Entrepreneurial Orientation as a Catalyst for the Innovativeness of Small and Medium-Scale Enterprises (SMEs) in Aba

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Abstract: This study aims to examine the relationship between entrepreneurial orientation and the innovativeness of Small and Medium-scale Enterprises (SMEs) in Aba, Abia state in Nigeria. A cross sectional survey design, as well as a quantitative methodology where data is generated using structured questionnaire copies was adopted and administered to the accessible population of 124 proprietors of shoe making enterprises in Aba. The result indicates that there is a significant relationship between the dimensions of entrepreneurial orientation (Pro-activeness and risk taking) on the innovativeness of the enterprises and thus we conclude that entrepreneurial orientation through its dimensions as pro-activeness and risk taking significantly influences the innovativeness of the organization.

Key words: Entrepreneurial orientation, Innovativeness, Pro-activeness, risk taking.

INTRODUCTION

Technological advances, customer behaviour changes, intensified competition and the changing business environment are among the factors that are creating the need for innovations in the organizations (Goffins & Mitchell, 2010). Innovativeness seems a major factor in influencing strategic planning, leading to wealth creation and business success and survival. It is the creation of new goods, new processes or to create new ways to work on established markets. Innovation points to the identification of problems and moving systematically toward proffering solution (Keeley, 2013). It is a process of turning wonderful ideas into finished products. Hence, the grand idea underpinning its definition is tied to the unravelling of new knowledge, not just its invention (Tidd & Bessant, 2009). Organizational innovativeness plays a significant role in economic progress (Aubert, 2006; Nacivonic, Galetic & Cavlek, 2009) and it also has a facilitative role in overall social prosperity (Bedros, 2000). All of this means that to thrive in today’s rapidly changing globally competitive environment, organizations and firms have no option but to be creative.

Several studies and researchers have investigated different factors and theories that impact innovativeness. For example, Alegre and Chiva (2013) through Confirmatory Factor Analysis (CFA) investigated entrepreneurial orientation (EO) and innovation performance; Liu et al.,(2014) through Hierarchical multiple regression analysis established the impact of entrepreneurial orientation on absorbed slack and product innovation; Wu et al.,(2008) also studied through the use of survey research method studied the relationship between entrepreneurial orientation (EO) and the influence of intellectual capital on innovation. In the
same vein, Boso and Cadogan (2013) using Structural Equation Model (SEM) investigated the relationship between entrepreneurial-orientation behaviour and export product innovation success. This study however, aims to examine the relationship between entrepreneurial orientation and the innovativeness of Small and Medium-scale Enterprises (SMEs) in Aba, Abia State in Nigeria.

**STATEMENT OF PROBLEM**
The high mortality rate of Small and Medium-scale Enterprises (SMEs) has negatively affected the state of our economy and invariably our Gross Domestic Product (GDP). This is occasioned by heightened competition as a result of globalization and technological advances that has changed the mode of operations of many firms (Kess et al., 2008). Studies have constantly revealed that SMEs in Nigeria have not performed estimably well and hence, it has not played the expected vital role in the economic growth and development of the country (Adekoya, 2016). These complexities that deter organizational growth and development have made business organizations to re-invent themselves and come up with strategies and novel ideas/creativities to cope with these challenges. These companies also create competitive advantage through innovation.

According to Joanna (2015) citing the work of Rhee, Park and Lee (2010), the reason for low innovativeness of SMEs is often the lack of a systematic approach to strategic orientation. They mentioned three types of strategic orientation of small businesses which determines their innovativeness; marketing orientation, learning orientation and entrepreneurial orientation. Hence, it is the thrust of this study to investigate whether entrepreneurial orientation has a relationship with the innovativeness of SMEs in Aba.

**RESEARCH QUESTIONS**
1. What is the relationship between pro-activeness and innovativeness?
2. What is the relationship between risk taking and innovativeness?

**RESEARCH HYPOTHESES**
This study is guided by the following propositions stated in the null form:

HO1: There is no significant relationship between pro-activeness and innovativeness.

HO2: There is no significant relationship between risk taking and innovativeness.
LITERATURE REVIEW

Entrepreneurial orientation (EO) constitutes an organizational phenomenon that reflects a managerial capability by which establishment embark on proactive and aggressive initiatives to alter the competitive scene to their advantage (Atuahene-Gima & Ko, 2001). Miller (1983) views entrepreneurial orientation (EO) as engaging in product-market innovation, under-taking perhaps risky businesses and being first to create ‘proactive’ innovations, beating their rivals to the punch. It reflects the level of any firm’s ability to take risks, to be creative and aggressive towards competitors (Lumpkin & Dess, 1996). For Dess and Lumpkin (2005) Entrepreneurial orientation (EO) is found in organisations where the leadership and the culture together generates a strong audacity to innovate, take risks, and aggressively pursue new business opportunities. Entrepreneurial Orientation (EO) connotes those policies and practices that provide the foundation for entrepreneurial decisions and actions (Perez-Luno, Wiklund & Valle-Cabrera, 2011) It simply means a organisation’s dynamic capabilities (Liu, Ding, Guo & Luo, 2014).

Proactiveness

An organization is said to be proactive when it places great emphasis on its forward-thinking strategic plans as opposed to reactive measures of dealing with problems or to attempt opportunities as they occur (Neil, 2017). Proactiveness is at the centre of strategic thinking, it increases effectiveness, which can be a useful tool in a variety of different company operations (Atte, 2016). For Atte (2016) to be proactive is taking the time to always assess the situation holistically to proffer effective sustainable solutions to it. It involves a company typically adopting very strategic competitive positions, which will undo-the-competitors (Avlonitis & Salavou, 2007). The subject matter portrays how business firms relate to market opportunities by high jacking initiative in the marketplace (Lumpkin & Dess, 2001). It is the tendency to anticipate and act on future needs rather than reacting to events after they unfold. It is adopting an opportunity-seeking perspective, where the organization act in advance of an ever changing market demand and are often the first to enter new markets (Moss & Short, 2009).

Risk taking

Risk taking can be seen to be the ability to engage in bold rather than cautious actions. Lumpkin and Dess (2001) views risk taking as, the ability to take bold actions, such as venturing into unknown markets, devoting a substantial amount of resources to businesses with uncertain outcomes. Miller and Friesen (1978) are of the opinion that risk taking is part of the strategy making process of any business establishment. According to the online Business Dictionary, risk taking involves any one or business that seems to act in a manner that can potentially cause harm or financial loss, but might also portray some opportunities for a profiting result. Risk taking requires a company or business organization to adopt a strategic position in order to explore potential opportunities (Avlonitis & Salavou, 2007). It is an organisation’s strong desire to shift from the tried-and-true venture into the place of the unknown (Chua, 2014; Perez-Luno et al., 2011).

Innovativeness

Innovation and creativity are gradually becoming important determinants of organizational
performance, success and survival (Anderson, Dedreu, & Nijstad, 2004). It is that process, outcome, and product of attempts to develop and introduce new and improved ways of doing things (Anderson, Potocnik, & Zhou, 2014). Organizational innovativeness is therefore the exploitation of a value-added novelty in economic and social spheres; renewal and enlargement of products, services, and markets, development of new methods of production, and establishment of new management systems. Hence, it is both a process and an outcome (Crossan & Apaydin, 2010). Innovativeness as described by Lumpkin and Dess (2001) means the strong desire to embrace creativity and experimentation, thus bringing forth new products or services. It is a strategic way to go after new opportunities. Hence, Tidd and Bessant (2009) view it as the core renewal process within every business organization. It involves more than bringing forth wonderful ideas, it is a process of nurturing them into goods and services for consumption. Innovativeness encourages creativity and subsequent experimentation in an organization. Such organisational posture is necessary for firms that desire to take advantage of opportunities that may lead to organizational development (Dess & Lumpkin, 2005).

**Proactiveness and innovativeness**

Proactiveness as a term in any business setting according to Lumpkin and Dess (2001), is an opportunity seeking, forward-looking perspective. This attitude on its own in any organization puts the establishment with the bringing forth of new goods or services ahead of their competitors, because it is more receptive for trends in customer demands (Kollmann & Stockmann, 2010). Proactiveness implies the organization stays abreast with current trends ahead of its competitors. Here, the innovative organization does not need to be the foremost to necessarily bring forth new product, but ought to be proactive in scrutinising and learning to take advantage over their rivals (Bleaker, 2011). The goal is to secure first-mover advantage in the short term and determine the direction of the market environment in the long term (Hughes & Morgan, 2007). It has a positive impact on the organization’s innovativeness and contributes to its competitive advantage by encouraging creativity within the organization’s learning activities (Calantone, Cavosgil & Zhoa, 2002). This construct increases the firm’s receptiveness to market signals and awareness of customers’ needs, which are the two important ingredients an innovative company needs (Day & Wensley, 1998). Proactiveness is valuable to innovativeness in the sense that it secures superior performance returns because it implies customer-centrality given the need to understand customers, ascertain and exploit their needs, and actively deconstruct the value package of competitors to generate superior offerings (Hughes & Morgan, 2007).

**Risk taking and innovativeness**

Innovativeness connotes a bias towards supporting creativity and experimentation, technological leadership and R&D in the development of products, services, and processes to generate novel solutions to customer needs and problems (Hurley & Hult, 1998). Risk taking engenders the innovative firm to enter new arenas, renew the firm’s presence in existing ones and build the ability and willingness to explore new possibilities (Cho & Pucik, 2005). Risk taking within the context of the subject matter means the organisation’s acceptance to commit scarce resources to execute projects, proffer solutions that involves a high level of uncertainty regarding the likely outcomes (Lumpkin & Dess, 1996). Without some form of risk-taking, organizations delay or refrain from introducing innovations. Risk-oriented firms, hence, combine opportunity-seeking
behaviour with strategic risk-taking to create a bias for exploitation (Baired & Thomas, 1990; Lumpkin & Dess, 1996; Hughes & Morgan, 2007). According to Kollmann and Stockmann (2010) organizations embarking in radical innovations must accept to take both financial and business risks to be successful. They went further to opine that the amount of risk that any organization undertakes, depending on its size, is a path-way to innovation success. Hence, risk taking is thus, a crucial part of the innovation process.

**METHODOLOGY**

**Research Design:** The research design adopted for this study is the cross sectional survey design, as well as a quantitative methodology, where data is generated using structured questionnaire copies.

**Population:** It will be a very difficult task to deal with the entire Small and Medium-scale Enterprises (SMEs) in Nigeria because of the geographical dispersion of the SMEs and the range population, hence, an accessible portion of the population was selected that are basically into shoe making. The accessible population of 124 proprietors of shoe making enterprises in Aba were involved in the analysis of the study.

**Instrument:** The structured questionnaire (comprising of two sections: demographic and construct sections) was adapted to facilitate the generation of data for the variables (pro-activeness, risk-taking and innovativeness. Each variable comprised of 3 item instruments with index adapted from existing theoretical domains on the constructs: Pro-activeness (Atte, 2016) risk-taking (Lumpkin & Dess, 2001) and innovativeness (Lumpkin & Dess, 2001). All indicators are scaled on the five point type Likert scale ranked from 5 for strongly agree to 1 for strongly disagree.

**Reliability:** The evidence for the tests for reliability indicates that all three variables are substantially reliable given the Cronbach alpha coefficient for each where pro-activeness (alpha = 0.862), risk taking (alpha = 0.839) and innovativeness (alpha = 0.903).

**DATA RESULTS**

This section of the study presents the results on the analysis of the variables. The section is subdivided into the descriptive (where results for the distributive analysis on the demographic characteristics of the sample and the analysis of the variables are presented) and test for hypothesis section (where results for the test of the hypotheses are presented).

All 124 (100%) questionnaire copies were administered personally to the target organizations and distributed to participants through established contact personnel within their respective administrative and human resource offices. However, given certain uncontrollable incidences, some of the questionnaire were not successfully retrieved, hence only 117 (94%) copies of the questionnaire was retrieved, cleaned for errors and blank sections and thereafter considered as adequate and suitable for analysis.

**Descriptive Results:** This section presents the results for the descriptive analysis for the study. The section includes results for the demographic data analysis (illustrated using a frequency and percentage chart) and the univariate level of data analysis (illustrated using contingency tables indicating central tendencies and standard deviations).

Presented in figure 2 below is the demographic distribution for the participants of the study.
The results from the demographic analysis reveals as follows:

**Gender distribution:** the male population of the respondents outnumber their female counterparts with a percentage difference of 50%, implying a significant and substantial level of gender disparity within the population of the study. This goes to support the possibility of a patriarchal system or line of work which can be regarded as being male dominated.

**Qualification distribution:** The distribution for respondents’ qualification indicates that a considerable number of the respondents have obtained WAEC/NECO, certificates (both’ level certifications). This category carries the highest number of participants as compared to others such as the BSc/BEng (undergraduate degree category), as well as post graduate (MSc/MBA) certifications. The evidence suggests a de-emphasis on qualifications given the percentage accruable to the O’ level category.

**Work experience distribution:** The distribution for respondents work experience (with regards to shoe making) indicates that most of the participants have had shoe-making work experiences ranging between 10 – 15 years as compared to other classifications (less than 10 years, 15 – 20 years, above 20 above 20 years), accounting for more than 50% of the entire population. This indicates a substantial level of focus and stability within the population of shoe makers and also presents it as having some form of growth and continuity for members.

**Age distribution:** The distribution for respondents based on their age revealed that most of the respondents were between 40 – 50 years of age. This also accounted for more than 50% of the total population of respondents. The evidence from the distribution indicates that most of the
proprietors and owners of the examined enterprises are above their mid-ages and reflect substantial experience and maturity.

Table 1: Distribution for the indicators of variables

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
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<tbody>
<tr>
<td>Pro-activeness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proactive1</td>
<td>117</td>
<td>1.00</td>
<td>5.00</td>
<td>4.0598</td>
<td>.94951</td>
</tr>
<tr>
<td>Proactive2</td>
<td>117</td>
<td>1.00</td>
<td>5.00</td>
<td>4.0598</td>
<td>.94951</td>
</tr>
<tr>
<td>Proactive3</td>
<td>117</td>
<td>1.00</td>
<td>5.00</td>
<td>4.1026</td>
<td>.90387</td>
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<tr>
<td>Risk Taking</td>
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<td></td>
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</tr>
<tr>
<td>Risk1</td>
<td>117</td>
<td>1.00</td>
<td>5.00</td>
<td>4.1282</td>
<td>.88608</td>
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<tr>
<td>Risk2</td>
<td>117</td>
<td>1.00</td>
<td>5.00</td>
<td>4.1368</td>
<td>.88965</td>
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<tr>
<td>Risk3</td>
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<td>1.00</td>
<td>5.00</td>
<td>4.1111</td>
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<td>Innovativeness</td>
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<tr>
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<td>1.00</td>
<td>5.00</td>
<td>4.0855</td>
<td>.87664</td>
</tr>
<tr>
<td>Innovate2</td>
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<td>1.00</td>
<td>5.00</td>
<td>4.1282</td>
<td>.81514</td>
</tr>
<tr>
<td>Innovate3</td>
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<td>1.00</td>
<td>5.00</td>
<td>4.1624</td>
<td>.93732</td>
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<tr>
<td>Valid N (list wise)</td>
<td>117</td>
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</table>

Source: SPSS Research Data, 2017

The result for the distribution for the univariate analysis of the variables is depicted in table 1 of the study. The evidence shows that the three variables are significantly manifested within the contextual framework of the organizations examined in this study. The results point to the evidence of agreement based on the corresponding tendencies for each variable. Hence, the indicators can be said to affirm that participants of this study regard their enterprises as being proactive, engaging in risk-taking and also are innovate. The summary analysis for the variables is presented in table 2 below:

Table 2: Distribution for the variables

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
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Results for Hypotheses Testing

In this section of the study, the results for the test of the hypotheses are presented. Two null hypotheses (statements about the relationship between the dimensions of entrepreneurial orientation: pro-activeness and risk-taking; and the criterion variable: innovativeness) are tested in this section using the Spearman’s rank order correlation coefficient at a 95% confidence interval. Each test is treated as non-directional and hence two-tailed. The Probability (P) value coefficient criterion is adopted in this study as the benchmark for null hypothesis acceptance (where P > 0.05) and null hypothesis rejection (where P < 0.05). Presented in table 3 below is the result for the hypotheses testing:

Table 3: Result for hypotheses testing
HO1: There is no significant relationship between pro-activeness and innovativeness: This hypothesis test yielded a result of rho = .460 and a P < 0.05. The evidence does not support the earlier hypothesized statement of a non-significant relationship between pro-activeness and innovativeness of the organizations. The results indicate that pro-activeness significantly impacts on the innovativeness of the enterprises examined in this study.

HO2: There is no significant relationship between risk taking and innovativeness: This hypothesis test yielded a result of rho = .438 and a P < 0.05. The evidence does not support the earlier hypothesized statement of a non-significant relationship between risk taking and the innovativeness of the organizations. The results indicate that risk taking significantly impacts on the innovativeness of the enterprises examined in this study.

Discussion
This paper examined the role of entrepreneurial orientation in the innovativeness of organizations. The paper is empirical and as such adopted both descriptive and inferential statistical analysis in the assessment of the relationship between the variables of the study. Two hypothetical statements guided this process, with both rejected based on the evidence presented by the outcome of the analysis. The hypotheses sought to determine the extent to which dimensions of entrepreneurial orientation (pro-activeness and risk-taking) impacted on the innovativeness of the organization. The results of the analysis further reiterates the positions of Dess and Lumpkin (2005) who argued that innovativeness was a consequence of entrepreneurial orientation, highlighting on the role of entrepreneurial orientation in aligning the objectives of the organization with the gaps in the market, the authors opined that through effective operational features which entailed pro-activeness as well as risk taking, organizations invariably improved their innovative tendencies and capacity for innovation (Avlonitis & Salavou, 2007; Moss & Short, 2009). The finding also validates the assertions that innovativeness was not an inherent feature or aspect of any organization but was a behaviour that could be learnt and adapted through effective entrepreneurial mechanisms which effectively tapped into existing but often latent opportunities within the market (Tidd & Bessant, 2009). It is in this regard that this paper affirms that entrepreneurial orientation through its dimensions such as pro-activeness and risk taking significantly influences the innovativeness of the organization.
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