

# Entrepreneurial Orientation towards Business Performance of Women-Owned Small and Medium Enterprises in Sabah: A Conceptual Study

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## Abstract

**Purpose:** Entrepreneurial orientation is recognized as a significant contributor to many of firm's success. Studies have shown that entrepreneurial orientation has an influence towards business performance. The aim of this study is to determine the relationship of entrepreneurial orientation towards business performance among women-owned SMEs in Sabah.

**Design/methodology/approach:** This study intends to conduct a quantitative study using survey questionnaires to women entrepreneurs using simple random sampling based on the listing of registered SMEs provided by SME Corporation. The top manager or the business owner of SMEs will be the respondent for the study as they have the knowledge on the direction of the business and the business operation

**Findings:** The results of the study would provide both practical and theoretical contributions in the field of entrepreneurship

**Originality/value:** The present study may assist related ministries and agencies involved with women entrepreneurs in formulating policies and various programs in supporting the growth and survival of businesses.

**Keywords:** Entrepreneurial orientation, Innovation, Proactiveness, Risk-taking, Competitive Aggressiveness, Autonomy, Business Performance, Women Entrepreneur

## Introduction

Small and medium enterprises (SMEs) have been acknowledged to play a vital role towards the economic growth for many countries. Various definitions on SMEs can be found in the literature where different countries define SMEs differently. Korea defines SMEs based on employment and assets, Taiwan on employment, capital and sales while Thailand based on

employment, capital and fixed assets. In Malaysia the definition of SMEs in Malaysia has been reviewed recently and is presented in Table 1.

Table 1: SMEs Definition in Malaysia

Category	Micro	Small	Medium
Manufacturing	Sales turnover less than RM300,000 OR full-time employees less than 5	Sales turnover from RM300,000 to less than RM15million OR full-time employees from 5 to less than 75	Sales turnover from RM15million to not exceeding RM50million OR full-time employees from 55 to not exceeding 200
Services & other sectors	Sales turnover less than RM300,000 OR full-time employees less than 5	Sales turnover from RM300,000 to less than RM3million OR full-time employees from 5 to less than 30	Sales turnover from RM3million to not exceeding RM20million OR full-time employees from 30 to not exceeding 75

Source: SME Corporation Malaysia (2016)

SMEs in Malaysia accounted for 98.5% of total establishments employing 65.3% of total workforce in 2016 which contributes to 36.6% of GDP (National SME Development Corporation (NSDC), 2017). The importance of SMEs is seen to vary from provide employment, develop new products and services as well increase the well-being of people through poverty reduction. Realizing the significant of SMEs contributions to the nation, numerous programs and activities has been introduced that comes together with a huge allocation (Musa & Chinniah, 2016; NSDC, 2017). In the last few decades, Malaysia has seen a tremendous growth of SMEs and SMEs form the biggest type of business in Malaysia. As reported by Department of Statistics Malaysia (DOSM), the number of business established in 2011 has risen from 645,136 to 907,065 in 2016, an increase of 6.4% per year (Economic Census, 2016). Table 2 shows the composition of SMEs according to business size while Figure 1 presents the total business establishments in 2016 according to the states in Malaysia.

Table 2: Business establishment based on size

Size	2006	2011	2016
Micro	411,849	496,488	693,670
Small	95,490	128,787	192,783
Medium	11,657	19,891	20,612
<b>TOTAL SMEs</b>	<b>519,996</b>	<b>645,136</b>	<b>907,065</b>

Source: Economic Census (2016)

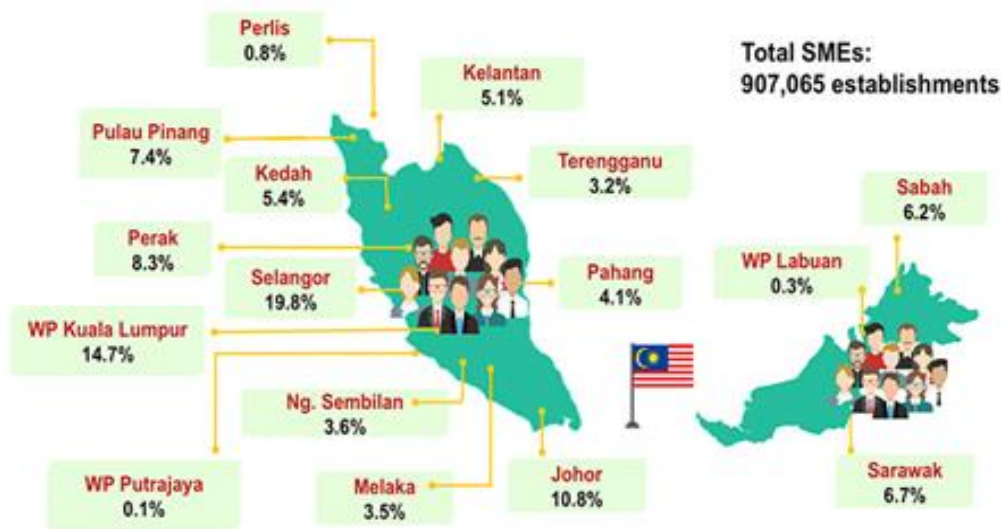


Figure 1: SMEs in Malaysia by State (Economic Cencus, 2016)

Seth (2015) described the heart of any country’s economy is the entrepreneur where investment in entrepreneurship provides greater chance towards an improved economy. Study by Ogunlana (2018) supported entrepreneurs as catalyst agent for expansion and promotion of economic activities. Guled & Kaplan (2018) stated women entrepreneurs are moving faster these days in the entrepreneurial population. Entrepreneurship is said to be one of the contributors towards the economic growth and societal well-being where ministries and agencies are playing their part to encourage and support women involvement as essential contributors (Brush & Greene, 2016). Report by Global Entrepreneurship Monitor (GEM) 2017 - Women’s Report found that there are approximately about 163 million women who are becoming entrepreneurs and operating new businesses in 74 economies around the world where an estimation of 111 million are running established businesses.

The number of women who have become entrepreneurs has been increasing year by year. Women are moving away from the traditional economic roles and start to venture into their own businesses to improve themselves. A study found describing the majority of women are playing a crucial part in the larger entrepreneurship phenomenon and economic development (Sarfraz, Faghih & Maid, 2014). The number of women venturing into business and entrepreneurship activities has grown steadily and rapidly when their traditional role has changed drastically (Kamaruddin, Arshad, Osman & Buyong, 2018). Based on the report by Economic Census 2011, the business owned by women is at 19.7% and this number however has grown steadily to 20.7% (Economic Census, 2016). The involvement of women in nations’ employment is crucial in transforming a country to developed country from developing country (Hassan & Yusof, 2014). Women's contribution towards a country’s development and growth is irrefutable (Kamaruddin et al., 2018).

Although the increasing number of women becoming entrepreneurs is undeniable, these numbers are still not enough and male counterparts are steel conquering activities related to entrepreneurship. With the increased number of women involved in business, extensive studies on women entrepreneurs are being conducted all over the world. Many of these studies however were more focused into entrepreneurial competencies (Tehseen, Ahmed, Qureshi, Uddin & Ramayah, 2019; Suhaimi, Al Mamun, Zainol, & Nawi, 2018; Ahmad, Suseno, Seet, Susomrith, & Rashid, 2018; Al Mamun, Rajennd, Muniady, Permarupa, Zainol, Nawi &

Malarvizhi, 2016), motivation factors (Meliou & Edwards, 2018; Ismail, Husin, Rahim, Kamal, & Mat, 2016; Bui, Kuan & Chu, 2018), success factors (Ghouse, McElwee & Durrah, 2019; Gupta & Mirchandani, 2018; Kirkwood, 2016) as well as challenges and barriers (Panda, 2018; Xie, & Lv, 2018).

Studies related to entrepreneurial orientation are advancing fast as scholars acknowledged entrepreneurial orientation as one of the important factors in gaining competitive advantage for many firm's survival and sustainability. Another issue that is being debated is whether dimensions of entrepreneurial orientation are uni-dimensional or multi-dimensional. Many of earlier studies have the tendency to use three entrepreneurial orientation dimensions and treat the dimensions of entrepreneurial orientation as a uni-dimensional construct (Haider, Asad & Fatima, 2017; Farooq & Vij, 2018; Jalali, Jaafar & Ramayah, 2014). Thus, this study is undertaken to study women entrepreneurs and determine the relationship between five dimensions of entrepreneurial orientation towards business performance since entrepreneurial orientation is crucial for gaining performance from SMEs. The following sections are structured accordingly; literature review is presented followed with methodology and ends with conclusion.

### **Literature Review**

Women today are not restricted living in the traditional way since the number of women involved in business are huge and many of them are said to be successful (Kamaruddin, Arshad, Osman, & Buyong, 2018). Sarkar and Palit (2014) described a woman entrepreneur as a person who is creating and growing a business venture with determination, hard work and ability to be innovative. A woman entrepreneur is the one who heads and leads the business by taking the initiative to venture a new venture (Olumide, 2012) while woman entrepreneur is the one heading and initiating the business enterprise (Ademokun & Ajayi, 2012). Goyal and Parkash (2011) describe women entrepreneurs as women who initiate and develop, organize and manage and operate a business venture. Women entrepreneurs are the one who make independent business decisions in relation to business operations (Zapalska & Brozik, 2014). Women entrepreneurs are defined as women who held 51% of the equity or women who hold the position as the Chief Executive Officer (CEO) or Managing Director (MD) and owns at least 10% of the equity (SME Corp, 2017).

Entrepreneurial orientation (EO) is accepted as one of the main contributors to the success of a company. The entrepreneurial orientation concept involves the entrepreneurial activities, practices, processes that lead to decision-making (Lumpkin and Dess, 1996). The common definition of EO is the engagement of entrepreneur behavior which is entrepreneurial (Irwin, Landay, Aaron, McDowell, Marino & Geho, 2018). Entrepreneurial orientation as described by Covin and Wales (2012) relates to how organization makes decision-making to engage in new, innovative, and entrepreneurial activities while Perez-Luno, Wiklund and Cabrera (2011) stated entrepreneurial orientation is a phenomenon which includes the planning process, making analysis and decision by simplifying analyses and looking back on firm's culture, values as well as mission and vision. Entrepreneurial orientation is seen as a strategy-making process that reflects the entrepreneurship of an organization (Nasip, Fabeil, Buncha, Hui, Sondoh & Abd Halim, 2017). Arshad (2016) described a process, methods and styles adopted by CEOs or top managers in reflecting business activities and operations is entrepreneurial orientation. Covin and Wales (2012) implies the driving factors for businesses pursuing entrepreneurial endeavors and activities has got to do with entrepreneurial orientation. It is explained that entrepreneurial orientation is a factor that enhances SMEs' performance (Irwin et al., 2018).

The concept of EO was developed by Miller (1983) and supported by Covin and Slevin (1993) as comprising three dimensions; innovativeness, proactiveness and risk taking. However, Lumpkin and Dess (1996) suggested entrepreneurial orientation is represented with five crucial dimensions - innovativeness, proactiveness, risk taking, competitive aggressiveness and autonomy. The elements used in the study are presented in Table 3.

Table 3: Entrepreneurial orientation dimensions

<b>Elements</b>	<b>Descriptions</b>
Innovative	A willingness to introduce innovation and novelty through experimentation and creative processes aimed at developing new products and services, as well as new processes.
Pro-activeness	A forward-looking perspective characteristic of a marketplace leader that has the foresight to seize opportunities in anticipation of future demand.
Risk-Taking	Making decisions and taking actions without certain knowledge of probable outcomes; some undertakings may also involve making substantial resource commitments in the process of venturing forward.
Competitive Aggressiveness	An intense effort to outperform industry rivals. It is characterized by a combative posture or an aggressive response aimed at improving position or overcoming a threat in a competitive marketplace.
Autonomy	Independent action by an individual or team aimed at bringing forth a business concept or vision and carrying it through to completion

Source: Lumpkin and Dess (1996)

Various definitions have been used by researchers in defining business performance. According to Farouq and Vij (2018), business performance is referred to firm's ability in fulfilling the needs of stakeholders needs and the need of firm to survive. A wide array of different measures has been used by researchers usually without justification when measuring business performance (Murphy, Trailer & Hill, 1996). Although many studies have examined the relationship between various factors and business performance, different researchers use different measurements. Still, Franco-Santos, Kennerley, Micheli, Martinez, Mason, Marr, Gray & Neely (2007) suggested the measures of business performance in the social science studies can adopt business performance measurement (BPM) system. They further discussed that the BPM system looks at quantitative and qualitative approach in influencing business performance which is suitable when measuring SMEs business performance.

One of the significant contributors to any success of a firm's is entrepreneurial orientation. Many studies conducted have noted there exists a relationship between entrepreneurial orientation and business performance (Lumpkin & Dess, 1996; Farouq & Vij, 2018; Irwin et al., 2018; Arshad, 2016; Haider, Asad & Fatima, 2017). From the literature review, a



proposed research model was developed. The independent variable represented by entrepreneurial orientation comprise of five dimensions; innovativeness, proactiveness, risk-taking, competitive aggressiveness and autonomy. These variables will influence the business performance of women entrepreneurs in Sabah. The research model proposed for the study is illustrated in Figure 2.

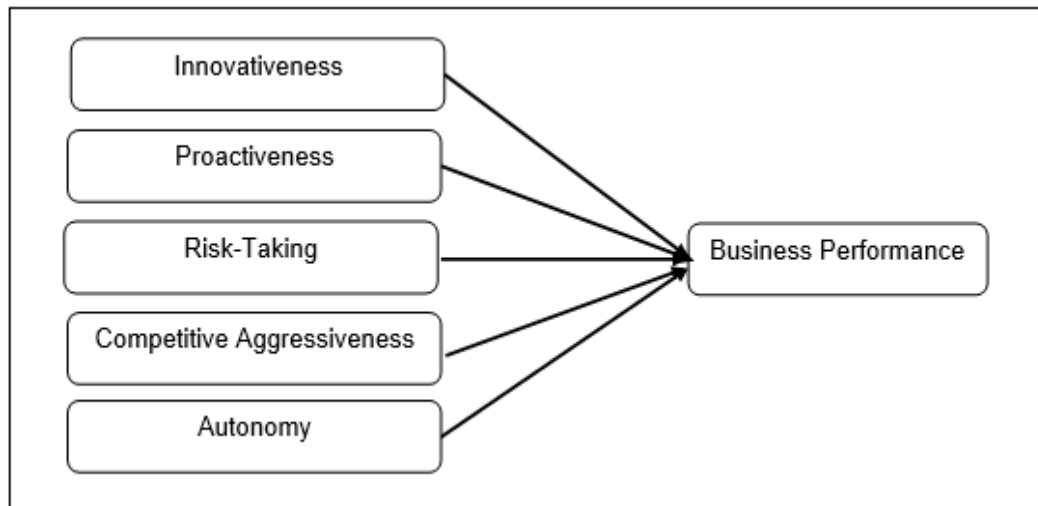


Figure 2: Proposed Research Model

### Methodology

The proposed method to be adopted for the study would be a quantitative method where the researcher will use a survey questionnaire. The respondents of the study will be women entrepreneurs in Sabah who are in the category of Small and Medium Enterprises (SMEs). The list of SMEs will be obtained from SME Corp Malaysian, an agency entrusted to monitor the SMEs development and at the same time offer SMEs various assistance. The researchers would then have to narrow down the list by identifying which business is owned by women to ensure representativeness of the study. The sampling method to be adopted by researchers would be a simple random sampling method using Excel. This method is chosen due to the fact that members of the population have an equal chance of being included in the sample. The instruments that will be used for data collection are in the form of a survey questionnaire which comprise of close ended questions. There are three sections in the survey where Section A is related to business and respondent profile. Section B with eighteen (18) items measures five dimensions of entrepreneurial orientation while Section C with six (6) items on business performance. A five 5-point Likert scale will be used in the study. The independent variables are the entrepreneurial orientation adopted from Lumpkin and Dess (1996) and is divided into five dimensions represented by innovativeness, proactiveness, risk-taking, competitive aggressiveness and autonomy where the respondents require indicate the extent to which the items represent their firm's strategy. The items on business performance on the other hand adopt measures from earlier studies comprise of growth and profitability (Gibson & Birkinshaw, 2004; Wolff & Pett, 2006).

### Conclusion

The proposed framework adopted in the study would provide some insights and overview to SMEs specifically on women entrepreneurs by explaining the influence of entrepreneurial orientation towards business performance. This study would also add into the

entrepreneurship literature as the study adopts the five dimensions of EO which many of earlier studies adopts three dimensions. To add further, the present study plans to measure the dimensions of entrepreneurial orientation (multi-dimensional). Findings of the study will also be important to the policy makers in assisting them to work more efficiently on programs and activities for the development of women entrepreneurs. The findings that will be generated later from this study would be assisting women entrepreneurs to determine which factors that requires more attention from them. In addition, doing business today is much more challenging than before and to sustain a business needs better strategy.

Though extensive studies have been conducted on entrepreneurial orientation and business performance, researchers foresee the present study would generate different findings due to differences in business and cultural context. Hence, research within the ASEAN context is needed. To add further, although many studies have studied entrepreneurial orientation and business performance in general, not many are focusing on women entrepreneurs. This has resulted in limited knowledge and evidence of these relationships on women entrepreneurs. With the present study, the results obtained might be useful to provide insights to the government on the right incentives and improve the support measures tailored for women entrepreneurs.

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