Original Article

Entrepreneurial Orientation in Exporter and Non-Exporter SMEs

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ABSTRACT

This research is a quantitative study which is conducted in fruits and vegetables SMEs of Tehran Province in Iran. The province of Tehran, capital of Iran, is selected mainly because of the most recent formal national statistics, published by Statistic Center of Iran (SCI), show that more than 27% of all SMEs in Iran are activating in this area. The purpose of this study is a comparison of entrepreneurial orientations in exporter and non-exporter SMEs. For the purpose of data collection, a structured questionnaire was designed and generated from 76 managers of SMEs (44 exporters and 32 non-exporters). The software ‘Statistical Package for the Social Sciences’ (SPSS 20) is used to analyze the data with the aim of assessing the difference between exporter and non-exporter SMEs by means of entrepreneurial orientations. The results of the survey show that all dimensions of Entrepreneurial Orientations in exporter and non-exporter are correlated and Pro-activeness, Autonomy and Competitive Aggressiveness among dimensions of entrepreneurial orientations have a significant difference between exporter and non-exporter SMEs.

Key words: Entrepreneurial Orientation, Exporter, Non-Exporter, SMEs, Iran.

Introduction

Small and Medium-sized Enterprises (SMEs) have become an increasingly important component of economic development representing a substantial proportion of the national economies all around the world [43,25,51]. Due to globalization, SMEs face increasing pressure from competition across the world. When compounded with the changing sophistication of customers worldwide it becomes apparent that SMEs face increasing difficulty in maintaining and improving business performance in time, unless they can actively manage these pressures. SMEs are encouraged to implement an entrepreneurial mindset to recognize the threats and opportunities in the environment of the firm in order to make sure that the firm will continue to exist in the future [32,30].

Ibeh & Young [23] suggest that exporting is an entrepreneurial act and can be defined as the process by which individuals either on their own or inside organizations pursue export market opportunities without regard to the resources which they currently control or environmental disincentives which they face [18]. Exporting has increasingly become an important activity for many SMEs in recent years as a way of sustaining and ensuring their growth, profitability and survival [18]. Several studies have suggested that export has a direct impact on SMEs' growth and profitability [22,41]. Exports have a positive impact on the national amount of foreign exchange reserves and on national prosperity, and contribute to the development of national industries, to improved productivity, and to the creation of employment. It is a stylized fact that, on average, exporting firms perform better than non-exporting firms; in particular they tend to be more productive, more capital intensive, more innovative, and more efficient [7,17,28,20].

The term entrepreneurship has been used for decades, yet to this day there is little consensus about its definition [60,30]. Many perspectives can be found in the literature but the most common themes include: creation of wealth, creation of enterprise, creation of innovation, creation of change, creation of employment, creation of value, and creation of growth [30]. Ever since the 1980s, Entrepreneurial Orientation (EO) has emerged as a major construct within the strategic management and entrepreneurship literature [51]. The concept of an EO to explain the mindset of firms engaged in pursuing new ventures provides a useful framework for researching entrepreneurial activity [2,31].

In recent years there has been an increased focus on the relationship between firm’s EO and firm performance [36,51]. Yeoh & Jeong [62] investigated relationship between firm’s EO and export performance, they identified that the fit...
between EO and export performance may not be a direct one but may be one moderated by environmental factors [24]. The SMEs sectors in Iran play a very vital role in economic development and entrepreneurship growth, because the SMEs sector is totally private. So this study focuses on SMEs and survey differences between exporter and non-exporter SMEs by means of EO.

**Entrepreneurial Orientation in SMEs:**

In today’s dynamic business environment, Small and Medium-sized Enterprises (SMEs) must make competitive changes in order to move forward. Firms need to be alert of each possible opportunity in market. In developing and emerging economies, SMEs play an important role as they represent a major source of employment and generate significant revenue and export earnings. SMEs now have access to new technology and their ability to embrace risk and uncertainty allows them to take advantage of their entrepreneurial and human capabilities, improving their ability to enter challenging new business environments. Entrepreneurship is a very important activity for competitiveness and growth in SMEs [38,10,34,65]. Davidsson [12] claimed that especially in the SMEs, growth means entrepreneurship but there is less research addressing the increasing role of entrepreneurial firms in markets [6,53,24].

Entrepreneurial Orientations (EO) have become a central concept in the domain of entrepreneurship that has received a substantial amount of theoretical and empirical attention [11]. So within the present article, the entrepreneurial activities of an established firm will be referred to as its ‘EO’. EO refers to the decision-making styles, practices, processes and behaviours that lead to ‘entry’ into new or established markets with new or existing goods or services [33,55,58].

This definition of EO is consistent with the view that EO leads to new market entry in either new or existing markets, but also explicitly recognizes that this can be achieved with either new or existing goods or services [30]. Miller [37] described a firm’s EO as a combination of risk taking, innovation, and pro-activeness. Covin & Slevin [10] linked Miller’s dimensions to firm’s performance. According to Wiklund [57], most researchers agree that EO is a combination of three dimensions: innovativeness, pro-activeness and risk-taking. Indeed, many studies [8,40,63,27,30] follow this three dimensional model created by Miller [37]. But Lumpkin & Dess [33] expanded the EO model by adding the dimensions of autonomy, and competitive aggressiveness. Thus an EO is characterized by five key dimensions: innovativeness, risk taking, pro-activeness, competitive aggressiveness and autonomy [13,10]. Autonomy relates to the actions of individuals or teams in establishing new business concepts or visions [35]; innovation refers to the firm’s ability to create new products and successfully introduce them to the market [21,56,16]. It also indicates the company’s commitment to process and organizational innovations [64,46,16]. Competitive aggressiveness is concerned with the intensity of the combative posture adopted by firms reacting to competitive trends and market demands [35]; risk-taking concern is a firm’s propensity to take business-related chances with regard to strategic actions when faced with uncertainty [47], and pro-activeness refers to a firm’s initiative in seizing opportunities in the marketplace [34].

There is intense discussion in the entrepreneurship literature about the dimensionality or the construct of EO and the interrelationships between the various dimensions of EO [45]. Some researchers have conceptualized EO as a reflective construct, implying that the dimensions of EO must covary and that a change in EO results in a change of dimensions [29,31,45]. Lumpkin and Dess [33] posited that the dimensions of EO can vary independently and proposed that each dimension might not necessarily contribute to business performance in each instance [30]. In other hand, although there is general agreement that EO has an impact on firm performance [35], the affect of each EO dimensions on firm performance remains unclear.

Recently, the correlation between the EO of the firm and its performance has been widely discussed, conceptually [33,10] and empirically [10,34,59]. Firms with high levels of EO tend to constantly scan and monitor their operating environment in order to find new opportunities and strengthen their competitive positions [9]. Rauch et al. [44] performed a meta-analysis of the relationship between EO and business performance. Their study included 51 articles and showed a significant positive relationship between EO and business performance [30]. Slater & Narver [50] did not find a significant relation between EO and business performance at all. Swierczek & Ha [52] found only a partial positive relationship and Walter et al. [55] found that EO is not directly related with business performance. Covin & Slevin [8] found that there is a larger positive effect of entrepreneurship on business performance [30]. Several empirical studies have found that firms with high EO perform better than firms with low EO [51]. For example, Keh et al. [26] found out that EO plays an important role in enhancing firm performance. Similarly, Wiklund & Shepherd [58] found a strong correlation between EO and performance. Wiklund [57] showed that investments in EO may be worthwhile for small firms since there is a positive relationship between EO and performance and that the relationship actually increases over time. On the other hand, some studies have shown that the relationship between EO and
performance is not that straightforward. Bhuian et al. [4] among others found that the entrepreneurship is one of the key elements in organizational success, but the relationship is shaped like inverted U, meaning that a high degree of entrepreneurship is not always desirable in certain market and structural conditions [51]. Other researchers [26,19,48,54,66] indicates relationship between EO and performance in different countries in the world too.

However, there are also few studies that have purely explored the specific relationship between EO and export [11]. Mostafa et al. [39] show that firms with high EO are more committed to the Internet and have better export performance than firms with low EO. Previous studies have also indicated that there is a positive association between entrepreneurship and export performance [42,14,15,5,18]. Findings of these studies have confirmed that there really exist a positive relationship between EO and export.

Hence developing countries such as Iran recognize that to achieve greater competitive advantages and address general societal problems such as unemployment, the development of entrepreneurship programs is essential [3]. So in this paper we focus on the five dimensions of EO; I. Risk Taking II. Pro-activeness III. Competitive Aggressiveness IV. Autonomy V. Innovativeness,

Hypothesis 1: There is a relationship between the dimensions of EO separately.

Hypothesis 2: There is a difference between exporter and non-exporter SMEs by means of EO.

Materials and Methods

This research is a quantitative study which is conducted in SMEs of Tehran Province in Iran. Tehran province was studied; mainly because of the most recent formal national statistics published by Statistic Center of Iran (SCI) show that more than 27% of all SMEs in Iran are working in Tehran. To date, 104 SMEs in the fruits and vegetables industry have registered in Ministry of Agriculture (MoA) formally in Tehran province from which 80 SMEs were active (44 exporter SMEs, 36 non-exporter SMEs) when the research was conducted (2011 to 2012). Other 24 SMEs were not in business any longer. For the purpose of data collection, a structured questionnaire was designed and used. In total, 80 questionnaires were distributed in person and by e-mail among the SMEs’ managers of Tehran province in Iran, of which 76 useable questionnaires were received 95%. Of 44 questionnaires distributed to the exporter SMEs of Tehran in person and by e-mail, 44 useable questionnaires received. However, of 36 questionnaires were distributed to the non-exporter SMEs of Tehran in person and e-mail, 32 useable questionnaires received. We use the questionnaire developed by Covin and Slevin [8] Lumpkin and Dess [33] and Miller [37] to measure the EO of a firm.

According to Covin and Slevin [8] Lumpkin and Dess [33] and Miller [37], EO are categorized as followed: Innovativeness (12 Items), Risk Taking (11 Items), Pro-activeness (20 Items), Autonomy (11 Items) and Competitive Aggressiveness (13 Items). All dimensions of EO were based on a 5-point Likert scale (ranging from 1 = “Very Low” to 5 = “Very High”) for comparing of EO in exporter and non-exporter SMEs. In order to get the reliability of the questionnaire, Cronbach’s Alpha was done on the collected data by the preliminary questionnaires in the pilot test. Cronbach’s Alpha obtained as 0.98. The data obtained were tabulated and analyzed using the Statistical Package for the Social Sciences (SPSS) Version 20.

Findings:

The respondents were questioned to scale by the list of five dimensions of EO (Innovativeness, Risk Taking, Pro-activeness, Autonomy and Competitive Aggressiveness) on a five-point scale. The descriptive statistics of responses to each dimension are shown in table 1 for exporter SMEs and in table 2 for non-exporter SMEs.

The calculated mean score for five dimensions in exporter SMEs are from 4.11 to 3.73. Mean score of “Pro-activeness” with 20 items as the highest score for EO has a mean above 4.11. For non-exporter SMEs mean score for five dimensions are from 3.22 to 2.17. Mean score of “Autonomy” with 11 items as the highest score for EO has a mean above 3.22.
In order to find out whether there is a difference between exporter and non-exporter SMEs in means of EO, Independent-Samples t-test was carried out. The results clearly show that there is a significant difference between exporter and non-exporter SMEs in the 3 (Pro-activeness, Autonomy and Competitive Aggressiveness) of 5 dimensions of EO. The results also show that exporter and non-exporter SMEs do not differ significantly the 2 (Innovativeness and Risk Taking) of 5 dimensions of EO and there is not a significant difference between exporter and non-exporter SMEs in EO in Total. The results of Independent-Samples t-test are shown in table 3 and in table 4.

Correlation analyses were performed to determine, whether dimensions of EO in exporter and non-exporter SMEs are correlated independently. Result shows that, all dimensions of EO in exporter and non-exporter are correlated. The results of Correlation analyses are shown in table 5.

### Table 1: Frequency of Entrepreneurial Orientation in Exporter SMEs

<table>
<thead>
<tr>
<th>Type of SMEs</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovativeness</td>
<td>44</td>
<td>1046.91</td>
<td>10.158</td>
<td>1.562</td>
</tr>
<tr>
<td>Pro-activeness</td>
<td>32</td>
<td>029.59</td>
<td>12.355</td>
<td>2.184</td>
</tr>
<tr>
<td>Risk Taking</td>
<td>44</td>
<td>042.39</td>
<td>10.812</td>
<td>1.630</td>
</tr>
<tr>
<td>Autonomy</td>
<td>32</td>
<td>023.84</td>
<td>11.596</td>
<td>2.050</td>
</tr>
<tr>
<td>Competitive Aggressiveness</td>
<td>32</td>
<td>035.84</td>
<td>15.388</td>
<td>2.720</td>
</tr>
<tr>
<td>EO in Total</td>
<td>32</td>
<td>187.59</td>
<td>68.451</td>
<td>12.101</td>
</tr>
</tbody>
</table>

### Table 2: Frequency of Entrepreneurial Orientation in Non-Exporter SMEs

<table>
<thead>
<tr>
<th>Type of SMEs</th>
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### Table 3: Descriptive Statistics

<table>
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</table>

### Table 4: Comparison of Entrepreneurship Orientation between Exporter and Non-Exporter SMEs through Independent Samples Test.

<table>
<thead>
<tr>
<th>Type of SMEs</th>
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<td>12.101</td>
</tr>
</tbody>
</table>

### Table 5: Correlation matrix among Dimensions of Entrepreneurial Orientations.

<table>
<thead>
<tr>
<th></th>
<th>Pro-activeness</th>
<th>Innovativeness</th>
<th>Risk Taking</th>
<th>Autonomy</th>
<th>Competitive Aggressiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro-activeness</td>
<td>1</td>
<td>.969**</td>
<td></td>
<td></td>
<td>.992**</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>.953**</td>
<td>1</td>
<td>.964**</td>
<td></td>
<td>.971**</td>
</tr>
<tr>
<td>Risk Taking</td>
<td>.959**</td>
<td>.953**</td>
<td>1</td>
<td>.933**</td>
<td>.975**</td>
</tr>
<tr>
<td>Autonomy</td>
<td>.984**</td>
<td>.987**</td>
<td>.983**</td>
<td>1</td>
<td>.987**</td>
</tr>
</tbody>
</table>

### Conclusion:

This paper explores two research questions focusing on the dimensions of EO to show difference between exporter and non-exporter SMEs by means of EO. Regarding the first research question pertaining to relationship between the dimensions of EO, the evidence shows that dimensions of EO in exporter and non-exporter are correlated, this result is comparable to the study findings of Knight [29], Kreiser et al [31] and Rauch & Frese [45]. Regarding the second research question pertaining to difference between exporter and non-exporter SMEs by means of EO, the results clearly show that there is a significant difference between exporter and non-exporter SMEs in the 3 (Pro-activeness, Autonomy
and Competitive Aggressiveness) of 5 dimensions of EO, this result is almost comparable to the study findings of Acedo & Jones [1]. In conclusion, although this research did not find a significant difference between exporter and non-exporter SMEs in the two (Innovativeness and Risk Taking) of five dimensions of EO but it does find that mean of innovativeness and risk taking in exporter SMEs is higher than non-exporter. So the findings of this study make one worthy result to the EO research and also this study provide new insights in small business research concerning the widely acknowledged value of EO. Overall, the adoption of difference between exporter and non-exporter SMEs by means of EO could be not only a challenge but also an appropriate opportunity-focused response by SMEs facing fierce competition by other SMEs.

References


22. Ibeh, K.I., 2004. Furthering export participation in less performing developing countries: The


