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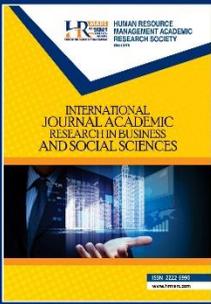
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Entrepreneurial Orientation and Usage of External Business Support for SMEs

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Abstract

The objective of this study is to examine the level of entrepreneurial orientation of users and non-users of external support services, this study adopted a cross sectional design and quantitative data was collected from various sectors of SMEs. Findings of this study revealed that users of external business support services have higher level of entrepreneurial orientation compared to the non-users. The results statistically support the entrepreneurial orientation roles in stimulate the usage of the services. In other words, the performance of the firm may have influenced by direct contact between entrepreneurial orientation and the use of external support services. Entrepreneurial Orientation is one of the valuable firm resources that may potentially influence the usage of the external support services which may influenced firms' performance.

Keywords: Business Support, Entrepreneurial Orientation, SMEs, Performance

Introduction

Small and Medium Enterprise (SMEs) plays significant roles in the country economic development. In most countries SMEs represents the majority total establishments in three key economic sectors namely manufacturing, services and agriculture. With the majority in the market, SMEs has significantly contributed to the economic development. Thus, to sustain the development of SMEs the government provided a myriad of support services with a huge

financial allocation for SMEs. The essential of external business support were globally recognised since SMEs surrounded by a lot of weaknesses (Curan and Blackburn, 2000, Wren and Storey 2002, Chrisman, Mc Mullan et al. 2005, Berry, Sweeting et al. 2006). Being a small enterprise, the owner-manager possess a limited resource, obviously financial constraint and lacking in high skilled human resources. Those weaknesses hinders a small firms to run the business effectively and might distort the growth of the firm (Pensore, 2009). Due to this, external support is vital to ensure smooth operation. Studies showed that external support has positive impact on the business performance. However, in the presence of the services, the performance of SMEs are not compensate with the amount allocated by the government. The findings point out that the issues of the effectiveness of the external support or the utilization of the services by SMEs is in questions.

The propensity to use external support services depending on the inner side of SMEs. They must have inner incentive to grow and absorptive capacity to implement the services (Jianzhong and Hong, 2009). Curan and Blackburn (2000) further argued that the utilization of the external support services involves entrepreneurial spirit which in the context of this study is entrepreneurial orientation. For that reason, the effectiveness of the external support which reflected on the impact of the usage of the external support and high performance of the firms, not only responsible to services suppliers but also lie on SMEs. This study aimed to investigate the level of entrepreneurial orientation of users and non-users of external support.

Literature Review

Entrepreneurial orientation has received a great deal of attention from researchers since it was introduced by Miller (1983) to establish appropriate behavior for successful entrepreneurs. Entrepreneurial orientation refers to entrepreneurs' ability to run a business and a collection of competencies owned by entrepreneurs to manage the major business functions, which are technical, human resources, marketing, and finance. To another extent, research and development activities, financial activities, and marketing activities are highly necessary for entrepreneurs to gain competencies.

The concept of entrepreneurial orientation has been extensively discussed by researchers, particularly regarding the entrepreneurial concept (Covin, Green et al. 2006). Entrepreneurial orientation points out the ability of the owner to explore and exploit the new market. Furthermore, entrepreneurial orientation is about how to enter a new market (Lumpkin and Dess 1996). In contrast to entrepreneurship, entrepreneurial orientation explains the process, practice, and decision-making process for entering a new market (Lumpkin and Dess, 1996).

Miller (1983; 2011) suggested three dimensions that constitute entrepreneurial orientation, identified as proactiveness, innovativeness, and risk taking. Lumpkin and Dess (1996) added another two constructs – autonomy and competitive aggressiveness, to reflect a firm's behaviour towards its competitors – in addition to the three constructs that were directed more towards clients (Miller, 2011).

Proactiveness

The *New Oxford Dictionary* (Steel, 2012) defines proactiveness as 'controlling a situation by making things happen rather than waiting for things to happen and then reacting to them'. The

definition reflects the entrepreneurial value of successful ventures. Proactive firms look forward to the prospective future, push for innovation, or undertake new venturing activities. Therefore, to describe proactiveness clearly, Lumpkin and Dess (1996) agreed to use the definition suggested by Venkataraman (1989), which stated that proactiveness is a process of anticipating and acting on future needs.

Innovativeness

Innovativeness refers to a firm's activities related to the introduction of new products, services, or technological processes caused by the firm's engagement in supporting new ideas, novelty, experimentation, and the creative process (Lumpkin and Dess, 1996). Consistently, Certo, Moss, and Short (2009) posited innovativeness as the firm's involvement in new product development, services, and processes. The foundation of this concept is in accordance with Schumpeter's 'creative destruction' concept, which was explained earlier in Section 2.2.1; Schumpeter is known to be a founder of the innovativeness concept (Certo, Moss et al. 2009).

An innovative firm is believed to gain more profit than others. The concept emphasizes the innovative ideas when entering the market. Innovative products disrupt the existing market and stimulate new demand. Innovation can occur in stages or incrementally and perhaps even radically.

Risk taking

Risk-taking behavior is always associated with entrepreneurs and used to differentiate between entrepreneurs and hired employees (Lumpkin and Dess 1996). According to Miller (1983), risk taking refers to engagement in high-risk projects with the aid of managerial preferences for bold actions instead of cautious actions in order to achieve a firm's objective. This argument is supported by Lumpkin and Dess (1996), who suggested that firms' entrepreneurial orientation is reflected in their risk-taking behaviour, such as taking on a high financial burden in order to capture a larger market and opportunities with the purposes of enjoying higher returns. A similar proposition was made by Wiklund and Shepherd (2005) about risk taking, which they explained as involvement in projects with a high failure rate and an unknown result. Obviously, risk taking depicts the willingness to venture into a project with an uncertain return.

Autonomy

Autonomy is one of the dimensions introduced by Lumpkin and Dess in addition to the three original dimensions suggested by Miller. Lumpkin and Dess (1996) argued that 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. In general, it means the ability and will to be self-directed in the pursuit of opportunities. In an organizational context, it refers to action taken free of stifling organizational constraints. (p. 140).The requirement to include autonomy as one of the dimensions of entrepreneurial orientation due to the concept of autonomy promotes independent spirit, which is of paramount importance for new entry activity and exploring new ventures (Lumpkin and Dess 1996).

Competitive Aggressiveness

Lumpkin and Dess (1996) defined competitive aggressiveness as:

... a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve its position, that is, to outperform industry rivals in the marketplace. (p. 148)

By giving the example of new entrants that need to be aggressive in facing competition with established firms, the authors demonstrated the importance of competitive aggressiveness in pursuit of success. Competitive aggressiveness shows the readiness of firms to be responsive to their competitors by way of head-to-head confrontation, moving away from the traditional methods of competition by applying unconventional tactics, targeting competitors' weaknesses, and focusing on high-value-added products (Lumpkin and Dess 1996).

In short, entrepreneurial orientation explains how entrepreneurs should behave in developing their business (the process, practice, and decision making and the way to enter the market); in other words, entrepreneurs need comprehensive business knowledge to run a business successfully.

The External Business Support

Schaper and Vallery (2004) define a business support provider as one who provides one or more skill and knowledge in related field related to business operation. Thus, a business support advisor is someone who has the capability to give input to the business owner for betterment of his or her business. Business support advisor is also acts as a mentor and sells the idea for implementation in the business operation (Berry, Sweeting et al. 2006). On the other hand, business advisor also plays an important role to fill knowledge gap in SMEs and to meet the business objectives (Bennett and Robson, 1999, Adamson, 2000). The business support comes from two sources of suppliers, namely government sponsored business support and private business support. The sources of business support services usually come from the government, which is non-commercial in nature, and private consultants that offer their services for commercial gain. Both parties provide a wide range of services to support the small business owner. Watson (2010) argues that SMEs seek support from formal and informal suppliers. Formal suppliers are structured organisations with support service as main business activities. The players are banks, solicitors, industry associations, external accountants, tax office and business consultants. On the contrary, informal networks refer to friends, family members, local council and players or competitors in the industry. Informal networks does not practice support as major business activities. The support may informally deliver and acquired without structured procedure.

It goes without saying that SMEs' internal resources are known to be weak and full of constraints (Curran and Blackburn, 2000, Abdullah, Hamali et al. 2009, Mole, Hart et al. 2009, Blackburn, 2012). Being small in size, SMEs lack capital, and therefore are unable to employ highly skilled employees, among other problems. With the myriad of disadvantages, there are obstacles faced by SMEs to possess resources that could give a positive impact on the performance and indeed create a sustained competitive advantage (Nakagawa, 2012). Accordingly, SMEs greatly need external resources in the form of business support as a strategic tool to run their daily activities.

Methodology

The sample consists of 653 SMEs that operate in Malaysia. Self-administered questionnaires were distributed to 1500 respondents. This study adopted a measurement scale by Gonzalez-Benito et

al. (2009) which is derived from earlier study by Covin and Slevin's (1989) scale which applied measurement approach of unidimensional construct to measure the level of entrepreneurial orientation. The questionnaires from the researchers were selected based on the simple and easiness to understand of the language used by Malaysian SMEs. The items were also fitted to a one-sided, 5-point Likert scale, similar to other variables measurement in this study. The response rate of 1 represents 'strongly disagree', 2 'disagree', 3 'neither disagree nor agree', 4 'agree' and 5 'strongly agree'.

Findings & Discussion

Table 1: Owners' Demographic

	Frequency	%
Age		
<25	36	5.5
26-35	134	20.5
36-45	197	30.2
46-55	208	31.9
56-65	69	10.6
>65	9	1.4
Gender		
Male	446	68.3
Female	207	31.7
Designation		
Owner	536	82.1
CEO	109	16.7
Others	8	1.2
Experience		
<5 y	169	25.9
6-10 y	185	28.3
11-15 y	131	20.1
16-20 y	97	14.9
21-25 y	41	6.3
>25 y	30	4.6

Total respondents are 653. Of the number, only 329 are users of external support. The data were collected from Malays SMEs covering all states in Malaysia.. Majority of the respondents are age between 36 years old to 55 years old (62.1%). 68.3% respondents are male and remaining is female (31.7%). More than half (82.1%) are owner of the firms and the 16.7% are CEO of the firms. In term of business experience 29.5% respondents having less than 5 years experience, 63.2% (6-20 years), 6.3% (21-25 years) and 4.6% of the respondents having more than 25 years business experience.

Table 2: Business Demographic

	Frequency	%
No Full Time Employees		
1-5 y	317	48.5
6-20 y	208	31.9
21-35 y	94	14.4
36-50 y	25	3.8
>50 y	9	1.4
Business Tenure		
<1	39	6
1-5 y	180	27.6
6-10 y	189	28.9
11-15 y	110	16.8
16-20 y	66	10.1
>20 y	69	10.6
Location		
Urban	443	67.8
Rural	210	32.2
Sector		
Manufacturing	177	27.1
Services	341	52.2
Agriculture	18	2.8
Construction	116	17.8
Mining	1	0.2

Only 10% respondents under medium-size firm, 55% under small-sized and 35% under micro-scale firms. More than half of the respondents are located in urban area (67%). Finally, 46% of the respondents involve in services sector, 37% in manufacturing sector and the remaining 17% are in construction sector.

Data Distribution

Table 3: Test of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Launch new product	0.21	653.00	0.00	0.91	653.00	0.00
Changes in product	0.25	653.00	0.00	0.88	653.00	0.00
Innovative actions	0.22	653.00	0.00	0.89	653.00	0.00
Aggressive towards competitors	0.21	653.00	0.00	0.90	653.00	0.00
Carry risky project	0.20	653.00	0.00	0.89	653.00	0.00
High risk situation	0.18	653.00	0.00	0.90	653.00	0.00

A Shapiro-Wilk's test ($p > 0.05$) (Shapiro & Wilk, 1965) and a visual inspection of their histogram, normal Q-Q plots and box plots showed that the exam scores were not normally distributed for

all items, with skewness and kurtosis fall on out of ranges of -1.96 and +1.96. This leads to the use of the non-parametric test of Man-Whitney U Test to test the hypotheses of this study.

Table 4: Skewness & Kurtosis

		Statistic	Std. Error
Launch new product	Mean	3.00	0.05
	Skewness	-0.18	0.10
	Kurtosis	-0.64	0.19
Changes in product	Mean	3.62	0.04
	Skewness	-0.60	0.10
	Kurtosis	0.10	0.19
Innovative actions	Mean	3.47	0.04
	Skewness	-0.50	0.10
	Kurtosis	-0.02	0.19
Aggressive towards competitors	Mean	3.34	0.05
	Skewness	-0.42	0.10
	Kurtosis	-0.62	0.19
Carry risky project	Mean	3.40	0.05
	Skewness	-0.50	0.10
	Kurtosis	-0.38	0.19
High risk situation	Mean	3.42	0.04
	Skewness	-0.41	0.10
	Kurtosis	-0.47	0.19

Sample Mean

This study used unidimensional construct to measure entrepreneurial orientation with six items indicators. Table 5 showed the mean value of the each indicators for Users of business support services and Non-Users. The mean value of all six items indicated that the Users of business support were higher than Non-User.

Table 5: Mean Comparison

	Users			Non-Users	
	N	Mean	Std. Deviation	Mean	Std. Deviation
Launch new product	329	3.26	1.15	2.72	1.09
Changes in product	329	3.84	0.95	3.41	0.99
Innovative actions	329	3.71	1.02	3.22	0.95
Aggressive towards competitors	329	3.66	1.13	3.00	1.15
Carry risky project	329	3.70	1.09	3.10	1.13
High risk situation	329	3.67	1.11	3.16	1.12

Testing Significance & Hypotheses

The Man-Whitney U rank test is an alternative to the independent sample t-test when the population is not normally distributed. The procedure is to compare differences between two groups of scores that come from the different respondents at the same point of time.. The test is to assess whether their population mean ranks differ. Man-Whitney U rank test is selected after the variable of this study measured at the ordinal level and consist of two different groups – Users and Non-users.

Table 6: Mean Rank

	Usage	N	Mean Rank	Sum of Ranks	Testing Mean Difference
Launch new product	Yes	329	369.72	121639.50	2 Independent Samples Man-Whitney U Rank Test, p -value < 0.05, Reject the null hypothesis.
	No	324	283.62	91891.50	
Changes in product	Yes	329	367.31	120844.00	2 Independent Samples Man-Whitney U Rank Test, p -value < 0.05, Reject the null hypothesis.
	No	324	286.07	92687.00	
Innovative actions	Yes	329	373.34	122829.50	2 Independent Samples Man-Whitney U Rank Test, p -value < 0.05, Reject the null hypothesis.
	No	324	279.94	90701.50	
Aggressive towards competitors	Yes	329	378.31	124463.50	2 Independent Samples Man-Whitney U Rank Test, p -value < 0.05, Reject the null hypothesis.
	No	324	274.90	89067.50	
Carry risky project	Yes	329	374.05	123062.00	2 Independent Samples Man-Whitney U Rank Test, p -value < 0.05, Reject the null hypothesis.
	No	324	279.23	90469.00	
High risk situation	Yes	329	367.78	121001.00	2 Independent Samples Man-Whitney U Rank Test, p -value < 0.05, Reject the null hypothesis.
	No	324	285.59	92530.00	
Total		653			

The Man-Whitney U rank Test result in the Table 6 indicated that 329 cases of the Users' test score is higher than non-users scores of all items measurement. The result suggested that the level of entrepreneurial orientation of the Users of support services is higher than the Non-Users. There is a significance differences of level of entrepreneurial orientation between Users and Non-Users, when $p=0.000$, < 0.05.

This study has a hypothesis to test the distribution of level of entrepreneurial orientation. Based on Table 6 on the hypothesis testing show that all items has positive significant differences for Users and Non-User. Thus, this study rejects all null hypotheses. It is showed that the Entrepreneurial Orientation potentially influenced entrepreneurs to exploit the support services available in the market to enhance their business performance.

Conclusion

The study posits that entrepreneurial orientation is valuable resources that have a relationship with the usage of the external support services that potentially influenced firms' performance. Particularly, entrepreneurial orientation is pertinent to improve the utilization of support programs and enhance firms' performance. In this study, the results statistically supports the entrepreneurial orientation roles in stimulate the usage of the services. In other words, the performance of the firm may have influenced by direct contact between entrepreneurial orientation and the use of external support services. It also shows that the entrepreneurial orientation is able to improve the effectiveness of the utilization of the services. This means that entrepreneur with high entrepreneurial orientation have more chances to gain benefit from the services. The result of this study also is consistent with Resource-based View Theory which view that valuable resources (entrepreneurial orientation) may positively affect the firms' performance.

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