

Evaluation the Relationship between Entrepreneurial Orientation on Performance in Kurdistan Province Food Manufacturing Firms

Rezgar Arjomandi ^a, Abdolnaser Shojaei ^b

^a *M.s graduated in Management, Sanandaj Branch, Islamic Azad University, Sanandaj, Iran.*

^b *Department of Economic, Sanandaj Branch, Islamic Azad University, Sanandaj, Iran.*

Abstract

This study aimed to investigate the relationship between entrepreneurial orientations on performance in Kurdistan province food manufacturing firms. This research in terms of purpose, is practical, in terms of data collection, is survey – field and based on data analysis, is correlation. The population consisted of all employees in Food Industry of Kurdistan Province. With stratified random sampling, questionnaires were distributed among 207 people. For data analysis, structural equation modeling with LISREL software was used. Cronbach's alpha of all the variables above 0.7 was also normal data were reported. The results indicate that the entrepreneurial orientations significant relationship with performance.

Keywords: Entrepreneurial Orientation, firm Performance, Manufacturing firms

Introduction:

Peter Drucker's quotation above highlights the close relation between innovation and entrepreneurship. It also suggests that much can be learned about innovation and entrepreneurship and that systematic application of this knowledge can lead to success. Academics seem to agree with Drucker, as evidenced by the vast numbers of papers published each month on innovation and entrepreneurship. Numerous researchers have published work identifying entrepreneurial companies and determining how the characteristics of such companies are linked to company performance.

In an ideal world, this knowledge about entrepreneurship and innovation would also serve to inform management practice. In reality, there are certain characteristics of the academic research that make it quite difficult to apply the research findings to management practice in the area of innovation and entrepreneurship. This article highlights these difficulties using the example of “entrepreneurial orientation” (EO).

In the academic literature, EO refers to the extent to which a firm is entrepreneurial. This concept seems particularly suited for the discussion of the applicability of academic research results to management

practice because there is a strong stream of research that has used relatively consistent definitions of the concept. This research has developed since the 1980s, not only measuring EO in companies, but also investigating its link with company performance from many angles (Schillo, 2011, 2).

The notion that the relationship between an EO and performance is different for different types of businesses is not new; for example, Lumpkin and Dess (1996) in their conceptual model suggest that factors internal and external to the firm may moderate the relationship between EO and performance. Empirically, research has found that the effect of EO on performance may be different in different types of environments (i.e., external factors). Research has also found that entrepreneurial strategies require considerable financial resources to be successful (Wiklund & Shepherd, 2005, 72).

EO refers to a firm's strategic orientation, capturing specific entrepreneurial aspects of decision-making styles, methods, and practices. As such, it reflects how a firm operates rather than what it does (Lumpkin and Dess, 1996). Miller (1983) summarizes the characteristics of an entrepreneurial firm: "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). Based on this, several researchers have agreed that EO is a combination of the three dimensions: innovativeness, proactiveness, and risk taking. Thus, EO 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 toward new marketplace opportunities (e.g., Covin and Slevin, 1989, 1990, 1991; Knight, 1997; Miller, 1983; Namen and Slevin, 1993; Wiklund, 1999; Zahra and Covin, 1995; Zahra, 1993a).

The innovativeness dimension of EO reflects a tendency to engage in and support new ideas, novelty, experimentation, and creative processes, thereby departing from established practices and technologies (Lumpkin and Dess, 1996). A high rate of technological and/or product market innovation, as implied by the innovativeness dimension, can be used by the firm to pursue new opportunities. Proactiveness refers to a posture of anticipating and acting on future wants and needs in the marketplace, thereby creating a first-mover advantage vis-à-vis competitors (Lumpkin and Dess, 1996). With such a forward-looking perspective, proactive firms have the desire to be pioneers, thereby capitalizing on emerging opportunities. Risk taking is associated with a willingness to commit more resources to projects where the cost of failure may be high (Miller and Friesen, 1982).

The most widely used definition of EO is based on work by Miller (1983), developed further by Covin and Slevin (1989) and many others, and augmented by Lumpkin and Dess (1996). This conceptualization has been used in over 200 studies focusing not only on entrepreneurship, but ranging from management and marketing to healthcare (George and Marino, 2011). The five components of EO in this stream of research are:

1. Risk-taking was historically a key characteristic associated with entrepreneurship. It originally referred to the risks individuals take by working for themselves rather than being employed, but has since been widely applied to companies, for example, when managers make decisions that commit large amounts of resources to projects with uncertain outcomes.

2. Proactiveness describes the characteristic of entrepreneurial actions to anticipate future opportunities, both in terms of products or technologies and in terms of markets and consumer demand. This characteristic was at the centre of early economic thinking in this field: the entrepreneur was thought of as someone who identifies opportunities in the marketplace and proactively pursues them (Lumpkin and Dess, 1996). Translated to the level of the firm, proactive companies are leaders in the market, rather than followers.

3. Innovativeness relates to the types of products and services a company has introduced to the market. For some theorists, innovativeness is intrinsically linked to entrepreneurship in that entrepreneurs create new combinations of resources by the very fact of their entry into the market. In the context of EO,

innovativeness is defined more narrowly, emphasizing the importance of technological leadership to the company, as well as changes in its product lines.

4. Competitive aggressiveness refers to the company's way of engaging with its competitors, distinguishing between companies that shy away from direct competition with other companies and those that aggressively pursue their competitors' target markets.

5. Autonomy "refers to the independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion" (Lumpkin and Dess, 1996) without being held back by overly stringent organizational constraints. Although this component seems to primarily have "face validity" in the context of large organizations, many researchers have applied it to the context of small companies and obtained statistically significant findings (Schillo, 2011, 4).

In the academic literature, EO refers to the extent to which a firm is entrepreneurial. This concept seems particularly suited for the discussion of the applicability of academic research results to management practice because there is a strong stream of research that has used relatively consistent definitions of the concept. This research has developed since the 1980s, not only measuring EO in companies, but also investigating its link with company performance from many angles (George and Marino, 2011).

Conceptual model

The conceptual model of the research has been adapted from the study conducted by Engelen et al (2010). This conceptual model was first set forth by the aforementioned authors in Sweden and the model was shown to have a good fit by various studies. Based on the relationship between each variable and other variables, their indicators have been provided. The questionnaire designed based on this model was tested in their study for the first time and was shown to have a good reliability and validity. In this model, entrepreneurial orientation direct affected on performance.

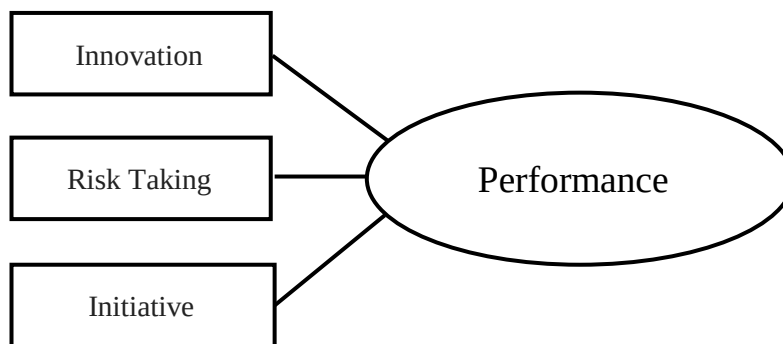


Figure 1. Research model

Based on this model, the following hypotheses are made:

Hypothesis

There is a significant relationship between innovation and performance in food manufacturing companies in Kurdistan Province.

There is a significant relationship between risk taking and performance in food manufacturing companies in Kurdistan Province.

There is a significant relationship between initiative and performance in food manufacturing companies in Kurdistan Province.

Methodology

This is a correlational study, an applied research in terms of purpose and a survey - type correlational study in terms of data collection method. The study population consists of all of the employees of food industry companies in Kurdistan Province that were working when the study was being conducted. The population was classified using random sampling method and the sample size was determined 207 employees of food manufacturing companies of Kurdistan based on Cochran Formula. Data were collected using a questionnaire due to the nature of the subject under study. Structural equation model was used to analyze the data and the research hypothesis respectively. This is a cross-sectional study in terms of time and was performed in the food manufacturing companies in Kurdistan Province. The questionnaires were distributed among the companies in Kurdistan Province. To analyze the data from both descriptive and inferential statistics are used. Descriptive statistics were used to describe demographic variables and inferential statistics, regression and structural equation model used to analyze the hypothesis.

Results:

Reliability

Cronbach's alpha was used in this study to determine the reliability of the test. The higher the alpha, the more reliable the scale will be.

Table 1: results of testing the reliability of the items

variable	Number of questions	Cronbach's alpha
entrepreneurial orientation	14	0.782
performance	7	0.823
total	21	0.932

As presented in Table (1), Cronbach's alpha for all of the two constructs is greater than 0.7, which shows high reliability.

Data normality test

Data should first be tested in terms of normality before analysis. The most commonly-used test for this purpose is Kolmogorov-Smirnov Test. This test has also been used in the present study for examining the normality or non-normality of the data used. The results presented in the following table indicates that the data have a normal distribution because the Sig values are higher than 0.05.

Table 2: Data normality test

variable	sig
entrepreneurial orientation	0.408
performance	0.326

By structural model is meant the causal relationship between latent variables. The goal of this model is to discover both direct and indirect effects of latent exogenous variables on endogenous latent variables, or to provide the path analysis of the research model.

Figure 2. The estimation coefficients of structural model entrepreneurial orientation on performance

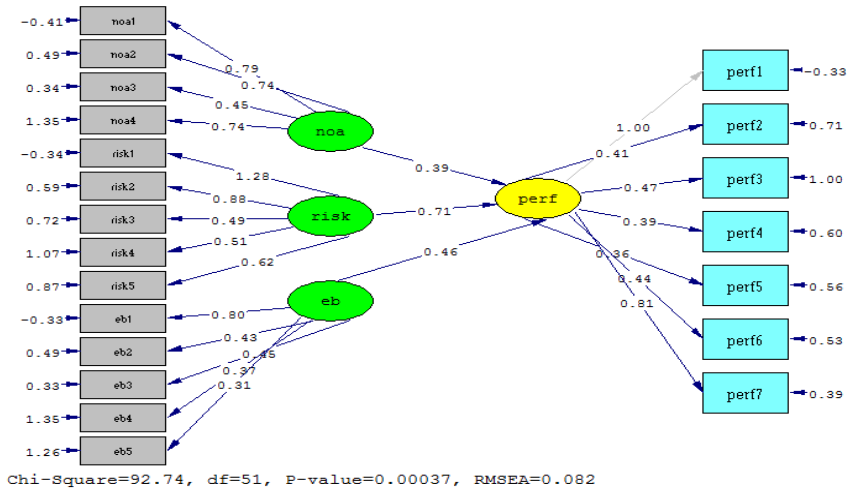
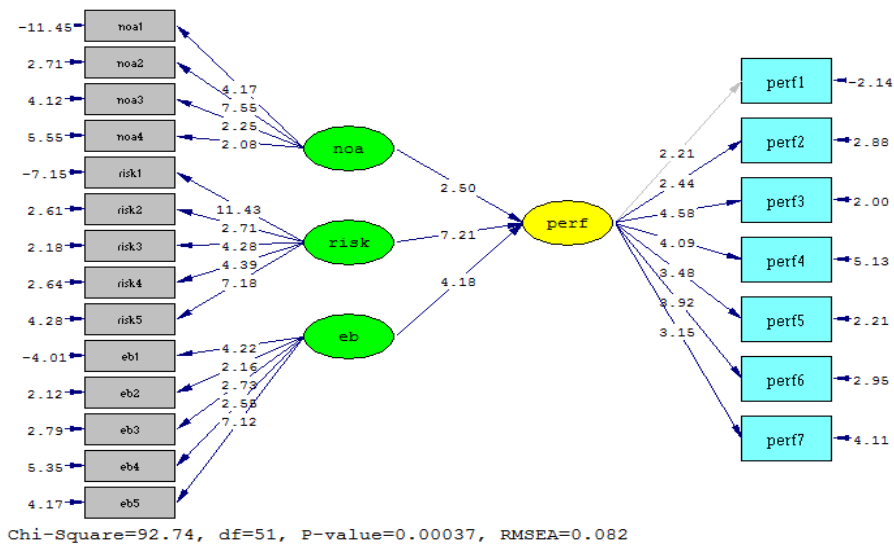


Figure 3. T Value of Structural Model entrepreneurial orientation on performance



In the table below, the results of hypothesis testing is expressed:

Table (3): Hypotheses Test

hypothesis	Factor	T value	Significance level	Results
Innovation on performance	0/39	2/60	0/00037	Accepted
Risk taking on performance	0/71	7/21	0/00037	Accepted
Initiative on performance	0/46	4/18	0/00037	Accepted

According to Table (3) H_1 assume all assumptions about the relationship between innovation, risk taking and initiative on performance will be accepted.

Conclusion

As shown by the analysis, entrepreneurial orientation components affected on corporate performance and this is the answer to question of the research. The results of this study need to be compared with those of the previous studies so that we can achieve strong theoretical foundations and results. Compared with the results of the previous studies, the findings of this study confirm the existence of a relationship between entrepreneurial orientation components and performance, as did the most important research conducted in this regard in 2010 by Engelen et al. The findings also show a positive relationship between entrepreneurial orientations in performance, as did the findings of previous studies.

Suggestions

- It is necessary to chain stores to promise their promotional efforts in attracting and retaining loyal customers to maintain loyalty of their customers in this way.
- Creating a system of accountability for client service system could have the effect of influencing their trust.
- Increasing speed services to individuals can be effective in creating a sense of advantage in using these services and the increased tendency of people to use this service.
- Organization have always tried to provide the new services. Meaning the new service, the service is not provided so far by competitors.
- Chain store manager should use promotional tactics include public relation and media interview for goods introduce.

References

- Covin, J.G., Slevin, D.P., 1989. Strategic management of small firms in hostile and benign environments. *Strategic Manage. J.* 10 (January), 75–87.
- Dess, G.G., Lumpkin, G.T., Covin, J.G., 1997. Entrepreneurial strategy making and firm performance: tests of contingency and configurational models. *Strategic Manage. J.* 18 (9), 677–695.
- Knight, G.A., 1997. Cross-cultural reliability and validity of a scale to measure firm entrepreneurial orientation. *J. Bus. Venturing* 12, 213–225.
- Lumpkin, G., Dess, G.G., 1996. Clarifying the entrepreneurial orientation construct and linking it to performance. *Acad. Manage. Rev.* 21 (1), 135–172.
- Miller, D., 1983. The correlates of entrepreneurship in three types of firms. *Manage. Sci.* 29, 770–791.
- Namen, J.L., Slevin, D.P., 1993. Entrepreneurship and the concept of fit: a model and empirical tests. *Strategic Manage. J.* 14, 137–153.

- Sandra Schillo (2011). Entrepreneurial Orientation and Company Performance: Can the Academic Literature Guide Managers? Technology innovation and management review. 1- 13.
- Wiklund, J., 1998. Small firm growth and performance: entrepreneurship and beyond. Doctoral dissertation. Jo"nko"ping International Business School, Jo"nko"ping, Sweden.
- Wiklund, J., 1999. The sustainability of the entrepreneurial orientation–performance relationship. Entrepreneurship Theor. Pract. 24 (1), 37–48.
- Zahra, S., 1993a. A conceptual model of entrepreneurship as firm behavior: a critique and extension. Entrepreneurship Theor. Pract. 16, 5–21.