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The Dimensions of Entrepreneurial Orientation and Business Environment

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Abstract

The fundamental of entrepreneurial orientation (EO) is needed to engage entrepreneur being creative, innovative, risky as well as uncertain activities in the market place and discover new opportunities before their competitors. Due to low risk-taking propensity, Micro, Small Medium Enterprises in Malaysia growing in number each year but they are not into becoming a large corporation due to unwillingness to commit resources to undergo activities and projects which resulted in the uncertainty of the outcomes. Hence, this study discussed the fundamental of entrepreneurial orientation and practices of EO among the new entrant in the business.

Keywords: Creative, Innovative, Risky, and Entrepreneurial

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1.0 Introduction

In general, a business environment defined as a set of norms and ethics, legal and governing frameworks, and the overall policy conditions that set rules for the conduct of business, and influence positively or negatively the outcome of markets, the flow of investment, factor productivity, and the cost of doing business. The business environment contexts are essential to affect the operation and function of the business (Essia, 2012). In today's rapid changing of the business environment has changed due to the emergence of advanced technology shift the business to online business. In essence, a traditional way of the business environment has a physical shop, the customer walks in to store, and the payment made be in cash. However, with technology such as the Internet, has changed from a traditional business into online shopping and cashless. The online business transaction nowadays operationally conducts as online marketing, online shopping and online payment made by customers. Many platforms of online business have provided such as Lazada, Shoppe, Alibaba and those platforms are well established in Malaysia. However, all those platforms set up by from the investor country into Malaysia that consequently cost the traditional store to sustain and maintain in the market. The changes in business are leading to highly competitive among the business and entrepreneur.

One of the relevant issues in the online business is entrepreneur incompetent to remain and sustain their online business as they lack innovation, risk avoidance and not being pro-active in their business (Dutta, Lanvin, & Vincent, 2017). These issues have identified due to low innovation activities among the local business in Malaysia by a report from Malaysia Economic Planning Unit (MEPU) in 2016. The cost factors, market factors and high risk with uncertain demand subsequently derived the entrepreneur from acting as adopters and adapters rather than creators. Local entrepreneurs do not independently explore and create new ideas and opportunities, but they only followed and applied from the existing practices. The statistic has proven 52 per cent of business activities as an adopter, 36 per cent (36%) adapter and only 6 per cent (6%) are creators (Malaysia Economic Planning Unit, 2016). Hence, the new changes and

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business strategies are needed to adapt and adapt to the modern business environment. Until now little about entrepreneurial orientation is known, especially the discussion among new entry in the business. To date, a limited understanding and exposure of the entrepreneurial orientation to the new entry cause the business does not well sustain in the market and close the business for less than one year. Hence, this study comprehends the discussion from the literature review related to the dimensions of the entrepreneurial orientation and business environment.

2.0 Literature Review

The definitions of entrepreneurial orientation (EO) widely defined by numerous researchers in the various sets of the study. The fundamental of entrepreneurial orientation introduced by Miller (1983). An entrepreneurial orientation defined as the proactive nature of business related to the products and services in the market by seeking innovation and investing in the business despite taking a high risk (Miller (1983). The definition relates to individual competencies and skill needed before entering the business. On the other meaning, the entrepreneurial orientation defined as the method, practices, and decision-making styles that are used by managers to deliver entrepreneurially (Lumpkin and Dess, 1996). The studied identify the need to do and prepare an individual ethically to conduct the business. It included the entrepreneurial skill and competencies represent the capability of an entrepreneur to perform a job (Mitchelmore & Rowley, 2013). From the definitions, the EO guides an entrepreneur from the individual behavioural approach, managerial, leadership, decision-making (Covin & Slevin, 1991) and strategic management in business (Al-Awlaqi, Aamer, & Habtoor, 2018, Mishra, 2017).

In a behavioural approach of EO, the entrepreneurs are exposed and experienced the real entrepreneurial acts as a new entry (Mishra, 2017). The experience and knowledge gained from the first time may boost their knowledge and self-efficacy to be as an entrepreneur. As an entrepreneur, the EO are inseparable in a practical sense that will help them to be in real practices and situations. Challenges and risks confront by them educate them to be more efficient and critical thinking, particularly in designing, analysing strategy and solution. Besides, the practices of EO train the entrepreneur to innovation work behaviour (IWB) a and practice them in managing risk with uncertain conditions, making the decision and exploring new opportunities to lead the competitive market (Lan & Wu, 2010). More studies highlight that EO practices capable of promoting the effective teamwork, participation and involvement of the team that will bring the success of the business (Elenurm, 2012).

On the other hand, Wu and Lan (2010) added that EO able to cultivate entrepreneurship by providing technical training and accurately measuring and distinguishing entrepreneurs' character. More studied found personal values and self-efficacy that belief could develop through EO (Shah Alam, Kamaruddin & Mohd Nor, 2013). Next, is the entrepreneurial skill that helps an entrepreneur to enhance investors' confidence and persuade sceptics to buy into the entrepreneurial venture (Cong, Dempsey, Xie, 2017). In a recent study, Jin and Cho (2018) explored the EO to develop strategic behaviour in business.

From the discussion above, as shown in Table 1, this study highlights that the EO is related to a behavioural approach that potentially to train and develop entrepreneur behaviour to conduct the business. The EO is essential to train and develop an entrepreneur to succeed in business. Most of the studied EO is significance to the business performance (Jin & Cho, 2018, Al Manun, Faizal & Muniandy, 2018), market capability (dos Santos & Marinho, 2018) and internationalisation (Raghuvanshi & Garg, 2018). Therefore, the entrepreneur orientation is essential to change the entrepreneur behavioural in a business. Every entrepreneur needs to prepare with the innovativeness, risk-taking and pro-activeness as recommended by Mishra and Mishra (2018).

Table1. Summaries of Behavior Studies and Entrepreneurial Orientation

Years	Behavioural Studies	References
2010	Innovative work behaviour	Lan & Wu, 2010
2012	Effective teamwork, participation and involvement	Elenurm, 2012
2013	Personal Values and self-efficacy	Shah Alam, Kamaruddin & Mohd Nor, 2013
2015	Creative thinking and entrepreneurial characteristics	Farashah, 2015
2017	Entrepreneurial skill	Cong, Dempsey, Xie, 2017
2018	Strategic behaviour leading to internationalisation	Jin and Cho, 2018

(Source: Own source)

Most of the studied in EO used the innovativeness, risk-taking and pro-activeness introduced by Miller, (1983). Added to Miller's studies, Lumpkin and Dess (1966) stated that autonomy and competitive aggression are the additional determinants that need to consider in EO. Several studied argued that the determinants of the EO are the unidimensional construct (Shah Alam, Kamaruddin & Mohd Nor, 2013). The dimensions of EO are various as depend on the business scale and business environment (Lumpkin & Erdogan, 2014; Kreiser 2002). However, most of the studies agreed to use innovativeness, risk-taking and pro-activeness as the main dimensions in measure and assess the entrepreneurial orientation. As shown in Table 2, several studies consistently used innovativeness, risk-taking and pro-activeness as the dimensions in EO.

Table2. Summaries Studies Dimensions of Entrepreneurial Orientation

Years	Studies Dimensions of Entrepreneurial Orientation	References
2013	Personal values and internal motivation interact to influence entrepreneurial orientations	Alam, Kamaruddin, Mohd & Mohd Nor, 2013
2014	Exploring the relationship between entrepreneurial orientation and corporate performance	Jia, Wang, Xi'nan Zhao & Yu, 2014

2015	The functional role of entrepreneurial orientation and entrepreneurial bricolage in ensuring sustainable entrepreneurship	Hooi Ahmad, Amran & Rahman, 2015
2017	Political skill, entrepreneurial orientation and organisational justice	Cong. Dempsey, Xie, 2017
2018	Examining the role of international entrepreneurial orientation, domestic market competition, and technological and marketing capabilities on SME's export performance	Jin and Cho, 2018
2018	Prioritising dimensions of entrepreneurial orientation for supply chain flexibility development in an uncertain environment	Mishra & Mishra, 2018
2019	Entrepreneurial orientation and the mediating role of organisational learning amongst Indian S-SMEs	Mantok, Sekhon, Sahi & Jones, 2019
2019	Delineating entrepreneurial orientation efficacy on retailer's business performance	Sellappan & Shanmugam, 2019

(Source: Own source)

3.0 Methodology

This study conducted literature reviews analysis from 2010 to 2020 to review the ten years trends studies of the EO dimensions in various setting.

4.0 Results

From the literature review in, the result further discussed the three dimensions of entrepreneurial orientation (EO) which are innovativeness, pro-activeness and risk-taking. Furthermore, the discussions are related to online business.

4.1 Innovativeness

In business nature, innovation views as a mechanism to sustain a highly competitive business in the market (Salaman & Storey, 2002). Innovation applies to create a potential of existing resources to improve the efficiency and potential value to develop new intangible assets in the business. Empirical studies show that the innovation effect to increase business by eliminating costs, differentiation and producing high quality of product and services (Fauji & Utami, 2013). Business with a high innovation entirely being the success to satisfy consumer needs and create an opportunity for a business to achieve high performance (Calantone, Cavusgil & Zhao, 2002)

The definitions of innovativeness are various from different studies. In origin by Miller (1983) defined innovativeness is the predisposition to engage in creativity and experimentation through the introduction of new products or services (Rauch, Wiklund, Lumpkin & Frese, 2009). Meanwhile, Ahmed (1998) defined innovation is the engine of change, and the possession of positive cultural characteristics provides the organisation with the necessary ingredients to innovate. Then, innovation is also a mechanism to sustain a highly competitive business in the market (Salaman & Storey, 2002). Innovation applies to create a potential of existing resources to improve the efficiency and potential value to develop new intangible assets in business via eliminating costs, differentiation and producing high quality of products and services (Utami, 2013). The explanation support with the definition by Kygridou and Spyropoulou, (2013) is unique, novelty and on-going to the process of the experimentation and development stages. There are always introduced a new idea, new finding, in the product or service offering (Gupta and Wales, 2017)

Mainly innovation relies on specific knowledge, skill, and experience to create a new idea, solution, decision, and suggestion (Wang & Wang, 2012). Knowledge can create an individual with competency such as innovative work behaviour in the workplace, idea generation, idea promotion and idea realisation in solving a problem or promoting the new idea (Carmeli, Gelbard & Palmon, 2013). Business with a high innovation entirely being the success to satisfy consumer needs and create an opportunity for a company to achieve high performance (Calantone, Cavusgil & Zhao, 2002). Therefore, innovativeness is essential for a business and practice by the entrepreneur.

4.2 Pro-activeness

Pro-activeness referred to anticipating the market's future desires and needs. It is an opportunity-seeking, forward-looking perspective characterised by the introduction of new products and services. It is a step ahead of the competition and actively to anticipate the future demand using the market's future desires and needs, and the capitalisation of emerging business opportunities (Lumpkin & Dess, 1996). On the other point of view, pro-activeness is the firm's capacity to involve resources, introducing new products and services before competitors do, according to predictions of future demand (Ma et al., 2012). In addition, according to Agrawal, (2017), an entrepreneur who practice pro-activeness involve with enthusiasm and ability of the business to encounter future challenges and to gain first-mover in the market.

4.3 Risk-Taking

In a common business, risk defined as a product and employer's liability; however, it depends on different types and sizes of a company tends to face different sorts of risk. On the other definition, Doff (2004), defined risk as financial loss due to changes in the competitive environment or the extent to which the organisation could timely adapt to the changes. According to Pratt et al., (2002), competitive environment and adaptation to change highly risk the business and may cost to fail to sustain the business for many years. The changes

might change permanent or temporary. In business, the risk is unpredictable and difficult to avert. Some risks might give advantages and benefits to the business; some may not and may negatively affect the business. The ability to anticipate disruption, to resist it by adapting, recovering and restoring the situation to its previous state as much as possible (Robert, 2010).

5.0 Discussion

The innovativeness contributes a lot of benefits and opportunities for business. In the practice of innovation and online business, the innovation able to bring a new idea to change from traditional business, marketing and production to a digital business. A digital business usually applies technology. As a new entrant, the marketing strategies and production baseline need to be more efficient and creative to ensure the information about the product or services received by the potential customer. Create or use a social media platform and channel able to deliver the information broadcast. The advertisement and information have to deliver in creative, attractive and interactive so that customers can further inquiry and grab the intention to know more about the product or services. Strong marketing = with technology may help an entrepreneur to reach their potential customer and added the number of sales and customers. Meanwhile, the idea such as designing the product, creating new ideas and design, creative and innovative to find a new solution to the existing problem may help the production line be more effective and efficient. Production is the heart of the business. Thus, innovation in business contributed to the growth and success of the business via digital marketing and production.

Related to pro-activeness and online business recently, the entrepreneurs need to compete with other competitors and leading the market rather than being the followers of others (Anthony, 2016). They have to active response, thinking a forward-looking perspective and business strategy that consequently capable of adapting with the competitors. As a new entrant, they have to look at the opportunities instead of being responsive to competitors (Miller, 1983). They have to be positive to think of the competitor and look to the chance of improvement or create a new idea. Moreover, be competitive aggressiveness is competing for the demand by how firms relate to competitors; how firms respond to trends and demands that already exist in the market place (Lumpkin & Dess, 1996). Being pro-activeness, there are several advantages gained, such as the founding of clear brand identity, leading the market and being industry pioneer (Anthony, 2016) and in the business environment with highly competitive, being pro-activeness expedite the entrepreneur to be a leader, role model and inspired other business to be more successful. The need for monitoring and scanning of the environment as well as all-encompassing feasibility research are desirable for a proactive firm sustains in the market.

This implies that a resilient organisation is not afraid of taking the risk, venturing into new markets or exploiting opportunities since it has the adaptive capacities to recover from disruption and unforeseen eventualities resulting from unfavourable business ventures. They are always confident and optimistic in embracing such challenges. Hence, resilience is one of the key attributes that describe a successful and sustainable organisation. As an entrepreneur, there is important to have the skill of risk-taking to sustain the business and emerging business opportunities. Risk-taking defined as taking bold actions by venturing into the unknown or committing significant resources to ventures in uncertain environments. As an entrepreneur, it is important to minimise risk, but it is also important to acknowledge the risk in business and to share it with others while trying to seize opportunities under uncertainty (Cho & Lee, 2018). Most people are not willing to take risks, but a study on risk-taking revealed that there is a link between willingness to take risks and personal satisfaction.

6.0 Conclusion

In conclusion, a new entrant in business vital to have the basic skill of entrepreneurial orientation (EO) to ensure not only to manage the business but able to adopt and adapt to the business environment. Being innovative, pro-active and risk-taking are keys for new entrants to learn how to manage and administer the business effectively. The challenge, such as changes in customer preferences, the new application of technology and high competition are inevitable and not able to predict in the future. Hence, by having entrepreneurial orientation, an individual able to be more alert and aware of the need and business challenges. It also considered as a key source of potential competitive advantage and trained to be superior in the management of the business. Innovativeness, pro-active and risk-taking implies to understand the nature of the business and how to apply that element so that the returned value may benefit to the individual and organisation. This paper recommended in the future of study to examine the practices of EO to the young and new entrepreneurs who have intentions and interests to join the business together.

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