Entrepreneurial Orientation (EO) as a Business Performance “Enabler”. A Conceptual Approach

By Raheem Shefiu
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Abstract- Entrepreneurship inclination is now ‘a must ‘for business organizations’ survival due to rapidly changing, increasingly competitive, heterogenic and uncommonly dynamic business environment. This consequently represents a state of emergency in terms of business profit sustainability and survival. Entrepreneurial Orientation, EO, to the rescue!. The literature suggests that Entrepreneurial Orientation, EO improves firm’s performance. This sounds as a good omen to the policy makers, practitioners and other stakeholders who had hitherto been bothered about the growth and survival rate of the businesses run by the entrepreneurs. This study has as one of its objectives to explain and understand the importance of Entrepreneurial Orientation, EO as a construct in business research, it reveals and also explains the main and leading variables of Entrepreneurial Orientation, EO as posited by Miller in 1983. It also explains and appreciates the contributions and roles of Entrepreneurial Orientation, EO in up-scaling the performance of business organizations.

Keywords: business performance, entrepreneurship, entrepreneurial orientation, small and medium enterprises.

GJMBR-A Classification: JEL Code: L26

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Entrepreneurial Orientation (EO) as a Business Performance “Enabler”. A Conceptual Approach

Raheem Shefiu

Abstract - Entrepreneurship inclination is now ‘a must’ for business organizations’ survival due to rapidly changing, increasingly competitive, heterogenic and uncommonly dynamic business environment. This consequently represents a state of emergency in terms of business profit sustainability and survival. Entrepreneurial Orientation, EO, to the rescue. The literature suggests that Entrepreneurial Orientation, EO improves firm’s performance. This sounds as a good omen to the policy makers, practitioners and other stakeholders who had hitherto been bothered about the growth and survival rate of the businesses run by the entrepreneurs. This study has as one of its objectives to explain and understand the importance of Entrepreneurial Orientation, EO as a construct in business research, it reveals and also explains the main and leading variables of Entrepreneurial Orientation, EO as posited by Miller in 1983. It also explains and appreciates the contributions and roles of Entrepreneurial Orientation, EO in up-scaling the performance of business organizations. The study adopted a conceptual approach. It used a systematic literature review. The justification for the adoption of this approach was based on the exploratory nature of the study anchored on discovery of ideas and insights. Materials were generated via internet, textbooks and other documents relevant to this study. Entrepreneurial orientation (EO) has proven to be one of the most widely applicable concepts in business management and strategy literature for advancing firm competitiveness, growth, and performance. EO comprises of dimensions that can be natured, learned and adopted. Today, Entrepreneurial orientation (EO) has graduated from being a small construct to the much researched construct in the research domain.

Keywords: business performance, entrepreneurship, entrepreneurial orientation, small and medium enterprises.

1. Introduction

a) Entrepreneurial Orientation, EO

Business environments today are characterized with complexity and dynamism spiced with its rapidity and substantial discontinuous changes. Entrepreneurial strategic posture must be followed by firms and encourage their organizational members to act entrepreneurially in response to these challenges, (Brundin, Patzelt, & Shepherd, 2007).

The core of the entrepreneurial process is innovation and creativity that can answer questions about the process, and the ability of the entrepreneurial activity that will determine the development of business according to Lumpkin and Dess (2001). Entrepreneurial orientation (EO) as a construct refers to the processes, practices, and decision-making activities that lead to new entry (Lumpkin and Dess, 1996). It involves a propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities.

A significant contributor to a business success is Entrepreneurial orientation (EO), (Mwangi, 2014). It is an important construct within the strategic management and entrepreneurship literature over the recent years viewed as been characteristic of organizations. It could be measured by looking at top management's entrepreneurial style, as evidenced by the firms' strategic decisions and operating management philosophy (Miller 1983).

The development of Entrepreneurial orientation (EO) within a company is considered to be significant for firm performance in a contemporary market society especially within a dynamic business environment. An entrepreneurial firm should be able to innovate, make risky investments and be proactive. Over the past two decades Entrepreneurial orientation (EO) has emerged as an important concept in the strategic management and entrepreneurship literature. It was originally proposed by Miller (1983) EO to involve an organization’s willingness to innovate and rejuvenate its market offerings. Risks involved by trying out new and uncertain products, services and to be more proactive than its competitors in seeking out new marketplace opportunities.

The phenomenon of Entrepreneurial orientation (EO) has become a central focus of the entrepreneurship literature and strategic management for more than three decades of research (Covin & Lumpkin, 2011; Miller D., 2011; Covin & Wales, 2012). One of its areas of researches in the domain of the entrepreneurship is its dimension is where some part of the collected knowledge is constantly developed. Examination of the different interpretations of EO constructs and its dimensions, showed its diversity, distinctiveness and multiplicity of EO dimensions, which points out that there is no universal EO indicator.
Most of the researchers in the literature prefer one-dimensional EO construct, which aggregates all dimensions of EO into one synthetic indicator. An organization falls somewhere along a conceptual continuum ranging from conservative (low EO) to entrepreneurial (high EO).

Recent literature, however, conceptualizes EO as multidimensional, countering that the different dimensions of EO could occur in different combinations. It also means that some researchers suggest that the EO construct can consist of alternative and additional dimensions. It is therefore imperative to assume that in the entrepreneurship measurement there is space for the Covin and Slevin instrument, as well as for new measurement alternatives (Wojcil-Karpacz, 2016).

A firm’s product innovativeness, process innovation, technological innovation, and management proclivity or propensity for risk taking and pro-active competitive posture also defines Entrepreneurial Orientation according to Wang, (2008). Entrepreneurial Orientation’s tradition measures a firm’s inclination towards entrepreneurial behaviors. Its a strategy making process that provides organizations with a basis for entrepreneurial decisions and actions (Lumpkin G. &., 1996). Also, it has been found to be a key determinant of firm performance no matter the approach to measurement, regardless using the managerial perceptions of firm-level variables to explain process firm’s behaviors indicated by the number of specific actions, or resource allocations to understand content. Entrepreneurial Orientation reflects an enterprise’s proclivity to engage in innovative, proactive, risk-taking strategic activities. It also reflects enterprise’s strategic emphasis on competitive aggressiveness and independent autonomous action. Enterprises are placed along a continuum that ranges from highly conservative to highly entrepreneurial (Dyduch, 2008).

It has emerged as one of the most widely accepted concepts in the strategic management and entrepreneurship literatures. Entrepreneurial orientation (EO) defined as “a strategic organizational posture that captures the specific processes, practices and activities that enable firms to create value by engaging in entrepreneurial endeavors”. It can be viewed as a set of psychological traits, values and attitudes strongly associated with a motivation to engage in entrepreneurial activities (Lumpkin & Dess, 1996). It is the strategy-making processes that provide organizations with a basis for entrepreneurial decisions and actions (Lumpkin & Dess, 1996. An “organization-wide phenomenon such as strategy making incorporates planning, analysis, decision-making, and many aspects of an organization’s culture, value system, and mission” Furthermore, Entrepreneurial orientation (EO) is a powerful mantra in the strategy-making process. (Mintzberg, 1973, Rauch et al., 2009: 763).

b) Problem Statement
Entrepreneurs and business minded individuals in the developing economies such as Nigeria have not factored into relevance the construct of Entrepreneurial Orientation, EO as an important cornerstone of entrepreneurship that determines performance and survival of business organizations in Sub Saharan Africa. This act of ignorance has led to the death of some businesses which has also served as a major disincentive and morale poison to numerous aspiring and prospective entrepreneurs. A frustrating scenario that has brought about reduced productivity, economic depression, massive unemployment and unprecedented levels crimes and other social vices. Based on the foregoing, it has become increasingly important to throw up the construct of Entrepreneurial Orientation, EO through researches as a potent tool to be leveraged upon by entrepreneurs in order to increase profitability culminating in an increased rate of businesses.

c) Objectives of the Study
These include:
• To demystify Entrepreneurial Orientation, EO as a construct in business and management research.
• To explain variables of Entrepreneurial Orientation, EO as posited by Miller in 1983.
• To appreciate the contributions and roles of Entrepreneurial Orientation, EO that has led to the improvement in the productivity and overall performance of business organizations.

d) Research Methodology
It adopted a conceptual approach with dependence on systematic literature review. This is because the study is exploratory in nature anchored on discovery of ideas and insights. Materials were generated via internet, secondary data sources and other documents relevant to this study.

II. Review of Literature

a) Entrepreneurial Orientation (EO)
Entrepreneurship amongst others simply involves new firms’ entry into the market which could be accomplished by entering into new or established markets with new or without existing goods or services. This has to do with the launching a new venture, either by a start-up firm, through an existing firm, or via “internal corporate venturing” (Burgelman, 1983). Entrepreneurial Orientation, EO as one of the cornerstones of entrepreneurship involves a willingness to innovate to rejuvenate market offerings, take risks to try out new and uncertain products, services, and markets, and be more proactive than competitors to ward new marketplace opportunities (Miller, 1983; Zahra, 1993b). In the words of Miller (1983), Entrepreneurial Orientation, EO, summarizes the characteristics of an entrepreneurial firm which is one
that engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with proactive, innovative ideas, beating competitors to the punch (Miller, 1983). Furthermore, it refers to a firm’s strategic orientation, capturing specific entrepreneurial aspects of decision-making styles, methods, and practices.

It reflects how a firm operates rather than what it does (Lumpkin & Dess, 1996). Lumpkin and Dess indicated that Entrepreneurial Orientation, EO, is a combination of five dimensions: autonomy, innovativeness, risk-taking, proactiveness, and competitive aggressiveness. These have been useful for the characterization and distinguishing key entrepreneurial processes, that denote and also connote firm’s entrepreneurial orientation. Researchers have agreed that EO is a combination of the three dimensions: innovativeness, proactiveness and risk-taking (Miller, 1983; Hisrich, 2001).

b) Evolution of the Concept of Entrepreneurial Orientation

Miller in 1983 reported by Manalel, 2016 introduced the concept of Entrepreneurial Orientation for the first time to the scholarly literature, even though he did not use the term EO in his initial writing (Covin & Lumpkin, 2011). Also, Danny Miller in his article, proposed a definition which stated that an entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures and is first to come up with proactive innovations, beating competitors to the punch. Miller conceptualized the three focal dimensions of EO as innovativeness, risk-taking and proactiveness and are often combined to create a higher-order indicator of firm-level entrepreneurship, (Lumpkin, 2009).

In 1989, Covin and Slevin, based on the work of Miller (1983), later formed the basis of EO concept which was widely utilized in both entrepreneurship and management literature. In developing this measure, they theorized that the three dimensions of Entrepreneurial Orientation EO, (innovation, proactiveness and risk-taking) acted together to comprise a basic, unidimensional strategic orientation and should be aggregated together when conducting research in the field of entrepreneurship. (Covin & and Slevin, 1989). They developed a nine-item self-response scale which has become one of the most popular instruments used to measure the level of EO in organizations with a large number of studies utilizing this instrument (Rauch, Wiklund, Frese, & Lumpkin, 2009).

Construct of Entrepreneurial orientation is a significant contributor to a business success, the business operation success is related with both internal and external environment factors. The entrepreneurial orientation consists of attitudes towards business innovativeness, proactiveness in business operation and risk-taking (Miller, 1983; Lumpkin, & Dess, 1996, p.137; Gurbuz, & Aykol, 2009). It is a measure of the extent to which an organization is entrepreneurial. The existence of an EO in a firm is the result of organizational processes, methods and styles implemented by the firm in the pursuit of acting entrepreneurially (Jarillo, 1990).

There are three dimensions of EO that have been used consistently in the literature: innovativeness, risk-taking and proactiveness. Innovativeness indicates the firm trend to support new ideas and foster creative processes that aim to develop new products and services. Risk-taking is the firm tendency to support projects in which profits are uncertain. Proactiveness means taking initiative and pursuing new business opportunities in emerging markets (Miller, 1983).

At various times different scholars and researchers gave various definitions of Entrepreneurial Orientation, EO, which led to the evolution and growth of this construct. Some of these definitions are as given in the table below:

<table>
<thead>
<tr>
<th>Source</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mitzberg (1973)</td>
<td>“in the entrepreneurial mode, strategy-making is dominated by the active search for new opportunities” as well as “dramatic leaps forward in the face of uncertainty”. (p. 45)</td>
</tr>
<tr>
<td>Khandwalla (1976/77)</td>
<td>The entrepreneurial style is characterized by bold, risky, aggressive decision-making). P. 25</td>
</tr>
<tr>
<td>Miller and Friesen (1982)</td>
<td>“the entrepreneurial model applies to firms that innovate boldly and regularly while taking considerable risks in their product-market strategies. (p. 5)</td>
</tr>
<tr>
<td>Miller 1983</td>
<td>“An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with ‘proactive’ innovations, beating competitors to the punch”. (p. 771)</td>
</tr>
<tr>
<td>Morris and Paul (1987)</td>
<td>“An entrepreneurial firm is one with decision-making norms that emphasize proactive, innovative strategies that contain an element of risk”. (p. 249).</td>
</tr>
<tr>
<td>Covin and Slevin (1998)</td>
<td>“Entrepreneurial firms are those in which the top executives have entrepreneurial management style, as evidenced by the firms’ strategic decisions and operating management philosophies. Non-entrepreneurial or conservative firms are those in which the top management style is decidedly risk-averse, non-innovative, and passive or reactive. (p. 218).</td>
</tr>
<tr>
<td>Merz and Sauber (1995)</td>
<td>“…. entrepreneurial orientation is defined as the firm’s degree of proactiveness (aggressiveness) in its chosen product-market unit (PMU) and its willingness to innovate and create new offerings. (p. 554).</td>
</tr>
</tbody>
</table>

Table 1: Past Definitions of Entrepreneurial Orientation, EO
**Lumpkin and Dess (1996)**
EO refers to the processes, practices and decision-making activities that lead to new entry as characterized by one, or more of the following dimensions: “a propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive towards competitors and proactive relative to market place and opportunities” (p. 136-137).

**Zaurah and Neubaum (1998)**
EO is “the total of a firm’s radical innovation, proactive strategic action, and risk taking activities that are manifested in support of projects with uncertain outcomes” (p. 124).

**Voss, Voss and Moorman (2005)**
“…... we define EO as a firm level disposition to engage in behaviours (reflecting risk-taking, innovativeness, proactiveness, autonomy and competitive aggressiveness) that lead to change that lead to organization or market place. (p. 1134) (added).

**Avlonitis and Salavour (2007)**
“EO constitutes an organizational phenomenon that reflects a managerial capacity by which firms embark on proactive and aggressive initiatives to alter the competitive scene to their advantage. (p. 567).

**Cools and Van den Broeck (2007/2008)**
“Entrepreneurial orientation EO refers to the top management strategy in relation to innovativeness, proactiveness and risk taking. (p. 27). “Entrepreneurial orientation EO refers to the top management strategy in relation to innovativeness, proactiveness and risk taking. (p. 27).

**Pearce, Fritz, and Davis (2010)**
“An EO is conceptualized as a set of distinct but related behaviours that have the qualities of innovativeness, proactiveness, competitive aggressiveness, risk taking and autonomy”. (p. 219).

Source: Colvin and Wales (2012)

c) **The Measure of Entrepreneurial Orientation, EO**
It has been a harvest of controversy as regards the representation and measure the entrepreneurial construct. Miller (1983) and Covin and Slevin (1989) suggested that the dimensions of an EO co-vary. Lumpkin and Dess (1996) consider EO as a multidimensional construct, which characterizes firm’s entrepreneurial behavior (Taylor, 2013).

Literature review on Entrepreneurial orientation indicate that the majority of prior studies have adopted Miller’s perspective of EO as the combination of innovativeness, proactiveness, and risk-taking.

d) **The measures of Entrepreneurial Orientation include**

i. **Innovativeness**
Innovation refers to a willingness to support creativity and experimentation in introducing new products or services, also novelty, technological leadership and R&D in developing new processes (Lumpkin and Dess 2001). Emphasis on innovation directs the firm into new markets renews its position in existing ones and also embodies a capability to explore new opportunities.

It has been noted as the only consistent theme in literature on entrepreneurship which has a central component in an entrepreneurial strategy (Deakins & Freel, 2012).

Lumpkin and Dess (1996) credited Schumpeter with “being amongst the first to emphasise the role of innovation in the entrepreneurial process”, in the form of a “process of creative destruction, by which wealth was created when existing market structures were disrupted by the introduction of new goods or services” reallocating resources from existing firms to new firms and growth (Nwaura, 2015).

Innovativeness fundamental willingness to depart from existing technologies or practices and venture beyond the current state of the art (Baker and Sinkula, 2009). It refers to a SME’s propensity to creatively initiate and support new ideas, experimentation and creative processes that may result in new products, services or technological processes, or the exploitation of new markets (Kropp and Zolin, 2005; Li, 2012; Li et al., 2008; Mengue and Auh 2006; Miller and Friesen, 1982). It is an important component of an EO because it reflects an important means by which firms pursue new opportunities (Lumpkin and Dess, 1996).

Lumpkin and Dess (1996) stated that innovativeness may take several forms ranging from a willingness to try a new product line or experiment with a new advertising medium, to a focused effort to master the latest products or technological advances. Schumpeter (1934, 1942) was among the first to emphasize the role of innovation in the entrepreneurial process. Schumpeter (1942) noted that wealth was created when existing market structures were disrupted by the introduction of new goods and services, which caused new firms to emerge.

Schumpeter (1934) saw an entrepreneur in this process as an innovator who drove the evolution of the economy, while Miller and Friesen (1982) noted that entrepreneurial firms were characterized by their willingness to boldly and regularly innovate, whilst taking...
considerable risks in their product market strategies (Taylor, 2013).

De Vita et al (2014) noted that female entrepreneurs in developing countries have a peculiar characteristic in that they prefer managerial role, and small firms. They posited that, when compared to their male counterpart, the female entrepreneurs were less innovative and therefore less prone to expansion and export orientation. Richard et al. (2004), in assessing the impact of cultural diversity (race and gender) on SME performance; found that innovativeness positively moderated the nonlinear relationship patterns between racial and gender difference and firm performance. Authors were suggesting innovativeness of employees and managers constitutes a factor that can indirectly affect firm performance, (Daniel Quayel, 2015)

ii. Proactiveness

When a firm is proactive, it becomes opportunity-seeking, forward-looking perspective involving introducing new products or services before the competition, therefore creating a first-mover advantage against the competitors. It anticipates an action on future needs and wants in the marketplace, proactive firms have the desire to be pioneers and have the willingness to seize emerging market opportunities (Lumpkin and Dess 2001). Its manifestation lies in a way of seeking new opportunities that may or may not be involved with the present line of operations or as way of strategically eliminating operations that are in the mature or declining stages of the life cycle (Morris, Kuratko and Covin 2008).

Proactiveness is related to initiative and first-mover advantages and to “taking initiative by anticipating and pursuing new opportunities” (Lumpkin & Dess, 1996). The oxford dictionary defines proactiveness as “acting in anticipation of future problems, needs, or changes”.

It refers to an SME anticipating and acting on future wants and needs in the marketplace, in order to create a first-mover advantage ahead of the competition (Kropp et al., 2005; Lumpkin and Dess, 2001). It has to do with opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services before the competition, and ahead of future demand (Okpara, 2009). Miller (1983) said that an entrepreneurial firm as one that is first to develop proactive innovations (Baker and Sinkula, 2009). Lumpkin and Dess (1996) argued that proactiveness may be crucial to an Entrepreneurial Orientation because it suggests a forward-looking perspective that is accompanied by innovation and entrepreneurial activity.

It has to do with firm’s market opportunity in entrepreneurship by “seizing initiative and acting opportunistically in order to shape the environment, that is, to influence trends and, perhaps, even to create demand”. A Proactive enterprise is characteristically involved in aggressiveness and unconventional tactics towards rival enterprises in the same market segment, such enterprises shape their environments by actively seeking and exploiting opportunities. Proactive firms introduce new products, technologies, administrative techniques to shape their environment and not react to it (Nwaura,2015, Callaghan 2009).An entrepreneurial SME that is proactive consequently a leader because such a firm has the will Taylor 1929 and foresight to seize new opportunities (Chandler and Jansen, 1992, Taylor, 2013)

iii. Risk Taking

Risk taking defines a business readiness to pursue opportunities despite uncertainty around the eventual success (Deakins and Freel, 2012). It has to do with firms acting boldly without knowing the consequences. It is a firm knowingly devoting the resources to projects with chances of high returns but may also entail a possibility of higher failure (Mahmoud & Hanafi, 2013). It is commonly associated with entrepreneurial behaviour and the general successful entrepreneurs are risk takers (Kuratko & Hodgeettes, 2009).

According to Peter Drucker, 1983, entrepreneurs are not typically risk seekers rather like any other rational individuals, they take steps to minimize risks, and this may involve developing strategies that entail a higher tolerance for risk, but the calculation of risks (Nwaura, 2015)

The concept of risk taking is a quality that is associated with entrepreneurship (Lumpkin and Dess, 1996). Kreiser et al. (2002) noted, for example, that entrepreneurial firms tend to take more risks than other types of businesses and were more proactive in searching for new business opportunities.

It refers to a tendency of an SME to take bold steps such as entering unknown new markets, committing a large portion of the firm’s resources to undertakings with uncertain outcomes and/or borrowing heavily (Coulthard, 2007; Keh et al., 2007; Wiklund and Shepherd, 2005; Baker and Sinkula, 2009).

SMEs with strong traditions of entrepreneurial orientation, EO are often typified by high risk taking behaviour, such as incurring heavy debt or making large resource commitments, in the interest of obtaining high returns by seizing opportunities in the marketplace (Taylor, 2013).

Academics, researchers and scholars have affirmed risk taking as one of the prominent behavioural components of an entrepreneur (Bouchard & Basso, 2011; Buame, Asempa, & Acheampong, 2013; Franco, 2013; Galindo, 2013; Quaye & Acheampong, 2013). They postulated that, a person who does not take risk cannot be classified as an entrepreneur. In this respect, scholars have investigated the risk level with respect to certain demographic profiles such as gender, industry
etc. The evidence in literature with respect to gender, has been contradictory and requires further studies to clear the ambiguity.

Risk taking involves the management preventing the firm from going into inertia, inaction by seizing opportunities and committing resources even before fully understanding what sort of action needs to be taken. Risk taking, although, can carry out costs it is a necessity for a firm to take risks and challenge the existing order of business in order to secure performance. In contrary, the firm would miss out a developing new market opportunities which could likely lead to a deteriorating performance.

The Summary of the Measures of Entrepreneurial Orientation, EO is as presented in the figure below:

![Entrepreneurial Orientation Diagram](image)

Source: Covin and Slevin (1988)

**Figure 1: Measures of Entrepreneurial Orientation, EO**

It should be noted that at various times in different countries of the world, academic, researchers and scholars have carried out different studies and researches at various times to grow and to also build up the body of knowledge of the construct of Entrepreneurial Orientation, EO. The countries and the number of articles published from these studies is as presented in the table below:

**Table 2: Entrepreneurial Orientation Studies in Various Countries**

<table>
<thead>
<tr>
<th>Orientation</th>
<th>Nationality</th>
<th>Number of Articles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglo</td>
<td>UK</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>USA</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Canada</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Australia</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>South Africa</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Ireland</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>New Zealand</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Malta</td>
<td>1</td>
</tr>
<tr>
<td>Confucian Asia</td>
<td>China</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>Taiwan</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>South Korea</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Singapore</td>
<td>1</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>Greece</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Bulgaria</td>
<td>2</td>
</tr>
<tr>
<td>Germanic Europe</td>
<td>Germany</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Belgium</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Australia</td>
<td>1</td>
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<tr>
<td></td>
<td>Netherlands</td>
<td>1</td>
</tr>
<tr>
<td>Latin America</td>
<td>Mexico</td>
<td>1</td>
</tr>
</tbody>
</table>
III. Empirical Literature Review

a) Entrepreneurial Orientation and Performance

The last two decades have witnessed the developments in the area of EO-Performance relationship and adoption of contingency framework to EO-performance relationship, where it has been identified that the organizational environment and industrial turbulence affects the EO-Performance relationship (Covin & and Slevin, 1989), (Zahra S. A., 1991), (Wiklund J. , 1999), (Zahra & Garvis, 2000; Lee & Pennings, 2001), (Kraus, Harms, & Schwarz, 2005; Wiklund & Shepherd, 2005; Kreiser & Davis, 2002; Grande, Madsen, & Borch, 2011).

Based on the above, it could be said intuitively that the construct of Entrepreneurial Orientation, EO, has received considerable attention from researchers, even though there are some controversies in its dimensions.(Lyon, Lumpkin, & Dess, 2000; Zahra & Covin, 1995; Lumpkin & Dess, 1996). It was found by Rauch et al. (2009), that there is an increase in the number of EO-Performance relationship studies around the world. Research on EO is accelerating and broadening, gaining significant traction in scholarly outlets beyond solely entrepreneurship domain – specific journals. Therefore, he suggested that it is reasonable to conclude that EO represents a promising area for building a body of relevant knowledge about entrepreneurship (Kusumawardhani, 2013, Manalel, 2016).

It has been acknowledged as a determinant for a firm’s growth and profitability (Mwangi, 2014). It consists of attitudes towards business innovativeness, proactiveness in business operation and risk taking (Sukkabot, 2014).

The importance and influence of Entrepreneurial orientation on firm performance have been highlighted in both conceptual and empirical view points and there are lot many empirical research (Lumpkin & Dess, 2001; Wiklund & Shepherd, 2003; Wiklund & Shepherd, 2005) which are concerned with the positive implications that entrepreneurial orientation has on performance of a firm (Lumpkin & Dess, 1996; Wiklund J., 1999). Therefore the relationship between entrepreneurial orientation and firm performance has become the central focus of interest for studying entrepreneurial orientation (Covin, Green, & Slevin, 2006).

However, it should be noted that Entrepreneurial Orientation’s EO literature offers no solid consensus on the appropriate measures of small firm performance (Wiklund J. , 1999). Findings have been mixed till date,. Various studies have shown that EO, directly or indirectly has a positive relationship with firm performance (Kraus, Harms, & Schwarz, 2005; Wiklund & Shepherd, 2005).

It has been argued that Entrepreneurial Orientation EO is a useful strategy and showed that it is not just a short-term means to improve performance. EO can also have a positive impact on a long term. It is worthwhile also for SMEs to use their scarce resources in adopting it. However, Lumpkin & Dess (1996) suggested that the positive implications of the entrepreneurial orientation (EO) on firm performance are context specific and may change independently of each other in a given organizational context. It has been found that each EO dimension affects firm performance differently (Krieser, Weaver, & Marino, 2002; Lumpkin & Dess, 1996; Lumpkin & Dess, 2001; Nazdrol & Breen, 2011). Covin and Miles (1999) argued that innovation is a crucial part of a strategy and that entrepreneurship cannot endure without it.

Furthermore, Zahra and Covin (1995) argue that because the learning from the product and market strategies accumulates over time, it might take some time to realize the full impact of EO on performance (Manalel, 2016).
Entrepreneurial orientation in companies is an important factor contributing to the performance of the firms (Sheikh, 2014). EO has a positive contribution to the sales and employment growth of small firms in Turkey. It positively influence small business performance. Entrepreneurial orientation is not a luxury of firms in high growth industries with abundant financial capital but entrepreneurial orientation can be used to overcome environmental and resource constraints. Firms in these situations can be superior performers if they have a high entrepreneurial orientation (Wiklund & Shepherd, 2005). Entrepreneurial orientation provides the business with the ability to find or discover new opportunities that can differentiate them from other firms and create a competitive advantage (Radinpere, 2014).

According to Rosli Mahmood and Norshafizah Hanafi, 2013, Entrepreneurial Orientation has a positive effect towards business performance of women-owned SMEs. This reinforces previous studies that entrepreneurial oriented firms tend to be more willing to take risks, and appear to be more innovative and proactive that leads to increase performance. Also, Mohammad Arief in 2013, developed a conceptual model that describes the role of mediation of strategic flexibility in conjunction between the EO and the firm performance. The results showed that entrepreneurial orientation EO is related positively to significantly and positively to the performance of the company. He went further to state that Entrepreneurial orientation has a 95% significant effect on the performance of the company. Path coefficient entrepreneurial orientation on the performance of the company amounted to 0.2984 with positive direction which means that the higher the entrepreneurial orientation tends to improve company performance (Ansir, 2010).

c) Entrepreneurial Orientation and Business Performance

Variables such as sales, profit rate, return on capital, turnover and market share achieved could be used in the measurement of Companies performance, (Jauch and Glueck, 1988). The growth of Small and Medium Scale Enterprises, SME is hindered by inherent weaknesses in internal SMEs, namely: lack of knowledge and technology for production, lack of knowledge in marketing and skill constraints in resources (human and financial) and the lack of knowledge and management capabilities (Tambungan, 2009). Performance of small and medium enterprises (SME’s) wsd measured by Sanchez & Marin (2005) with reference to three aspects, namely profit ability, productivity, and market. Profitability aspect sees business performance from point of financial targets achievement as planned by company. Financial goals are generally focused to achieve revenue, profit, cash flow, rate of return on capital employed, rate of return on investment or economic value added. Productivity is based on company achievement in its business activities to meet customer wants and needs, as well as employee’s productivity. Business performance is based on market aspects in terms of achievement of product sales, market position and market share.

IV. Conclusion

Researchers and Scholars have posited that Entrepreneurial Orientation, EO is a key ingredient for organizational success. This argument has been buttressed by rigorous and in-depth review of literature on this subject. It is an important measure of the way a firm is organized, and it is often conceptualized as the process and decision-making activities used by managers to act entrepreneurially. It is a multidimensional construct operationalized in terms of the variables innovativeness, risk taking and proactiveness. The literature on business performance reveals that a variety of performance measures, i.e., objective and subjective measures (financial and nonfinancial), are used across the studies revealed high variation in EO-performance relationship. The objective measures of performance are more appropriate than subjective measures of performance.

The relationship between entrepreneurial orientation and firm performance has been illustrated by many studies to be positive. The identification of the link of each construct has developed by propositions of a successful combination of entrepreneurial orientation into firm’s strategic behavior and its importance in improving the ability to grow up, create wealth and sustainability in the business. Operating environment of Firms with high levels of entrepreneurial orientation is constantly scanned and monitored to find new opportunities and increase their competitive advantage.

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Entrepreneurial Orientation (EO) as a Business Performance “Enabler”: A Conceptual Approach


Entrepreneurship theory and practice, 32(4), 635-657.


