

# Entrepreneurial orientation of SMEs, product innovativeness, and performance<sup>☆</sup>

George J. Avlonitis<sup>a,\*</sup>, Helen E. Salavou<sup>b</sup>

<sup>a</sup> Athens University of Economics and Business, 76 Patission Str., 104 34 Athens, Greece

<sup>b</sup> Athens University of Economics and Business, 12 Kodringtonos Str., 4th floor, 112 57 Athens, Greece

Received 1 November 2003; received in revised form 1 November 2006; accepted 1 January 2007

## Abstract

This paper looks beyond the entrepreneurial orientation (EO)-performance link and focuses on identifying EO profiles of SMEs to suggest variations in product innovativeness dimensions of different performance potential. Based upon a sample of 149 manufacturing companies, the study identifies two opposite groups with the help of a cluster analysis, namely the active entrepreneurs and the passive entrepreneurs. The particular results verify the viewpoints stated by industry experts in Greece, but also facilitate further understanding of firms following a similar duality observed in other studies. Taking a step further, subsequent analysis of variance demonstrates that these groups consist of product innovators, who take equal care of reducing customers' burden (e.g. time, effort, purchase risk) in adopting new products. However, the entrepreneurial attitude instilled in active entrepreneurs as compared with passive entrepreneurs is primarily mirrored in new products, which embody in their characteristics higher uniqueness; an ingredient found to act as an important contributor to product performance. This article, apart from its contribution to the entrepreneurship research, has meaningful implications for managers and policy-makers.

© 2007 Elsevier Inc. All rights reserved.

*Keywords:* Entrepreneurial orientation; Product innovativeness; Product performance; SMEs; Cluster analysis

## 1. Introduction

The concept of an entrepreneurial orientation (EO) to explain the mindset of firms engaged in pursuing new ventures provides a useful framework for researching entrepreneurial activity (Lumpkin and Dess, 2001). Based on the extant literature, organizations can show divergent EOs, which array on opposite ends of a spectrum. Since innovation is a condition inherent in the domain of entrepreneurship, a company's ability to launch successful product innovations should be considered in parallel.

Hence, EO profiles of firms suggesting variations in product innovativeness dimensions of different performance potential may be crucial to become subject of investigation, in order to provide additional explanations of how the firms adapt to a state

of flux where the very basis of competition within the corporate environment is constantly and globally redefined. Adaptation to shifting landscapes through aspects of entrepreneurship and successful product innovation is of major concern for all enterprises, especially for small and medium-sized (SMEs) that are dominant in most European economies.

This paper explores two research questions in the area of SMEs: Are EO profiles of SMEs identifiable? Do these profiles differ in product innovativeness, and if yes how and what this would possibly suggest in terms of performance? To answer these questions, SMEs are clustered on the basis of the EO construct. After validating the clusters, an analysis of variance is performed to detect differences, if any, across product innovativeness dimensions on EO profiles of SMEs. In a rather supportive way, multiple linear regression analysis is run to detect possible effects of product innovativeness dimensions on product performance.

This study contributes to entrepreneurship research in three respects. First, unlike the numerous studies, which place a major emphasis on explaining the complexity in the EO-performance link (Wiklund and Shepherd, 2005), this study focuses

<sup>☆</sup> The authors thank Hans Mühlbacher and the anonymous reviewers of the *JBR* for their constructive comments and helpful suggestions.

\* Corresponding author.

E-mail addresses: [avlon@aub.gr](mailto:avlon@aub.gr) (G.J. Avlonitis), [esalav@aub.gr](mailto:esalav@aub.gr) (H.E. Salavou).

exclusively on EO by classifying firms according to its dimensions. Such a focus follows the suggestion of Lumpkin and Dess (2001) to direct further empirical research at this important construct. Second, this study attempts to provide more in-depth understanding of how specific dimensions of product innovativeness along with performance potential connect to EO profiles of firms. The evidence reported here goes beyond the knowledge base built primarily around either the effect of EO on product innovativeness (e.g., Salavou and Lioukas, 2003; Zhou et al., 2005) or the effect of product innovativeness on product performance (e.g., Danneels and Kleinschmidt, 2001). Third, this study focuses on SMEs. Despite the widely acknowledged importance of EO in small business research (e.g., Naman and Slevin, 1993; Wiklund and Shepherd, 2005), the empirical literature lacks evidence regarding the way SMEs are classified according to EO and approach product innovativeness for responding to expectations of better performance. The present study could serve as a starting point to this important issue, drawing data from two traditional industries of a country, such as Greece, endowed with unique capabilities in the entrepreneurial act. This country represents an interesting case given the dominance of SMEs under the integration processes within the Euro Zone, which are underway.

The article has the following structure. After this introductory section, the article presents the research framework taking into consideration the specific Greek context. Section 3 is a brief presentation of the research method and the empirical findings. Finally, a Concluding section summarizes the results along with their implications.

## 2. Research framework

The focal point of this research is on SMEs, which constitute the vast majority of enterprises in Greece, as in most European countries. In particular, the SMEs under analysis come from two traditional, though dynamic, manufacturing industries, those of food and beverages and textile. Both industries account for the 39% of the total sales and 35% of the total net profits in the Greek manufacturing sector while constituting approximately 44% of the total number of manufacturing enterprises (ICAP, 1997). The following points also dictate their choice: (1) the importance of these industries for the Greek economy in terms of (a) manufacturing employment (51%), (b) manufacturing production (50%), and (c) contribution to GDP (39%); and, (2) the opportunity they provide for studying how SMEs, faced with heightened global competition, shape EO profiles along with aspects of product innovativeness and performance.

Qualitative data were also collected through semi-structured interviews with industry experts in order to help the development of the research framework and explain the empirical results of this study. In particular, experts from two industry-specific, research and technological development support organizations of the Ministry of Development, that is ETAT S.A. for food and beverages and CLOTEFI S.A. for textile, were asked to express their opinions concerning Greek SMEs' EO, product-related innovative activity and performance

expectations. Although these viewpoints are confined to the context of Greece, they nevertheless are useful in understanding the prevailing conditions concerning SMEs' behavior.

### 2.1. Entrepreneurial orientation profiles

The expectation is that as the entrepreneurship paradigm expands, organizations, per se, behave in entrepreneurial manners (Jennings and Lumpkin, 1989). EO reflects these manners (Lumpkin and Dess, 1996), which is a salient strategy-making and decision-making process (Dess et al., 1997; Lyon et al., 2000). EO constitutes an organizational phenomenon that reflects a managerial capability by which firms embark on proactive and aggressive initiatives to alter the competitive scene to their advantage (Atuahene-Gima and Ko, 2001). However, the extant literature suggests that organizations can display divergent EOs, which array on opposite ends of a spectrum. For example, firms with a more defensive orientation in terms of risk-taking, experimentation, opportunity seeking, initiating actions are labeled as defenders, conservative firms, followers and reactive entrepreneurial firms whereas firms with an opposite orientation (i.e., more aggressive) as prospectors, entrepreneurial/entrepreneurship firms, pioneers and proactive entrepreneurial firms (Atuahene-Gima and Ko, 2001; Covin et al., 1999; Miles and Snow, 1978; Miller and Friesen, 1982; Mintzberg, 1973).

Qualitative information concerning the viewpoints of industry experts in the context of Greece is indicative of a similar duality in the EO of SMEs that helps to highlight the focus of this investigation. When interviewed, they argued that entrepreneurial flair is salient in Greek SMEs. Nevertheless, they believe that top management displays opposite EOs. At the one end lie SMEs characterized by "traditional cultures", where top management lacks the will to undertake activities either of high risk or before competition. This posture is indicative of the large extent to which these firms a) rely on government protectionism to ensure subsidies for business growth; and, b) engage in defensive actions, such as selectively imitating competitors' moves.

At the opposite end lie SMEs with intrapreneurial cultures, where top management is keen on implementing advanced management practices and sets a high value on risk-taking and proactive behavior. These firms are most probably placed among those that underwent significant changes in their management practices during 1980s and 1990s and moved towards managerial modernization and professionalism (Bourantas and Papadakis, 1997), especially as a new generation of well-educated owners-managers took responsibility (Makridakis et al., 1997; Spanos et al., 2001). Consequently, the first question we address attempts to identify EO profiles of SMEs, thus verifying or otherwise the input from industry experts.

### 2.2. Entrepreneurial orientation and product innovativeness

Moving a step further from the previous research question, great importance has also been assigned to entrepreneurship research on innovation. Since innovation is an inherent

متن کامل مقاله

دریافت فوری ←

**ISI**Articles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات