

Entrepreneurial Orientation and Business Performance in Startups

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Abstract— India is becoming a prominent global startup hub. Increasing numbers of entrepreneurs, incubators, accelerators, Venture capitalists are involved in the development of a flourishing tech scene. The Startup ecosystem has flourished in the country owing to the supportive measures by the government and the general acceptance of the public. This study is conducted to understand the Entrepreneurial Orientation in Startups and its influence on Business performance. The data has been collected with the aid of an online survey instrument from a sample size of 51 Startup founders from varying industry sectors across India. The results indicate that two of the three variables considered, innovativeness and pro-activeness have positive impact on business performance.

Keywords—*Entrepreneurial Orientation, risk-taking, innovativeness, pro-activeness, startup, business performance*

I. INTRODUCTION

The main aim of this research study is to ascertain the level of Entrepreneurial Orientation (EO) of Start-ups which are in the post-validation stages and to establish the influence of this Entrepreneurial Orientation on business performance of the Startups. Entrepreneurial Orientation will be assessed in provisions of the three dimensions which are pro-activeness, innovativeness and risk-taking propensity of the Start-ups. Few of the orientations in business that the studies have researched on to perceive and understand how businesses functioning and performance include Sales Orientation, Marketing Orientation, Production – Cost focused Orientation, Entrepreneurial Orientation and Quality Orientation. These studies have been initiated by an academic interest in learning the factors driving decision making in business. Thus by understanding the nature of the new venture's business orientations will aid the Startup Founders/CEO to improve on the areas where they are lacking and factors influencing the performance of their Startup. Such features are allied with enhanced firm performance in current business environments where product life cycles are smaller and where the expected returns from existing businesses are uncertain and the Startups should relentlessly look for new opportunities. Large number of studies have established that firms indicating Entrepreneurial Orientation generally tend to perform better.

Entrepreneurial Orientation has acknowledged considerable theoretical and experimental consideration in entrepreneurship research. Thus the study will help understand the extent of EO in the Startups and identify the relationship between EO and business performance in Startups.

II. LITERATURE REVIEW

From the studies it has been shown that the Startup companies think and act more entrepreneurially than conventional companies. As the time progresses, the top management in companies that becomes recognized tend to become rather less entrepreneurial as they focus more to the requirements of their established customer base. EO research is derived from the study which correlated different kinds of organizational configurations to the extent of entrepreneurial behaviour in firms.^[1] In the study on strategic management in hostile functioning environment used the measure of entrepreneurship customized and relabeled it as EO ^[2]. Thus the scholars developed a model comprising a grouping of risk taking, innovativeness and pro-activeness. Some other research studies adapted EO as the major measurement scale for entrepreneurship in large and small organizations. Within EO, a firms' innovativeness reflects the inclination to employ in creativity and experimentation of the products/services through R&D and the introduction of fresh goods, services and creation methods ^[3]. The intensity of pro-activeness within a firm talks about the processes and activities which are designed at looking for new-fangled opportunities, the introduction of new products and brands ahead of competition and purposefully getting rid of operations which are nearing the maturation stage of the life cycle. Since entrepreneurial activities are always subject to risks in business, the aspect of risk taking proclivity within EO replicate the level of ambiguity that results from a firms' entrepreneurial activities ^[4]. As EO reflects the tendency of firms to respond to alterations and prospects in the environment in an entrepreneurial manner, as well as the managerial temperament towards entrepreneurship, EO is considered as a rule measured by asking the Founder/CEO to answer a set of

statements concerning risk taking propensity, pro-activeness and innovativeness. Environmental volatility can have a significant effect on the viability of a firm such that it is essential for Founders to distinguish and resourcefully tackle these events, as well as for researchers to bring to a close what prerequisites might explain the business performance differentiation between those firms emerging and waning in complex environmental circumstances. In literature, the recent school of thought puts forth that entrepreneurship is the indication of growth, sustainable competitive advantage and supremacy. This is mostly accurate for firms working in rapidly shifting aggressive environments and 'hostile' settings^[2]. Entrepreneurial competency of the firm is often allied amongst other factor with the constituency's cultural setting^[10]. The external prestige of the organization and the way it can influence work attitudes help founders to take necessary actions to enhance the external prestige of the organization^[11].

A. Innovativeness

Innovativeness focuses on the use and the improvement of creative explanation to ordinary challenges happening in the business environment. Having an Entrepreneurial Orientation refers to be committed to innovation, among other factors in the strategic process. Innovativeness reveals a predisposition for a company to employ and maintain inspired procedures, novel ideas, originality and experimentation that may effect in new products, services or operating processes^[6]. The first-mover company develops a product or service not in existence yet consequently straight away dominates the market in that span provided that there is a requirement in the market for that product/service. Other businesses may trail subsequently with comparable products/service to participate but by that time, the first-mover company may have already achieved its financial and forthcoming goals and a latest product or service is yet again more or less ready to be launched. Innovation is the vital assessment of entrepreneurial behaviour and that it presents solutions to problems and needs^[7]. Creativity of workforce very often leads to innovation and they should be encouraged to make use of their creative minds. Some studies imply that innovation is creativeness; this concept is in principle incorrect as innovation is explained as an outcome of creativity.

B. Risk Taking propensity

Research findings that were made mentions risk-taking as the dimension of Entrepreneurial Orientation which has the maximum impact on the achievement of a business more than innovativeness and pro-activeness. Risk-taking refers to immediate overt behaviour taken in moments of uncertainty. Without the readiness to take risk there can be no innovation and occasions capable of a successful future will not be obtained easily^[7]. Measuring and weighing up the risks implicated is a very suitable approach but the rewards should always be kept in mind. Risk is natural in the functioning of a business and assessments taken by the founders always involve risk. A risk is habitually an opportunity not yet acknowledged^[7]. The most appropriate definition of risk-

taking in terms of Entrepreneurial Orientation would be to recognize that risk-taking is the level to which managers and entrepreneurs are prepared to make large and risky resource obligations^[6]. When creating a new product or service the entrepreneur has to consider the monetary propositions with regard to the expenditure of commencing a product or service and the marketing factors such as the price of the product, promotion activities to conduct market research and figure out if there is a demand for that product in the market. Resolutions have to be made with respect to the new product or service and these involve risks. Taking risks concerns the Founder or the CEO with regard to the decisions on hand. Although the employees can be subjective to the decisions taken, the Founder or the manager should also look into the incentives available. Firms can create a framework to measure risks and to recognize opportunities that can lead to huge success of the business. Taking risks sounds mostly adverse to entrepreneurs, but with risk comes opportunities and great returns.

C. Pro-activeness

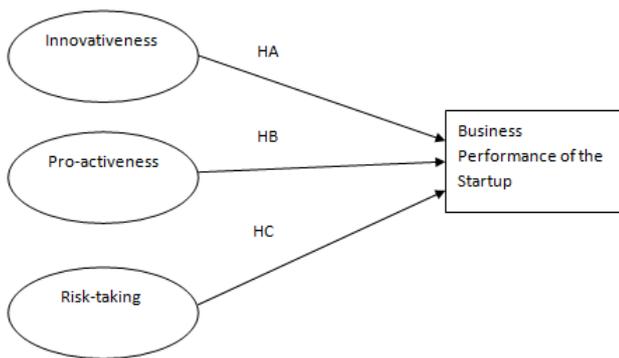
According to a study, pro-activeness explains an attitude of anticipating and behaving according to the potential needs of the market^[8]. First movers can have power over the market by ruling the distribution channels. A pro-active business should be treated a leader rather than a follower. The pro-active businesses are usually the more sustainable businesses with original ideas and with firms that are keen to take risks^[8]. Introducing variation in a business or in the product or service that the business provides does not define pro-activeness but an easy response to the current situation. By implementing change in the organization while evaluating the prospect implies acting pro-actively so that the business is equipped for what the future will bring^[6]. By being proactive a business can spot and forecast future expectations. This gives entrepreneurs the occasion to plan themselves in view of that in order to reap the highest profit from the impending events.

III. HYPOTHESIS AND THEORETICAL FRAMEWORK

The term entrepreneurship has been used extensively and up until there is little consent about its definition. Many perspectives can be found in the literature but the most common principle includes conception of wealth, enterprise, novelty, change, engagement, value, and progression. The Entrepreneurship Orientation is not restricted to the kind of firms in which entrepreneurial activities may appear. In fact, entrepreneurial actions are not only anticipated in new undertakings, but also in organizations regardless of their size and age. The entrepreneurial activities of prevailing and traditional businesses have been described as corporate entrepreneurship or intrapreneurship. According to most scholars, EO is a blend of three dimensions: innovativeness, pro-activeness and risk-taking. Since these dimensions clearly influences the results; for example, a certain variable may be positively associated to one definite performance measure but

negatively to another. Thus, an outcome on one selected success variable does not promise that an analogous outcome will occur when other measures of success are applied, hence that is why it is so significant to validate the technique in which success is measured. If we focus on the large number of variables used to calculate this construct in the entrepreneurship research, we can substantiate the extensive variety of outlook from which to tackle the issue. Many researchers identify differences between financial and non-financial measures of performance. Also the financial measures have been regarded as the most reliable measures of a firm's performance for many years.

Against the background provided, Figure specifies the conceptual model which provides the relationships between the independent variables (Innovativeness, Pro-activeness, Risk-taking propensity) and the dependent variable (Business performance).



Hypothesis A: There is a positive relationship between the Entrepreneurial Orientation dimension of Innovativeness and Startup business performance.

Hypothesis B: There is a positive relationship between the Entrepreneurial Orientation dimension of pro-activeness and Startup business performance.

Hypothesis C: There is a positive relationship between the Entrepreneurial Orientation dimension of risk-taking and Startup business performance.

IV. RESEARCH METHODOLOGY

In order to address the objectives of the study the research was carried out in two phases. A literature review was conducted in order to achieve insight into the subject matter of Entrepreneurial Orientation and its impact on business success. The metrics for the Business Performance has been obtained after Expert opinion from Startup Accelerator founders, entrepreneurs and theoretical framework across literature which defines Business performance in financial and Non-Financial Parameters. With the aid of interviews with

entrepreneurs and Accelerator executives, the key performance metrics has been identified.

A questionnaire based on the Covin and Slevin model has been adopted to measure Entrepreneurial Orientation and business success in Startups. Section 1 of the questionnaire is designed to calculate the Entrepreneurial Orientation of the respective Startup firms. Section 2 of the questionnaire is designed to measure the success factors such as business performance of the Startup. The biographical information of the respondent is acquired through section 3 of the questionnaire to find out the structure and size of the business. The Entrepreneurial Orientation has been categorized into statements based on Pro-activeness, Risk-taking propensity and Innovativeness. The 51 respondents held positions of CEO/Founder or managers in the Startup who has a knowledgeable viewpoint on the EO and the performance of the business unit. This is due to the objective of getting the organization-level measures. Also metrics of business performance fits fine with the findings that the entrepreneurs tend to give more precise performance information when characterizing their performance in broad categorical measures in this case, in terms of satisfaction of the performance measures. Defining performance using analogies makes the data collected easier to provide as opposed to numerical measures, so executives tend to be more willing to answer such questions.

EMPIRICAL MODEL

$$BUS = \beta_1 + \beta_2 INN + \beta_3 PRO + \beta_4 RISK + U$$

Where

BUS = Business Performance

INN = Innovativeness

PRO = Pro-activeness

RISK = Risk-taking proclivity

U = Error term

V. RESULTS AND DISCUSSION

With the data collected from 51 Start-up founders, a multiple regression was conducted with the Business performance as the dependent variable and pro-activeness, innovativeness and risk-taking as independent variables. The proposed model has the R square value of 0.61. The results are shown below

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.781 ^a	.610	.581	.370

a. Predictors: (Constant), innovativeness, pro-activeness, risk-taking.

The results of the regression shows that the two of the three variables are found to be significant. The variables are pro-activeness and innovativeness, the other independent variable of risk-taking doesn't show a significant p value. This could be attributed to the sample size in the study or other independent variables which could influence business performance. This indicates that the variables of pro-activeness and innovativeness are positively influencing the dependent variable of Business performance. The independent variable Pro-activeness has the most significant p value. From the studies conducted by J. Michal Crant, it has been proved that Proactive personality is a predictor of Entrepreneurial Orientation and studies by GT Lumpkin claimed that pro-activeness is a major factor for Entrepreneurial Orientation and is directly related to performance.

RESULT SUMMARY

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.203	.525		-.387	.701
	p	.744	.122	.627	6.107	.000
	r	.196	.135	.167	1.448	.156
	i	.302	.149	.228	2.028	.049

a. Dependent Variable: Business performance

VI. CONCLUSIONS

From the study conducted across 51 Startups in India, It has been found that entrepreneurial dimensions impact the business performance. Many studies have been done earlier to

understand the entrepreneurial orientation in SMSEs. However given the dynamic startup culture in the country, it is imperative to understand the factors which defines the success of the firm.

VII. ACKNOWLEDGEMENTS

I would like to express my heartfelt gratitude to my mentor, Respondents and Amrita School of Business for the constant motivation and support provided to do this study.

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