The Contribution of Entrepreneurial Orientation to Improve the Competitiveness of Small and Medium-sized Enterprises (SMEs): Agricultural SMEs in the Fes-Meknes Region as a Case Study

Abderrahman Lakbir* and Naima Chihab

1 Research Laboratory on Entrepreneurship and Management of the Business Environment, Lareme; lakbirabderrahman@gmail.com
2 Faculty of Legal, Economic and Social Sciences Mohammeda, University of Hassan II Casablanca, Casablanca 20000, Morocco; chihabnaima@gmail.com

Abstract

Objectives: Our research aim is to determine the relations between the different dimensions of the entrepreneurial orientation and the competitiveness. Its main purpose is to establish a conceptual framework for EO closely related to competitiveness, and then test our model. Methods/Statistical Analysis: Its main purpose is to establish a conceptual framework for EO closely related to competitiveness, and then test our model. A sample of 130 agricultural SMEs (farmers, agribusinesses, agricultural equipment companies and agricultural furniture) was formed. We were able to access these companies thanks to the list provided by the Regional Directorate (DRA). To describe the behavior of our variables, we used SPSS (25). To answer our problematic and to test our research hypothesis, we carried out a descriptive analysis to describe our sample, and then we continued the univariate analysis and principal component analysis (PCA). Findings: The results indicate that the dimensions of EO are positively correlated with the competitiveness of agricultural SMEs in the region. Practical /Implications: An important consequence of this research is that the interesting results allow management consultants to focus on improving their entrepreneurial orientations agricultural SMEs in FES-Meknes region, in their training, in order to improve their competitiveness.

Keywords: Competitive Advantages, Competitiveness; Entrepreneurial Orientation, Innovation, Risk-Taking and Pro-Activity

1. Introduction

Research in Small and Medium-sized Enterprises (SMEs) has grown over the past decade because of their fundamental contributions to the overall performance of the economy. Indeed, SMEs play an increasingly important role in the stability, job creation and economic development of a country. In Morocco, SMEs represent 95% of the total number of enterprises (78.1% are concentrated in the service sector), 21% of employment, 40% of GDP and 31% of exports.

Morocco puts a set of reforms and actions to support SMEs and entrepreneurship such as: sectoral strategies, institutional reforms, improvement of the business climate, opening of the economy, public-private partnership ... which allowed to improve its position in the world ranking according to the report of doing business 2019, occupies the 60th place instead of 69 a year ago. However, despite this set of measures, the number of bankrupt firms is increasing. In 2017, out of 70,000 active SMEs, those that went bankrupt accounted for 11.5%. Between 2009 and 2015, the bankruptcy rate increased by 16%. This trend, compared to other countries, is likely to continue in 2018 and in the coming years.

Considering the high failure rate of small businesses, it is necessary to identify strategies that can improve their
performance and competitiveness. There are suggestions evident that implementing entrepreneurial strategies will lead to business success.

SMEs need to focus on an entrepreneurial Orientation (OE) to stand out. In other words, they must be innovative, proactive, and aggressive and take risks.

Our research aims to determine the relations between the different dimensions of the entrepreneurial orientation on the one hand and with the competitiveness on the other hand. Its main purpose is to establish a conceptual framework for EO closely related to competitiveness, and then test our model.

A sample of 130 agricultural SMEs (farmers, agribusinesses, agricultural equipment companies and agricultural furniture) was formed. We were able to access these companies thanks to the list provided by the Regional Directorate (DRA).

To describe the behavior of our variables, we used SPSS (25). To answer our problematic and to test our research hypothesis, we carried out a descriptive analysis to describe our sample, and then we continued the univariate analysis and Principal Component Analysis (PCA).

2. Conceptual Framework of the Study

The purpose of section is to explain the relationship between EO and the competitiveness of SMEs through the development of a theoretical and conceptual model that summarizes this relationship.

2.1 Entrepreneurial Orientation

In this section, we discuss the complexity of the concept of OE and the diversity of its dimensions and its different theoretical approaches

2.1.1 Definitions

Although there is semantic diversity in the different theoretical approaches used to conceptualize EO, it is most often defined as a strategy, a posture, a resource, ability, a practice management, an organizational culture or a launching process in a new activity. Entrepreneurial orientation refers to a process of developing innovative projects, adopting a proactive attitude within the market and undertaking investments with a percentage of risk.

Reading its main definitions as identified by the EO, since its emergence, has either been defined as a set of processes and practices, or as being only a state of mind to be adopted by the company and rarely both. Indeed, EO is defined as an entrepreneurial management style define it as a behavior or posture that the company adopts: the EO is a set of behaviors that demonstrate within a company how much the leader is inclined to take risks in business to foster change and innovation to gain competitive advantage and compete aggressively with rival firms believe that it is a set of processes, practices and entrepreneurial activities.

2.1.2 Dimensions of the OE

Miller identified three dimensions of EO: innovation, risk-taking and pro-activity emphasized the three dimensions of economic obsolescence; a popular model suggests that five dimensions add autonomy and aggressiveness to Miller's conceptualization. As part of this research, we retain the 3 dimensions of that are verified in several empirical studies.

Indicators for measuring the dimensions of the EO: In this part, we illustrate different measurement indicators for each dimensions as based on the conceptualization of that has been used by a significant number of researchers:

| Dimensions    | Measurement Indicators                                                                 |
|---------------|----------------------------------------------------------------------------------------|
| Innovation    | Research and development (R & D), technological change and innovation                  |
|               | The company introduces several new product lines or services                             |
|               | The company radically changes its products or services                                   |
| Risk taking   | The company is more interested in risky projects with a high probability of high incomes. |
|               | By the nature of the environment, radical measures are sometimes necessary to achieve the objectives of our company. |
|               | In situations of uncertainty, I do not fear risk taking to exploit new opportunities     |
| Pro-activity  | The company undertakes actions to which competitors respond                               |
|               | The company is often the first to introduce new products, services, new techniques or technologies, production methods, etc. |
|               | The company adopts a very competitive position aimed at reducing competition              |
2.2 Competitiveness

2.3 Definition

In 23 defines competitiveness as: “the ability of a firm to compete effectively in a given economic environment enterprise-level competitiveness can be defined as: ‘the ability of the enterprise to design, produce, and market better products than those offered by competitors”.

2.3.1 Competitive Advantage

A competitive advantage can be obtained either through a cost control strategy, which allows to offer with a correct margin of cheaper product than the market norm, or by a differentiation strategy, allowing increasing the propensity to be paid by the customer, which offers richer or original features, or a higher level of quality and sophistication.

Porter time and again has insisted that many companies have struggled to make this strategic choice on their competitive advantage and remain trapped in an intermediate position, according to him unfavorable (stuck in the middle)19. Significantly, the germs of a competitive advantage are evident in each of the aforementioned forms of business creation. There are several fundamental bases for a competitive advantage have clarified the logic of overall cost management and differentiation as the basis for competitive advantage. More recently, strategic management experts have recognized the importance of rapidity or reactivity, that is, a pre-competitive market offer was a distinctive foundation for a competitive advantage20.

2.3.2 Indicators for Measuring Competitive Advantage

For the measure of the competitiveness variable, we have retained the measure of 21, 22:

Over the past three years your competitive strategy has allowed your firm to:

C1 exploit all market opportunities that have been presented to your industry
C2 fully exploit the market opportunities that have been presented to your industry
C3 neutralize all competitive threats from rival firms in your industry
C4 fully neutralize the competitive threats from rival firms in your industry
C5: full neutralization of all competitive threats
C6: neutralization of more competitive threats than competitors
C7: reduction of total expenses at a higher rate than competitors
C8: reduction of operating expenses at a higher rate than competitors
C9: reduction of total expenses divided by revenue to a higher extent than competitors
C10: reduction of operating expenses divided by revenue to a higher extent than competitors

2.3.2.1 Relations between the EO, through the Different Dimensions, and Competitiveness

EO is seen as more beneficial because technology or customer preferences change rapidly and dramatically and can still vary depending on the impact of the environment on the availability of resources and information needed for entrepreneurial strategies. This notion of contextual dependence underlies the notion that EO allows firms to respond appropriately to harsh environmental conditions, such as those present in high-tech industries, by innovating, adopting proactive behaviors and taking risks to gain competitive advantages.

2.4 Relationship Between Innovation and Competitiveness

Organizations are interested in innovation for a number of reasons but the most important is the development and reinforcement of their competitive advantage. In 21 confirm that the innovative strategy is a key factor in being competitive in the current market. Creative ideas help reduce costs by developing new products, and they create a situation that can create products and concrete processes to generate new revenue and improve growth.

Innovation allows companies to strengthen their competitive position in the markets. Innovation allows companies to increase productivity, improve the quality of their products or services, and develop key skills. Innovation allows businesses to improve their non-price
competitiveness. Porter stresses that innovation is the key to business competitiveness because it conditions their ability to maintain sustainable competitive advantages in evolving markets.

### 2.5 Relationship Between Risk Taking and Competitiveness

Companies with risk-taking behavior make large resource commitments in order to obtain high earnings. Risk taking involves taking bold steps in embarking on the unknown, borrowing heavily and/or committing significant resources in uncertain environments (Martin, Javalgi, 2016). Small and medium-sized enterprises are taking risks in order to more effectively utilize innovative and proactive capabilities and thereby generate better international performance (Brouthers et al., 2015).

### 2.6 Relationship Between Proactivity and Competitiveness

Proactivity allows companies to introduce new products/services to the market before their competitors, which also gives them a competitive advantage. Proactive companies can introduce new goods and services ahead of their competitors. As pioneers, they can control market access by dominating distribution channels. In addition, by introducing their products or services before their competitors, companies can, if successful, establish industry standards. These actions should help pioneers achieve sustainable, rather than temporary, high performance. Proactivity is an inherent feature of market-oriented firms, fostering an innovative response to changing environments. Market-oriented companies have the resources and capabilities to proactively collect and evaluate information about current and future customer requirements and needs, competitor capabilities and changes in the foreign environment.

### 3. Research Methodology and Interpretation of Results

#### 3.1 Research Methodology

We have positioned our research in the positivist current. Positivism justifies the construction of a hypothetico-deductive system before confronting it with supposedly representative empirical situations. We then followed a hypothetico-deductive approach, which consists in testing previously selected hypotheses that will be tested on a representative sample of the study population. The use of a quantitative methodology in the case of our research is therefore appropriate.

#### 3.2 Interpretation of Results

After a review of the literature that allowed us to identify the concepts of research, their dimensions and scale of measurement, we have formulated the following hypotheses (Figure 1):

- **H1:** innovation is leveraging the competitiveness of SMEs
- **H2:** risk taking promotes the competitiveness of SMEs
- **H3:** the pro-active increases the competitiveness of SMEs

That we have tested on our research field, the latter is determined by the following steps:

Firstly, the choice of sector is made on the basis of a study of the context of the study which consists in making a monograph of region to determine the state of the places of the economic sectors in the region.

As a follow-up, to form a representative sample, we analyze the 2018 OMPIC data in order to delineate the characteristics of the entrepreneurial dynamics of the region; which is as follows:

- **Entrepreneurial dynamics in the Fez-Meknes region:**
  - Number of enterprises created up to 2018 is 37,760 legal entities and 94,135 enterprises of natural persons, distributed as follows (Figures 2-4):
We find that 80% of the companies are located in Fez (44.59%) and Meknes (35.35) and 71% are under the age of 10 years; which explains the effort made over the last few years to encourage the creation of companies.

Descriptive statistics of the demographic characteristics of agricultural SMEs in the region

- Characteristic of the sample:
  60% of the companies employ less than 50 employees, 58.5% have a legal form SARL, 83.8% of the companies studied are family businesses, 70% are under the age of 10 years and 60% are installed in the Fez cities and Meknes, as the motre the following Table 1:

We checked the reliability of the measurement scales used for each variable, then we transformed the items into variables, this step is carried out using SPSS 25 software:

- Purification of the entrepreneurial orientation scale:
The KMO index is satisfactory since it is average () and that of Cronbach's Alpha is 0.622

- Purification of the competitiveness scale
The KMO index is satisfactory since 0.875 and that of Cronbach's Alpha is 0.941.

Therefore the reliability of the dimensions of the entrepreneurial orientation scale and that of competitiveness are acceptable

After we created the competitiveness variable after 10 items of its measure and the entrepreneurial orientation variable, we then established the correlation

SOURCE: elaboration by the authors based on data from: MAPM, OMPIC, GME, monograph of the FM region, HCP, year 2017.

Figure 1. Key figures of the region in 2017.

Figure 2. Breakdown by sector.

Figure 3. Representation of companies by city of location.

Figure 4. Representation of companies by age.
The Contribution of Entrepreneurial Orientation to Improve the Competitiveness of Small and Medium-sized Enterprises (SMEs): Agricultural SMEs in the Fes-Meknes Region as a Case Study

4. Conclusion

We have sought here to determine the relation between the entrepreneurial orientation and the competitiveness of SMEs. After the determination of the basic concepts of research, we have determined the dimensions of each construct and its measurement indicators. Then to test our hypotheses, we conducted a survey with a sample of 130 agricultural enterprises in the Fez-Meknes region and analyzed the data using SPSS 25 software. The results indicate that the dimensions of EO are positively correlated with the competitiveness of agricultural SMEs in the region.

5. References

1. Manzani NE, Asli A, Manzani YE. Les facteurs de l'écchec entrepreneurial des PME marocaines : Une étude exploratoire, Marche et Organisations. 2018; 33(3):105–44. https://doi.org/10.3917/maorg.033.0105.
2. Nkanyou BB, St-Jean E, Lebel L. L’Effet De L’Orientation Entrepreneuriale SUR LA Performance D’Entreprise: LE CAS DES PME Forestieres, Cahier de Recherche. 2011; 1−20.
3. Simon M, Stachel C, Covin JG. The effects of entrepreneurial orientation and commitment to objectives on performance, New England Journal of Entrepreneurship. 2011; 1-9. https://doi.org/10.1108/NEJE-14-02-2011-B001.
4. Covin JG, Slevin DP . The Influence of Organization Structure on the Utility of an Entrepreneurial Top Management Style, Journal of Management Studies. 1988; 25(3):217−34. https://doi.org/10.1111/j.1467-6486.1988.tb00033.x.
5. Fayolle A, Legrain T. Orientation entrepreneuriale et grande entreprise, La Revue des Sciences de Gestion. 2006; 219(3):27−33. https://doi.org/10.1051/larssg:2006024.
6. Gürbüz G, Aykol S. Entrepreneurial management, entrepreneurial orientation and Turkish small firm growth, Management Research News. 2009; 32(4):321–36. https://doi.org/10.1108/01409170910944281.
7. Roux IL, Bengesi KMK. Dimensions of entrepreneurial orientation and small and medium enterprise performance

Table 1. Characteristic of the sample

| City of implantation | Frequency | Percent | Valid Percent | Cumulative Percent |
|----------------------|-----------|---------|---------------|--------------------|
| Valid                |           |         |               |                    |
| Fes                  | 39        | 30,0    | 30,0          | 30,0               |
| Meknes               | 32        | 24,6    | 24,6          | 54,6               |
| Azrou                | 19        | 14,6    | 14,6          | 69,2               |
| Age of the company   |           |         |               |                    |
| Valid                |           |         |               |                    |
| Less than 3 years    | 23        | 17,7    | 17,7          | 17,7               |
| 4 - 6                | 38        | 29,2    | 29,2          | 46,9               |
| The family business  |           |         |               |                    |
| Valid                |           |         |               |                    |
| yes                  | 109       | 83,8    | 84,5          | 84,5               |
| no                   | 20        | 15,4    | 15,5          | 100,0              |
| Legal status         |           |         |               |                    |
| Valid                |           |         |               |                    |
| SA                   | 32        | 24,6    | 24,6          | 24,6               |
| SARL                 | 76        | 58,5    | 58,5          | 83,1               |

Between the two variables according to the Pearson method, which shows a strong correlation of 0.89 with a signification 0.000.
in emerging economies, Development Southern Africa. 2014; 31(4):606–24. https://doi.org/10.1080/0376835X.2014.913474.
8. Miller D. The Correlates of Entrepreneurship in three types of firms, Management Science. 1983; 29(7):770–91. https://doi.org/10.1287/mnsc.29.7.770.
9. Veidal A, Flaten O. Entrepreneurial orientation and farm business performance: The moderating role of on-farm diversification and location, The International Journal of Entrepreneurship and Innovation. 2014; 15(2). https://doi.org/10.5367/ijiei.2014.0147.
10. Lumpkin GT, Dess GG. Clarifying the entrepreneurial orientation construct and linking it to performance, The Academy of Management Review. 1996; 21(1):135–72. https://doi.org/10.5465/amr.1996.9602161568.
11. Maldonado Guzman G, Martínez Serna MC. Entrepreneurial orientation and growth in mexican small business. Journal of Management and Sustainability, 2017; 7(1):1–10. https://doi.org/10.5539/jms.v7n1p94.
12. Randerson K, Fayolle A. Management et orientation entrepreneuriale: Deux concepts si différents ? Management Avenir. 2010; 39(9):124–35. https://doi.org/10.3917/mav.039.0124.
13. Covin JG, Wales WJ. The Measurement of Entrepreneurial Orientation, Entrepreneurship Theory and Practice. 2012; 36(4):677–702. https://doi.org/10.1111/j.1540-6520.2010.00432.x.
14. Bénézech D, Karcher T, Garcia C. Dans quelle mesure l’orientation entrepreneuriale se traduit-elle en activités d’innovation dans les PME? Regards croisés sur le caractère composite de cette orientation stratégique, Revue de l'Entreprendariat. 2013; 12(4):35–58. https://doi.org/10.3917/entre.124.0035.
15. Hamd I, Belkacem L. Les Effets de l’Orientation Marché et de l’Orientation Entreprise sur l’Innovation. 4th International Conference on Business Economics, Marketing and Management Research (BEMM-2016); 2018.
16. Lomberg C, Urbig D, Stöckmann C, Marino LD, Dickson PH. Entrepreneurial orientation: The dimensions’ shared effects in explaining firm performance, Entrepreneurship Theory and Practice. 2017; 41(6):973–98. https://doi.org/10.1111/etap.12237.
17. Arshad AS, Rasli A, Arshad AA, Zain ZM. The impact of entrepreneurial orientation on business performance: A study of technology-based SMEs in Malaysia, Procedia - Social and Behavioral Sciences. 2014; 130:46–53. https://doi.org/10.1016/j.sbspro.2014.04.006.
18. Porter ME, Millar VA. How information gives you competitive advantage, Harvard Business Review. 1985; 63(4):149–60.
19. Weil T. Chapitre II. Stratégie pour un domaine d’activité. In: Stratégie d’entreprise. Paris: Presses des Mines; 2013. p. 39–65. https://doi.org/10.4000/books.pressemin.1330. PMid: 18095745.
20. Covin JG, Miles MP. Corporate entrepreneurship and the pursuit of competitive advantage, Entrepreneurship Theory and Practice. 1999; 23(3):47. https://doi.org/10.1177/104225879902300304.
21. Sigalas C, Papadakis VM. Empirical investigation of relationship patterns between competitive advantage and superior performance, Journal of Strategy and Management. 2018; 11(1). https://doi.org/10.1108/JSMA-01-2017-0010.
22. Sigalas C, Economou VP, Georgopoulos NB. Developing a measure of competitive advantage, Journal of Strategy and Management. 2013; 6(4):1–38. https://doi.org/10.1108/JSMA-03-2013-0015.
23. Alaoui A. Pratiques managériales et performance à l’export des PME : La prégnance des facteurs endogens, Humanisme et Entreprise. 2013; 311:21–40. https://doi.org/10.3917/hume.311.0021.
24. Kreiser PM, Davis J. Entrepreneurial orientation and firm performance: The unique impact of innovativeness, pro-activeness, and risk-taking, Journal of Small Business and Entrepreneurship. 2010; 23(1):39–51. https://doi.org/10.1080/08276331.2010.10593472.
25. Teglborg AC, Bonnafous-Boucher M, Redien-Collot R, Viala C. L’innovation participative à orientation entrepreneuriale, un atout concurrentiel à cultivar, Entreprendre Innover. 2013; 18(2):23–30. https://doi.org/10.3917/entin.018.0023.
26. Rodríguez-Gutiérrez MJ, Moreno P, Tejada P. Entrepreneurial orientation and performance of SMEs in the services industry, Journal of Organizational Change Management. 2015; 28(2):194–212. https://doi.org/10.1108/JOCM-01-2015-0020.
27. Zahra SA, Covin JG. Contextual influences on the corporate entrepreneurship-performance relationship: A longitudinal analysis, Journal of Business Venturing. 1995. https://doi.org/10.1016/0883-9026(94)00004-E.
28. Matchaba-Hove T, Farrington S. The influence of entrepreneurial orientation on small business success. 23rd Annual Conference of the Southern African Institute for Management Scientists; 2011. p. 1–24.
29. Aydi I, Jarboui A. La performance des nouvelles entreprises internationales tunisiennes? orientation entrepreneuriale, orientation marché et capacités en marketing, Innovations. 2018; 55(1):199–222. https://doi.org/10.3917/inno. prl.0031.