benefits. Internal locus of control relates to the extent to which an entrepreneur believes that he or she can control the events that affect him or her.

The entrepreneurs who think they can control the events that will affect in their business in the future can have greater foresight than those who do not have such control.

Successful entrepreneurs of manufacturing or production, business and service sector due to the difference in the nature of the business, for example in the manufacturing or production sector it takes relatively longer time to get the return of the investment but in the service sector, the returns starts faster, may have different level of managerial foresight.

Similarly, financial capital appears to play a crucial role in drawing the future course of action. The future strategy initiated by the entrepreneurs or managers must be financially viable for the firm. The entrepreneurs or managers of the firm who have financial constraints at the present may not be much interested to plan for the long-term future. They are generally engaged in solving the present problem, which is pertinent in the context of micro-entrepreneurship. For these forms, surviving in the present becomes more important than planning the future course of actions. On the other hand, the entrepreneurs who had initial financial constraints are likely to borrow the loan. If an entrepreneur invests loan borrowed from financial institutions in the business that has to be paid back in the future, he or she needs to plan the future; thereby, associating with managerial foresight.

The family where an entrepreneur has grown up if had business environment could shape the business approach differently than others. Similarly, the social network also could support and encourage entrepreneurs to plan the future. A person could learn the tacit knowledge from family business environment and social network, which could be useful in developing future strategy of the firm. Edelman (1992) (as quoted in Slaughter, 1996a:752) stated, “Freeing of parts of conscious thought from the constraints of an immediate present and the increased richness of social communication allow for the anticipation of future states and for planned behavior. With that ability come the abilities to model the world, to make explicit comparisons and to weigh outcomes; through such comparisons comes the possibility of reorganizing plans.”

Similarly, the business environment is becoming more and more challenging, unpredictable and competitive. The analysis of the dynamics of the business environment is very influential in the foresight of the managers and thereby for the success of the firms. The managers or entrepreneurs need a sound strategic response to the environmental dynamics. In other words, the future course of actions of an entrepreneur should consider environmental dynamics into account. In this regard, Jannek and Burmeister (2007) argued that during the period of changing business environment resulting with the need of greater competitiveness and environmental dynamics or when the entrepreneurs perceive their market increasingly competitive and dynamic, the need of foresight requirement is assumed to be substantial. In the turbulent environment, foresightful firms can perform better and take advantage of the available market earlier and faster than others (Ansoff, 1991). An entrepreneur or manager also should consider whether the business environment is dynamic, hostile or heterogeneous, and plan the future accordingly. The future strategy for dynamic business environment can be different from the hostile environment and so from the heterogeneous environment. Therefore, the perceived task environment is considered to have a significant effect on managerial foresight.

Hence, apart from the likely direct positive effect of managerial foresight on the microenterprise performance, managerial foresight seems to mediate the effects of the entrepreneur-, enterprise- and environment-related factors on the performance of enterprises. In other words, entrepreneur-, enterprise- and environment-related factors also seem to have indirect effects on the microenterprise performance through managerial foresight. Figure1 presents the conceptual framework of this study.

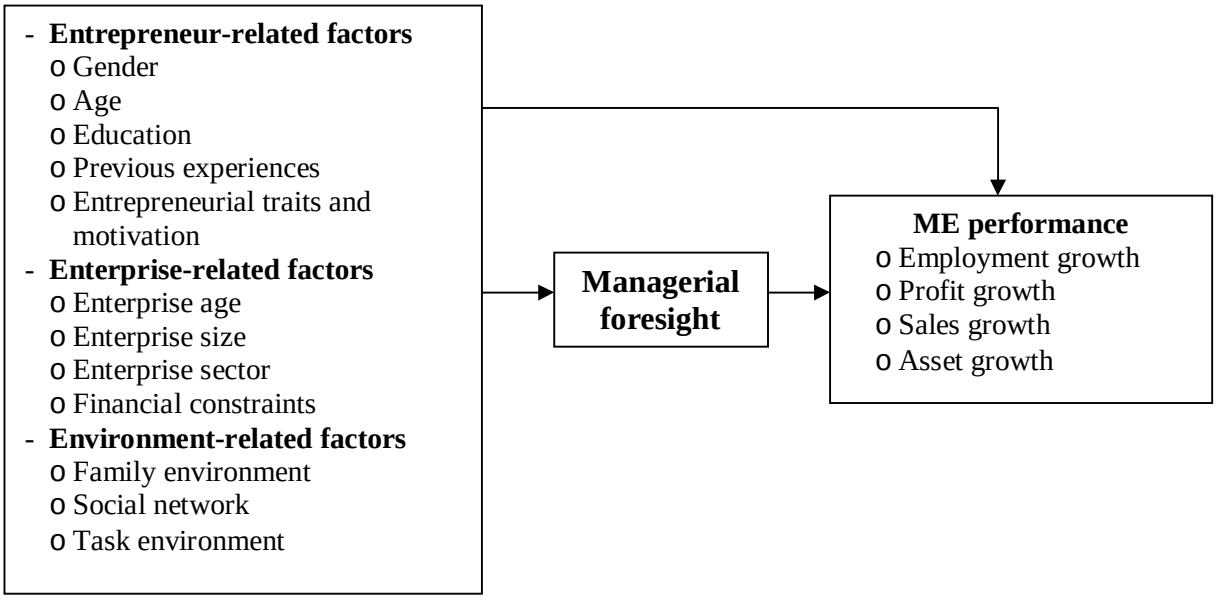

Figure 1: Conceptual Framework of the Study

3. Data and Methods

A questionnaire survey method was adopted in order to collect the primary data for the purpose of this study. The microenterprises initiated under Micro-Enterprise Development Programme by the Government of Nepal were the subjects for the study. The list of the micro-entrepreneurs was obtained from the Office of the Microenterprise Development Program, Kathmandu, Nepal. The data were enumerated from 501 randomly sampled micro-entrepreneurs from different strata such as gender, caste/ethnicity and enterprise categories across three districts – Sidhupalchok, Parbat and Nawalparasi representing three ecological belts – Mountain, Hill and Terai respectively.

A quantitative research method was utilized to analyze the data. The data were analyzed in two steps – descriptive analysis and multivariate inferential analysis. Multiple regression models were run to identify the factors determining the microenterprise performance. Regression Beta coefficients (β) were used to calculate the indirect effects of the predictors of the microenterprise performance.

The performance of microenterprises was assessed in four dimensions – employment, profit, sales and assets. The data on the measures of performance were obtained for the year BS 2068 (April 2011 – March 2012) and BS 2069 (April 2012 – March 2013). The average annual growth rate of employment, profit, sales and asset were computed as the growth rate between 2068 and 2069. The following formula was used to compute the growth rates.

$$G_r = \left[\frac{X_t - X_{t-1}}{X_{t-1}} \right] \times 100 \qquad \text{……..... (1)}$$

Where, G_r refers to the growth rate; X refers to the variable such as employment, profit, sales and asset, and *t* refers to the time (year).

The assumptions of multiple regression– normal distribution, linearity, multicollinearity, homoscedasticity and independence of error terms, were examined before running the regression models. The data were adjusted, and or transformed wherever necessary, to ensure the non-violation of assumptions. The data on employment even after adjusting and or transforming appeared to violate the basic assumption of normal distribution of the data; therefore, the employment variable was excluded from the regression analysis.

The hidden factors or latent variables particularly need for achievement, need for autonomy, creative tendency, calculated risk-taking, and internal locus of control (Caird and Johnson, 1988), managerial skills (Viciana, 2007), managerial foresight (Amsteus, 2011), social network (Viciana, 2007), and perception towards task environment (Miller and Friesen, 1982) were adapted from the works of the respective authors.

4. Results and Discussion

The data were analyzed in two steps – descriptive analysis and multivariate inferential analysis. Descriptive analysis includes a brief description of respondents' profile and the level and growth of the measures of the microenterprise performance. Multivariate inferential analysis includes the results of the multiple regressions and path analysis.

4.1 Respondents' Profile

Respondents' profile provides the basic background information of the subjects of the study such as gender, age, education, caste/ethnicity and ecological belts. Of the total samples (N = 501), more than two thirds (67.90%) were females. Similarly, a large majority of the respondents (68.80%) belong to 30 – 49 years age group followed 50-59 years (14%), less than 30 years (12.80%) and 60 plus (4.40%) respectively. Majority of the respondents (55.30%) have attained below or up to primary level education only followed by secondary (27.90%) and university level (13.40%) and higher secondary level (3.40%) respectively.

The highest percentage of respondent (49.70%) is Janajati followed by the Brahmin (24.94%) and Dalit (21.15%) and Muslim and others (4.20%) respectively. Likewise, the highest percentage of the respondents (40.12%) is from mountain followed by terai (31.74%) and hill region (28.14%) respectively (See Table 1).

Table 1 Demographic Profile of the Respondents

Variables	Categories	Percent
Gender	Female	67.90
	Male	32.10
Age group	Less than 30 years	12.80
	30 - 39 years	36.30
	40 - 49 years	32.50
	50 - 59 years	14.00
	60 years and above	4.40
Level of education	Primary level	55.30
	Secondary level	27.90
	Higher secondary level	3.40
	University level	13.40
Caste/ethnicity	Dalit	21.15
	Janajati	49.70
	Brahmin/Chhetri	24.95
	Muslim and Others	4.20
Ecological belt	Mountain	40.12
	Hill	28.14
	Terai	31.74

Note: N = 501 Source: Field Survey 2013

4.2 Growth of Employment, Profit, Sales and Asset of Microenterprises

The study revealed a growth in the level of the employment, profit, sales and asset of microenterprises between 2068 and 2069. Among the measures of the microenterprise performance, the study observed the highest growth of profit (51.88%) followed by sales (42.73%), asset (14.45%) and employment (8.82%) respectively. Average annual profit in 2068 was 40,194.47 NRs (Nepalese Rupees) that increased to 61,047.23 NRs in 2069. During the period, average annual sales increased from 79,980.48 NRs to 114,152.60 NRs; average annual amount of microenterprise assets increased from 31,471.06 NRs to 36,017.84 NRs in 2069, and the average annual employment increased from 1.70 to 1.85 (See Table 2).

Furthermore, the study revealed a significant deviation in the level and growth of employment, profit, sales and assets. The standard deviation statistics are greater than the respective mean statistics (See Table 2). It means that there is a noticeable variation in the level and growth of employment, profit, sales and assets among microenterprises that may not be desirable from a policy perspective.

From a methodological perspective, the standard deviation being greater than the mean value is likely to indicate the problem of violating the basic assumption of multiple regression. Therefore, as discussed under the data and methods section, the data were further adjusted to ensure the non-violation of the assumptions of multiple regression.

Table 2: Level and Growth of Employment, Profit, Sales and asset in 2068 and 2069

Variables	Min	Max	Mean	Growth in %	SD
Employment 2068	1.00	22.00	1.70	8.82	1.66
Employment 2069	1.00	35.00	1.85		2.07
Profit 2068	350.00	1050000.00	40194.47	51.88	65641.13
Profit 2069	600.00	1800000.00	61047.23		113046.30
Sales 2068	600.00	2625000.00	79980.48	42.73	146957.22
Sales 2069	900.00	4500000.00	114152.60		242023.45
Asset 2068	500.00	1000000.00	31471.06	14.45	79952.30
Asset 2069	1000.00	1100000.00	36017.84		82089.80

Note: N = 501 Source: Field Survey 2013

4.3 Association between Managerial Foresight and Microenterprise Performance

The study revealed a significant positive association between managerial foresight and microenterprise performance. More specifically, the study observed that managerial foresight has a significant positive effects on sales growth ($\beta = .091$, $p<.05$) and asset growth ($\beta = .179$, $p<.001$, See Table 4) of microenterprises. However, managerial foresight did not appear to have a significant effect on profit growth rate of microenterprises. It implies that the microenterprises owned by the micro-entrepreneurs who are more oriented towards future sustainability, plan the future, analyze the facts related to present and analyze future plans in detail tend to have higher sales and asset growth rates; thus, resulting with higher performance. The finding supported the view of Anita et al. (2010) who noted a positive effect of longer decision horizons on firm performance. Similarly, it also confirmed the findings of Amsteus (2011) who in a study conducted among Swedish managers also reported a significant positive association between managerial foresight and firm performance.

4.4 Mediating Effects of Managerial Foresight on Microenterprise Performance

With an objective of assessing the effects of managerial foresight on the microenterprise performance, the study has included the entrepreneur-, enterprise- and environment-related factors as independent variables, managerial foresight as mediating variable and the measures of the microenterprise performance – profit growth, sales growth and asset growth as dependent variables in the multiple regression models. The study revealed that educational attainment, need for achievement, need for autonomy, enterprise size, initial financial constraint, environmental hostility and social network have significant indirect effects on the microenterprise performance through managerial foresight, or in other words, managerial foresight mediates the effect of these factors on the microenterprise performance. A brief summary of mediating effects of managerial foresight on the microenterprise performance is presented in Table 3, and explanation concerning the effect of a particular factor is discussed afterward.

Table 3: Mediating Effects of Managerial Foresight on Microenterprise Performance

Factors Mediated Significantly By Managerial Foresight	Factors Not Mediated Significantly By Managerial Foresight
Entrepreneur-Related Factors	
Educational Attainment	Gender
Need For Achievement	Entrepreneur's Age
Need For Autonomy	Previous Experience
	Managerial Skills
	Creative Tendency
	Calculated Risk-Taking
	Internal Locus Of Control
Enterprise-Related Factors	
Enterprise Size	Enterprise Age
Initial Financial Constraint	Enterprise Sector
Environment-Related Factors	
Social Network	Family Environment
Environmental Hostility	Environmental Dynamism
	Environmental Heterogeneity

Note: Variables are significant at 0.10 or higher level of significance

The direct and indirect effects were computed to examine the mediating effects of managerial foresight on the microenterprise performance. The regression standardized Beta coefficients (β) were used to compute the direct and indirect effects of entrepreneur-, enterprise- and environment-related factors on the microenterprise performance. The required statistics of the regression results and the direct and or indirect effects are presented in Table 4.

To describe briefly the direct effects of the entrepreneur-, enterprise- and environment-related factors on the microenterprise performance, the study observed significant direct positive effects of managerial skills (profit growth, $\beta = .386$, $p<.001$; sales growth, $\beta = .375$, $p<.001$); creative tendency (profit growth, $\beta = .353$, $p<.001$; sales growth, $\beta = .163$, $p<.01$; asset growth, $\beta = .162$, $p<.01$); enterprise age (asset growth, $\beta = .158$, $p<.01$); initial financial constraint (profit growth, $\beta = .118$, $p<.01$; sales growth, $\beta = .087$, $p<.05$); and social network (sales growth, $\beta = .103$, $p<.10$; asset growth, $\beta = .123$, $p<.05$). On the other hand, gender - being male entrepreneur (sales growth, $\beta = -.083$, $p<.10$); need for achievement (sales growth, $\beta = -.138$, $p<.05$); need for autonomy (profit growth, $\beta = -.194$, $p<.001$; sales growth, $\beta = -.121$, $p<.05$); internal locus of control (profit growth, $\beta = -.170$, $p<.01$; sales growth, $\beta = -.108$, $p<.10$); and enterprise size (asset growth, $\beta = -.302$, $p<.001$) were found to have direct negative effects on the microenterprise performance. Other factors such as entrepreneur's age, educational attainment, previous experience, calculated risk-taking, enterprise sector, family environment, environmental dynamism, environmental heterogeneity, and environmental hostility were not found to have significant direct effects on the microenterprise performance (See Table 4).

Moreover, the results of the study also revealed a significant mediating effect of managerial foresight on the microenterprise performance. Managerial foresight is found to mediate significantly the effects of educational attainment, need for achievement, need for autonomy, enterprise size, initial financial constraints, environmental hostility and social network on the microenterprise performance. The study observed a significant positive indirect effect of educational attainment on the microenterprise performance (sales growth, $\beta = 0.013$; asset growth, $\beta = .026$). It implies that, although educational attainment does not have significant direct effects on the performance, it appears to have a significant positive effect on managerial foresight and thereby indirectly influencing the microenterprise performance. This finding seems to support the opinion of Slaughter (1997) who opined that education fortifies the capacity to explore future implications, and Andersorn (1997) who prioritized education as one of the needs to strengthen foresight.

Very interestingly, the study observed a significant positive indirect effects of need for achievement (sales growth, β = .012; asset growth, β = .023) and enterprise size (sales growth, β = .008; asset growth, β = .015) on the microenterprise performance through managerial foresight, although these factors have direct negative effects on it. It means that the microenterprises owned by the need for achievement oriented entrepreneurs and bigger microenterprises normally have a relatively lower performance, but if the micro-entrepreneurs are equipped with greater managerial foresight, they tend to have higher performance.

The study also found a significant positive indirect effect of initial financial constraint on the microenterprise performance through managerial foresight (sales growth, β = .014; asset growth, β = .027, See Table 4). It means that the microenterprises that had initial financial constraints have higher managerial foresight; therefore, leading to a higher microenterprise performance. This could be because the micro-entrepreneurs who had initial financial constraints might have borrowed loans from financial institutions, which have to be paid back in installments in the future; therefore, they have to be more cautious and plan the future in more detail.

Furthermore, the study revealed significant indirect negative effects of need for autonomy, environmental hostility, and social network on the microenterprise performance through managerial foresight. The study also observed a significant negative indirect effect of need for autonomy on the microenterprise performance (sales growth, β = -.008; asset growth, β = -.016). It means that the micro-entrepreneurs motivated more by the need for autonomy have lower managerial foresight, and have negative effects on the microenterprise performance. The need for autonomy was also found to have direct negative effects on the microenterprise performance. However, the significant positive effects of managerial foresight on the performance signifies that if the entrepreneurs motivated more by need for autonomy are equipped with greater managerial foresight, they could perform better. Similarly, environmental hostility is also found to have a significant negative indirect effect on the microenterprise performance (sales growth, β = -.026; asset growth, β = -.051). It means that the micro-entrepreneurs, who perceive that the market environment is threatening the survival of the enterprise have tough price and products or service quality competition, have scarce of supply of labor and raw materials, and threatening of government interference seem to have a lower managerial foresight resulting with a relatively lower microenterprise performance. The study also observed a significant negative indirect effect of social network on the microenterprise performance through managerial foresight (sales growth, β = -.012; asset growth, β = -.024, See Table 4). It implies that the microenterprises, whose owners have a wider network and strong relationship with customers, suppliers, friends, social institutions, financial institutions, and so on, have lower managerial foresight, and thereby leading to a lower microenterprise performance. This finding rejected the claim of Anderson (1997) - networks strengthen foresight. It could be due to over confidence of the micro-entrepreneurs over the relationship on the network; therefore, not worrying much about the future, thereby resulting with a lower managerial foresight. However, managerial foresight does not appear to mediate the effects of gender, age, previous experiences, managerial skills, creative tendency, calculated risk-taking, internal locus of control, enterprise age, enterprise sector, family environment, environmental dynamism and environmental heterogeneity significantly on the microenterprise performance.

Table 4: Direct and Indirect Effects of Predictors on Profit, Sales, and Asset Growth Rates

Predicting variables	Profit Growth Rate		Sales Growth Rate			Asset Growth Rate			Managerial foresight	
	Direct		Direct		Indirect	Direct		Indirect	Direct	
	(β)	t	(β)	t	(β)	(β)	t	(β)	(β)	t
Entrepreneur-related factors										
Gender	-.063	-1.412	-.083^{+}	-1.762	0.005	-.057	-1.158	0.010	.055	1.174
Age	-.007	-.144	-.017	-.351	-0.001	-.010	-.196	-0.002	-.013	-.254
Educational attainment	-.033	-.701	-.041	-.820	0.013**	-.002	-.047	0.026**	.143**	2.876
Previous experience	.027	.532	-.024	-.445	-0.007	-.020	-.361	-0.014	-.079	-1.493
Managerial Skills	.386***	8.054	.375***	7.402	0.003	-.008	-.156	0.006	.032	.630
Need for achievement	-.073	-1.290	-.138*	-2.319	0.012*	-.006	-.102	0.023*	.127*	2.138
Need for autonomy	-.194***	-4.004	-.121*	-2.354	-0.008^{+}	.072	1.351	-0.016^{+}	-.088^{+}	-1.722
Creative tendency	.353***	7.405	.163**	3.243	-0.001	.162**	3.086	-0.002	-.011	-.225
Calculated risk taking	.004	.085	.058	1.054	-0.007	-.065	-1.127	-0.014	-.079	-1.425
Internal locus of control	-.170**	-2.924	-.108^{+}	-1.767	-0.004	-.069	-1.074	-0.007	-.040	-.645
Managerial foresight	.025	.576	.091*	1.988	---	.179***	3.767	---	---	---
Enterprise-related factors										
Enterprise age	.030	.702	.067	1.486	-0.001	.158**	3.358	-0.002	-.013	-.283
Enterprise size	.001	.036	-.072	-1.644	0.008*	-.302***	-6.657	0.015*	.086*	1.988
Sector of business	.022	.571	-.028	-.683	-0.002	.043	1.006	-0.004	-.020	-.494
Initial financial constraints	.118**	2.913	.087*	2.036	0.014***	-.031	-.693	0.027***	.150***	3.551
Environment-related factors										
Family environment	.005	.091	.012	.203	-0.003	.022	.374	-0.006	-.036	-.631
Environmental dynamism	-.079	-1.373	-.082	-1.363	-0.008	.038	.605	-0.016	-.088	-1.453
Environmental heterogeneity	.000	-.005	-.020	-.310	0.008	-.076	-1.164	0.016	.089	1.423
Environmental hostility	-.007	-.137	.046	.845	-0.026***	.075	1.322	-0.051***	-.286***	-5.387
Social Network	-.053	-1.027	.103^{+}	1.882	-0.012*	.123*	2.151	-0.024*	-.133*	-2.427
R^2	*.308*		*.226*			*.160*			*.224*	
Adjusted R^2	*.279*		*.194*			*.125*			*.193*	
F	*10.671*		*7.012*			*4.581*			*7.301*	
Sig.	*.000*		*.000*			*.000*			*.000*	
Durbin-Watson	*1.840*		*1.904*			*1.991*			*1.112*	

Note: N=501; $^{+}$p<.01, *p<.05, **p<.01, ***p<.001

5. Conclusions and Implications

Using primary data enumerated from 501 randomly sampled micro-entrepreneurs across three ecological belts, the study focused on assessing the effects of managerial foresight on microenterprise performance in Nepal. The study concludes that managerial foresight has a crucial role on enhancing microenterprise performance. It has significant mediating effects on microenterprise performance. More specifically, managerial foresight mediates the effects of several entrepreneur-, enterprise- and environment-related factors on microenterprise performance. Managerial foresight tends to mediate the effects of educational attainment, need for achievement, need for autonomy, enterprise size, initial financial constraints, environmental hostility and social network significantly on microenterprise performance. More interestingly, education although does not have significant direct effects on microenterprise performance, appears to have significant positive effects on microenterprise performance through managerial foresight. Similarly, managerial foresight also appears to mediate the effects of need for achievement and enterprise size on microenterprise performance positively although the direct effects of these factors are negative. Furthermore, the study also revealed significant indirect negative effects of need for autonomy, environmental hostility, and social network on microenterprise performance through managerial foresight; meaning that these factors have a negative association with managerial foresight. It implies that if the micro-entrepreneurs are equipped with greater managerial foresight, it can fortify the positive effects of educational attainment, initial financial constraints, meanwhile reduce the negative effects of need for achievement, enterprise size, need for autonomy, environmental hostility and social network. Policymakers are suggested to focus on strengthening managerial foresight of micro-entrepreneurs to improve the performance of microenterprises.

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