

Impact of Entrepreneurship Orientation and Entrepreneurial Management On Firm Growth: Evidence From Nigeria Manufacturing Industry

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ABSTRACT

The relationship between entrepreneurial orientation (EO), entrepreneurial management (EM) and firm performance has become the main subject of interest in past literatures which are concerned with the positive implications that entrepreneurial processes have on firm growth and performance. The current research contributes to extend the literature on entrepreneurial orientation and management because in Nigeria the research on entrepreneurial orientation is still infancy. Besides, studies on the effects of entrepreneurial orientation on firm performance among the public listed companies are also rare. Primary source of data was adopted and the data was analyzed using regression analysis. The study was based on manufacturing companies in Nigeria especially within Lagos State. However, results were generalized to the whole industry. Finding shows that entrepreneurial orientation, management and innovativeness exert a positive effect on business performance. The propensity for a firm to be innovative, risk-taking and proactive has a direct relationship with the firm performance of a firm. More so, firms that are entrepreneur oriented will be more proactive in conducting market intelligence to look at the current market opportunities.

Keywords: Entrepreneurial Orientation, Entrepreneurship Management, Risk, Proactiveness, Innovation, Profitability.

1. INTRODUCTION

Entrepreneurs were first described by Schumpeter (1934) as innovators and this has been supported by the work of (Lumpkin and Dess, 2006; Covin and Slevin, 2009; and Miller and Friesen, 1982). An Entrepreneurial oriented (EO) firm for the purpose of this study is defined as a firm that involves in technological innovation (innovativeness), undertakes risky ventures (risk taking), and pursue opportunities proactively (proactiveness). On the other hand Entrepreneurial management (EM) assumes that entrepreneurial firms are driven and motivated by the opportunity, seize it regardless of the resources they have and if necessary, prefer to rent these resources (Guulruh and Sinem, 2009). In order to achieve these, firms develop supporting mechanisms like structure, culture and people. The dimensions of EM include strategic orientation, commitment to opportunity and resources, control of resources, management structure, reward philosophy, growth orientation and entrepreneurial culture (Guulruh and Sinem, 2009).

The relationship between entrepreneurship orientation (EO), entrepreneurial management (EM) and firm performance has become the main subject of interest in past literatures which are concerned with the positive implications that entrepreneurial processes have on firm growth and performance (Lumpkin and Dess, 1996; Wiklund, 1999; Zahra, Jennings, and Kuratko, 1999). In developing countries like Nigeria, most of the researches on entrepreneurship are based on small firms or individual entrepreneurs (Miller and Breton-Miller, 2011). Fundamentally, a large firm faces different challenges than the challenges faced by a small firm. This is generally because both types of firms have different organisational designs and management styles (Miller and Breton-Miller, 2011). Studies found that the manufacturing and innovation strategies employed by large and small firms also differ (Wagner and Hansen, 2005; Zahra and Garvis, 2000). Accordingly, it is important to conduct separate studies on the effects of entrepreneurial orientation on firm performance according to firm size. This is because it is questionable whether the results of studies on small firms can be generalized to larger firms and vice versa, largely due to the fact that all core references with smalls firms as samples use perceptual performance data (Andersen, 2010).

Therefore, this study will make important contributions to at least two areas of research. Firstly, in developing countries like Nigeria, most of the researches on entrepreneurship have been carried out predominantly on small firms or individual entrepreneurs (Miller and Breton-Miller, 2011) but in reality large firms face different challenges than small firms. Secondly, the current research contributes to extend the literature on entrepreneurial orientation and management because in Nigeria the

research on entrepreneurial orientation is still infancy. Besides, studies on the effects of entrepreneurial orientation on firm performance among the public listed companies are also rare (Miller and Breton-Miller, 2011). Thus, this research adds to the theoretical and practical understanding of this area. Further research to redefined measurements, exploring the underlying processes related with entrepreneurial activity and recognizing multidimensional nature of entrepreneurial orientation (EO) will contribute to the greater understandings of entrepreneurial orientation (EO) and its relationship towards firms' performances. The relationships between the dimensions of EO and EM have not been effectively empirically tested. Thus, our knowledge about the relationship between dimensions of EO and EM is still limited. Empirical studies on EM are rare. Although recommended by researchers in the field (Brown, Davidsson and Wiklund, 2001) these two different dimensions of entrepreneurship are rarely used in the same study. This study aims to fill this gap and use EM and EO in the same study.

2. LITERATURE REVIEW

Schumpeter (1934) first described entrepreneurs as innovators and this has been supported by the work of (Lumpkin and Dess, 2006; Covin and Slevin, 2009; and Miller and Friesen, 1982). EO is evidenced through visible entrepreneurial tendencies toward innovativeness, proactiveness and risk taking. (Miller, 1983; Covin and Slevin, 2009) operationalized these three constructs and see them as central to EO. Proactiveness as an aspect of entrepreneurial behaviour was clearly delineated by (Covin and Slevin, 1989; Miller 1983; and Lumpkin and Dess, 2006). Risk taking (social, personal, and psychological risk, as well as strategic risk) is another characteristic ascribed to entrepreneurs and generally operates in a range from risk averse to risk prone (Lumpkin and Dess 1996; Baird and Thomas 2005; Gasse 2002). Stewart and Roth (2001) and Miller and Friesen (1982) found that entrepreneurs have higher levels of risk propensity than other small business owners.

Thus, entrepreneurial orientation (EO) may be taken into consideration as a key ingredient for the success of a firm. While a firm's entrepreneurial processes might help the chase of new entries opportunities that enhance its performance, the adoption of a strong entrepreneurial orientation (EO) is considered necessary but insufficient for wealth creation by new ventures (Ireland, Hitt, and Simmon, 2003; Lumpkin and Dess, 1996). In order to understand the conditions under which an entrepreneurial orientation (EO) enhances firm performance, a contingency perspective that emphasizes the importance of fit among a firm's strategic posture and other constructs of interest is needed (Lumpkin and Dess, 1996).

Contemporary definitions of entrepreneurial management tend to centre on the pursuit of an opportunity (Brazeal, 1999; Shane and Venkataraman, 2000) their common characteristics are that they define entrepreneurial management as a "mode of management" that is proactive, opportunity-driven, and action-oriented. In this vein, entrepreneurial management style maybe evidenced by the firm's strategic decisions and operating management philosophies. An entrepreneurial management tries to create and balance the innovation abilities of the organization with efficient and effective use of resources. It can both initiate changes and react to changes quickly and flexibly (Brazeal, 1999 and Shane and Venkataraman, 2000). In the course of the entrepreneurial process, the entrepreneurial manager may create new value through identifying new opportunities, attracting the resources needed to pursue those opportunities, and building an organization to manage those resources (Wickham, 2006). An entrepreneurial manager seizes any promising business opportunity irrespective of the level and nature of resources currently controlled (Stevenson, 2006). Consequently, an entrepreneurial manager is someone who acts with ambition beyond that supportable by the resources currently under his or her control, in relentless pursuit of an opportunity (Stevenson, 2006; Timmons, 1994).

In literature EO is mainly regarded as the strategic orientation of a firm (Covin and Slevin, 1991; Lumpkin and Dess, 2001). In this study EO will be taken as strategy and EM will be regarded as an organizational construct that has to support EO. This study assumes that EO will determine the extent of EM practices in firms which will eventually affect the firm's growth. Entrepreneurial strategy making is characterized with dimensions of innovativeness, risk taking and proactive assertiveness (Dess, Lumpkin, Covin, 1997). The innovation dimension is "the tendency of a firm to engage in and support new ideas, novelty, experimentation and creative processes that may result in new products, services or technological processes" Lumpkin and Dess (1996). The importance of innovation for entrepreneurship was first emphasized by Schumpeter (1934) and Lumpkin and Dess (1996). Covin and Miles (1999) propose that innovation is the single dimension that has to be employed within all entrepreneurial firms. According to Covin and Miles (1999), even in the presence of other dimensions, if innovation is not employed there is no firm level entrepreneurship.

Risk taking and entrepreneurial behaviour dimensions are sometimes considered synonymous. Risk taking is "the degree to which managers are willing to make large and risky resource commitments; those which have a reasonable chance of costly failures" (Miller and Friesen, 1978). Proactiveness is acting opportunistically in order to shape the environment by influencing trends and creating demand and becoming a first mover in a competitive market (Lumpkin and Dess, 1996). Proactiveness has also been defined as a response to opportunities (Lumpkin and Dess, 2001). Proactive firms exploit opportunities in the marketplace, take initiative and become leaders. These firms explore the resources, seek opportunities in the market and create new niche which requires experimentation and discovery (Lumpkin and Dess, 2001). Most of the research in this field is based on dimensions of "risk taking", "innovation" and "proactiveness" in EO (Brown, 1996; Covin and Slevin, 1991; Covin and Slevin, 1990; Covin and Slevin, 1989; Lou, 1999; Miller, 1983; Miller and Toulouse, 1988; Wiklund, 1998; Wiklund and Shepherd, 2004).

Entrepreneurship can be better explained when all the three dimensions are considered as independent from each other (Lumpkin and Dess, 1996, 2001). The supporters of this view argue that each dimension of entrepreneurship may have a different relation with performance variables (Kreiser et al., 2002). Research evidence also shows that these three dimensions have different impact on the performance of the firm (Kreiser et al., 2002; Lumpkin and Dess, 1997, 2001). Considering EO as a multidimensional and independent construct is recommended for scholars in order to understand entrepreneurship and entrepreneurial behaviour in different contexts (Krieser et al., 2002; Lumpkin and Dess, 1997).

In this study EO dimensions are considered as independent from each other. Although EO is a widely used construct in entrepreneurship research, it is insufficient in explaining the place of entrepreneurship in management. Brown et al. (2001) argue that the EO construct does not measure the firms' opportunity recognition and exploitation levels. The pursuit of opportunity is the centre of several definitions of entrepreneurship. EO should be supported by Stevenson's conceptualization of EM (Brown et al., 2001). Stevenson defines entrepreneurship as "the process by which individuals – either on their own or inside organizations- pursue opportunities without regard to the resources they currently control" (Stevenson and Jarillo, 1990).

This definition of entrepreneurship emphasizes opportunity seeking behaviour and considers entrepreneurship as a management approach. This approach explains "how" entrepreneurs act (Stevenson and Gumpert, 1985). Mainly EM assumes that entrepreneurial firms are driven and motivated by the opportunity, seize it regardless of the resources they have and if necessary, prefer to rent these resources (Gulruh and Aykol, 2009). In order to achieve these, they develop supporting mechanisms like structure, culture and people. The dimensions of EM include strategic orientation, commitment to opportunity and resources, control of resources, management structure, reward philosophy, growth orientation and entrepreneurial culture. Strategic orientation is an organization's orientation in strategy creation (Gulruh and Aykol, 2009).

This paper thus consider the below hypothesis for testing having gone through past literatures.

H₀: entrepreneurial orientation when accompanied by entrepreneurial management has no impact on growth of firms in Nigeria.

H₁: entrepreneurial orientation when accompanied by entrepreneurial management has impact on growth of firms in Nigeria.

3. METHODOLOGY

The basic research design utilized for this study was a survey design. This study stresses on data obtained through primary data collection. To maximize the data accuracy and reliability, the study used Huber and Power's (1985) guidelines on how to get quality data from single informants and the data was analyzed using ordinary least square (OLS). The study was based on a manufacturing company in Nigeria and covers Cadbury Nigeria PLC in Lagos State. However, results were generalized to the whole manufacturing industry. Onehundred and fifty seven (157) staffs of the firm in Lagos were administered questionnaires while twenty three (23) were unable to completely fill their questionnaires which prompted the use the one hundred and thirty four (134) completely filled and returned questionnaire as the sample size of this research study.

4. DATA ANALYSIS AND INTERPRETATION

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.332 ^a	.110	.090	.62582

a. Predictors: (Constant), High productivity is sustained through worker commitment. Employees are competitive in every organization.

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	4.364	2	2.182	5.571	.005 ^b
	Residual	35.249	130	.392		
	Total	39.613	132			

a. Dependent Variable: My organization performs at peak levels.

b. Predictors: (Constant), High productivity is sustained through worker commitment, Employees are competitive in every organization.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.615	.248		6.525	.000
1 Employees are competitive in every organization.	-.005	.075	-.007	-.069	.945
High productivity is sustained through worker commitment.	.217	.065	.333	3.328	.001

a Dependent Variable: My organization performs at peak levels.

Interpretation

The effect of entrepreneurial orientation and entrepreneurial management on performance of firms was investigated using OLS, the total variance explained by the model as a whole was 11%, $f(2, 130) = 5.571$, $p < .005$. This indicates that the result is statistically significant since the significant level is still within 0.005. It also means that entrepreneurial orientation and entrepreneurial management only accounts for about 11% of the total variation that can be explained and that 89% can't be explained and thus means that there are more other factors apart from entrepreneurial orientation and entrepreneurial management that do affect the growth of the firm under study. The entrepreneurial orientation scale was not statistically significant since the significant level is above 0.005, as can be seen in the coefficient table above (.945). However, the combination of entrepreneurial orientation and entrepreneurial management scales is statistically significant since the significant level was within 0.005 as seen in the ANOVA table above. This study thus fails to accept the null hypothesis.

5. CONCLUSION

The entrepreneurial orientation is not only essential for the small and medium size firms for survival and growth but also affect the large firms' profitability. This is seen from our analysis above. Finding shows that entrepreneurial orientation, management and innovativeness exert a positive effect on business performance. The propensity for a firm to be innovative, risk-taking and proactive has a direct relationship with the firm performance of a firm. More so, firms that are entrepreneur oriented will be more proactive in conducting market intelligence to look at the current market opportunities.

These results present important grounds for managers in formulating and implementing strategies to improve their business performance. This study thus presents the following recommendations.

1. Firms need to regularly improve their processes, product or services and organization because firms that innovate successfully would increase their chances of survival and growth.
2. The management of firms must also ensure that all elements of entrepreneurial orientation which include innovation, proactiveness and risk taking are practiced in their organization. Firms focusing on only one element will hamper entrepreneurs to compete and strengthen their business.
3. Managers of the firms should attempt to develop appropriate behavior as an important component of the firm's strategy to enhance their innovativeness and proactiveness.
4. Managers of firms need to develop appropriate entrepreneurial orientation, management and innovative behavior via their strategic plan to incorporate the cultures into their organization.
5. They also need to be more proactive, search for new opportunities and incorporate risk-taking elements into the company strategies in order to improve their business performance.

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