Development of Entrepreneurial Orientation

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ABSTRACT

The Entrepreneurial orientation (EO), is a company activity that are related to proactive decision-making practices that pay attention to innovative strategies, risk-taking and exploiting market opportunities. This study aims to explain the development of the EO with a qualitative approach with the literature study method. Results obtained, EO was first introduced by miller in 1983, stating the importance of innovation, risk taking, productiveness in the EO concept, later developed by Morris and Paul (1987), and Merz and Sauber (1995). In 1996 Lumpkin and Dess perfected the EO concept of Miller (1983) by adding autonomy and competitive aggressiveness in measuring EO. But in its development to date, EO measurements based on several earlier studies EO measurements combine between the studies of Miller (1983) and Lumpkin and Dess (1996).

Keywords: Entrepreneurial Orientation, Entrepreneurship, Entrepreneurial Orientation Development

INTRODUCTION

Entrepreneurship is very important for personal and economic development, (Manning., 2018). Entrepreneurship and entrepreneurship globalization are important because entrepreneurship is the main catalyst for the country’s economic growth (Mat et al., 2015). This is because entrepreneurship aims to carry out economic transformation and wealth creation through the ability and effectiveness of an individual in recognizing opportunities and changing opportunities into reality in the form of potential goods or services. (Obembe et al., 2014). Firms that show entrepreneurial behaviour have greater profitability and growth than those that do not adopt entrepreneurial systems (Antonicic, 2007). Furthermore, Antonicic stated that organizations that use entrepreneurship have more open communication, formal controls, are able to adapt in an intensive environment, including management, innovative, continuously renewing and proactive. Consequently, entrepreneurship is today a permanent attitude that firms should develop (Dess et al., 2008).

According to Franco & Haase (2013), entrepreneurial orientation is a key concept in understanding whether a firm adopts entrepreneurial activities or not. Miller (1983) was the first author to identify entrepreneurship for three entrepreneurial activities, innovation, proactive action, and risk taking, and stated that companies that showed these activities had an entrepreneurial relationship.

Research on the topic of entrepreneurial orientation (EO) continues to develop (Covin and Wales, 2018). EO research is increasingly crossing over from its traditional entrepreneurship and strategy domains to work in the areas of, for example, public administration and policy (e.g., Karyotakis & Moustakis, 2016; Mthanti & Ojah, 2017), education (Díanez-González & Camelo-Ordaz, 2017; Ismail et al., 2015), tourism (Fadda, 2018; Li, 2008; Solvoll et al., 2015), small and medium enterprises (Buli, 2017; Murni, 2017; Lomberg et al., 2016; Anderson et al., 2015; Brouthers et al., 2014). In addition, Miller (2011) notes that the majority of entrepreneurial orientation research (EO) is directed to examine the performance of an organization.

According to Gupta and Gupta (2015), stated that research related to entrepreneurial orientation (EO) is a worthy research to be developed in the future. The purpose of this article is to provide an integrative framework for explain the develop of entrepreneur orientation (EO) and its measurement in more depth based on previous research.
METHODOLOGY

This research uses qualitative approach with library research method (library research). The data used in this study is secondary data, e-books, magazines and written documents. In addition, the data source used is electronic data sourced from Google Scholar, Emerald Insight, Sciencedirect, SAGE Journals, JSTOR and Wiley Online Library.

DEFINITIONS OF ENTREPRENEURIAL ORIENTATION (EO)

The Entrepreneurial Orientation (EO) concept starts from the miller (1983) and miller defines EO as one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with ‘proactive’ innovations, beating competitors to the punch. Morris and paul (1987) expressed the understanding of Entrepreneurial Orientation is one with decision-making norms that emphasize proactive, innovative strategies that contain an element of risk. Then in Merz and Sauber (1995) research suggests Entrepreneurial Orientation is defined as the firm’s degree of proactiveness (aggressiveness) in its chosen product-market unit (PMU) and its willingness to innovate and create new offerings. Miller (1983), Morris and paul (1987), and Merz and Sauber (1995) emphasize on that an entrepreneur who has a good entrepreneurial orientation will reengineer existing systems, resulting in a combination of truly new productive resources so as to be able to design business strategies to respond to the business environment proactively so that they can continue to compete.

Table 1. Definition of Entrepreneurial Orientation

| Authors                  | Definition of EO                                                                 |
|--------------------------|---------------------------------------------------------------------------------|
| Miller (1983)            | “An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with ‘proactive’ innovations, beating competitors to the punch” |
| Morris and Paul (1987)   | “An entrepreneurial firm is one with decision-making norms that emphasize proactive, innovative strategies that contain an element of risk” |
| Merz and Sauber (1995)   | “. . . entrepreneurial orientation is defined as the firm’s degree of proactiveness (aggressiveness) in its chosen product-market unit (PMU) and its willingness to innovate and create new offerings.” |
| Lumpkin and Dess (1996)  | “EO refers to the processes, practices, and decision-making activities that lead to new entry” as characterized by one, or more of the following dimensions: “a propensity to act autonomously, a willingness to innovate and take-risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities” |
| Zahra and Neubaum (1998) | EO is “the sum total of a firm’s radical innovation, proactive strategic action, and risk-taking activities that are manifested in support of projects with uncertain outcomes” |
| Voss, Voss, and Moorman (2005) | “. . we define EO as a firm-level disposition to engage in behaviors [reflecting risk-taking, innovativeness, proactiveness, autonomy, and competitive aggressiveness] that lead to change in the organization or marketplace.” |
| Avlonitis and Salavou (2007) | “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” |
| Cools and Van den Broeck (2007/2008) | “Entrepreneurial orientation (EO) refers to the top management’s strategy in relation to innovativeness, proactiveness, and risk taking” |
"An EO is conceptualized as a set of distinct but related behaviors that have the qualities of innovativeness, proactiveness, competitive aggressiveness, risk taking, and autonomy."

Based on table 1, the development of the EO definition in developing entrepreneurial decisions continues dynamically along with the times that not only emphasize innovative strategies but also market opportunities.

**MEASUREMENT OF ENTREPRENEURIAL ORIENTATION**

The development of entrepreneurial orientation (EO) research provides a fundamentally different measurement model. Previous research related to the most commonly used EO measurements were Miller (1983). The previous research related to EO measurements are:

| Authors | EO dimensions |
|---------|---------------|
| Miller (1983) | Innovation, Risk taking, Pro-activeness |
| Lumpkin and Dess (1996) | Autonomy, Innovation, Risk taking, Proactiveness, Competitive Aggressiveness |
| Naman and Slevin (1993) | Innovation, Risk taking, Proactiveness |
| Lee and Peterson (2001) | Innovativeness, Proactiveness, Risk taking, Competitive Aggressiveness, Autonomy |
| Lumpkin and Dess (2001) | Proactiveness, competitive aggressiveness |
| Svićzek and Ha (2003) | Proactiveness, innovativeness, risk-taking |
| Richard et al. (2004) | Innovativeness, risk-taking |
| Kuivalainen et al. (2007) | Proactiveness, risk-taking and competitive aggressiveness |
| Hughes and Morgan (2007) | Proactiveness, innovativeness, risk-taking, competitiveness |
| Li et al. (2008) | Proactiveness, innovativeness, risk-taking |
| Andersén (2010) | Proactiveness, innovativeness, risk-taking |
| Casillas et al. (2010) | Proactiveness, competitive aggressiveness |
| Felício, et al (2012) | Risk Uncertainty, Risk Challenges, Competitive Energy, Autonomy, Innovativeness, Proactiveness |
| Kraus (2013) | Proactiveness, innovativeness, risk-taking |
| Boso et al. (2013) | Product innovation intensity, product innovation novelty, risk-taking, proactiveness, competitiveness |
| Koe (2013) | Proactiveness, innovativeness, risk-taking, competitiveness |
| Kreiser et al. (2013) | Proactiveness, innovativeness, risk-taking |
| Dai et al. (2014) | Proactiveness, innovativeness, risk-taking |
| Kollmann and Stockmann (2014) | Proactiveness, innovativeness, risk-taking |
| Lechner and Gudmundsdson (2014) | Proactiveness, innovativeness, risk-taking, competitiveness |
| Kozubiková et al. (2015) | Innovativeness, competitive aggressiveness, proactivity |
| Mason et al. (2015) | Proactiveness, innovativeness, risk-taking, aggressiveness, autonomy, competitive energy |
| Farja et al. (2016) | Proactiveness |
| Gunawan and Duysters (2016) | Proactiveness and risk taking |
| Gupta et al. (2016) | Proactiveness, innovativeness, risk-taking |
| Kozubiková and Zoubková (2016) | Innovativeness, competitive aggressiveness |
| Shazad et al. (2016) | Proactiveness, innovativeness, risk-taking |
| Mthanti and Ojah (2017) | Proactiveness, innovativeness, risk-taking |
| Fadda (2018) | Proactiveness, innovativeness, risk-taking, Competitive, Autonomy |

Based on previous research which is often used in measurement of EO consist of:

a. **Innovativeness**
Lumpkin and Dess (1996) define innovativeness as an inclination to experiment and be creative that leads to new products, services or technological processes. Furthermore, innovativeness refers to willingness to support creativity and experimentation in introducing new products/services, and novelty, technological leadership and R&D in developing new processes (Lumpkin and Dess, 2001). Innovativeness may occur along a continuum from a simple willingness to either try a new product line or experiment with a new advertising venue, to a passionate commitment to master the latest in new products or technological advances (Lumpkin and Dess, 1996). Innovation can also be interpreted as a tendency to engage in creativity and experimentation through the introduction of new products/services and the use of technology through R&D in new processes (Mason et al, 2015) or to introduce new or novelty of creative processes and processes with developing new products, services and processes (Felício, et al, 2012).

b. Proactiveness
Proactiveness is an opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services ahead of the competition and acting in anticipation of future demand. (Mason et al, 2015). Lumpkin and Dess (1996) suggest that being proactive implies taking initiative to anticipate and pursue new opportunities. Proactiveness call for reconfiguration of resource and knowledge for a firm to exploit new business opportunities (Hughes, Hughes, and Morgan, 2007). Proactiveness indicates a posture of an organization in anticipating and acting on future wants and needs in the marketplace, thereby creating a first-mover advantage vis-a-vis competitors (Lumpkin and Dess, 1996).

c. Risk Taking
Risk taking suggests that risk taking is the propensity to invest and risk large amounts of capital (resources) and as a result, potently face a lot of uncertainty Miller (2011) or as the propensity involves taking bold actions by venturing into the unknown, borrowing heavily and/or committing significant resources to ventures in uncertain environments (Mason et al, 2015). Risk taking involves taking bold actions such as venturing into unknown new markets, committing a large portion of resources to ventures with uncertain outcomes/environments, and borrowing heavily (Lumpkin and Dess, 2001).

d. Competitive Aggressiveness
Competitive Aggressiveness is a firm's propensity to directly and intensely challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the marketplace (Lumpkin and Dess, 1996). A strong offensive posture directed at overcoming competitors and can be part of a reaction patterns firms to defend its market position or aggressively enters a market that a rival has identified (Lumpkin and Dess, 2001). Competitive aggressiveness is the intensity of a firm's efforts to outperform industry rivals and taking them head on at every opportunity (Mason et al, 2015). It is directed to discuss competitors (Lumpkin dan Dess, 1997). Venkatraman (1989) suggested that competitive aggressiveness is accomplished by setting ambitious market share goals and taking bold steps to achieve them, such as cutting prices and sacrificing profitability.

e. Autonomy
Autonomy is linked to the independent action of an individual or a team in bringing forth an idea or a vision and carrying it through to completion (Lumpkin and Dess, 1996). It refers to the independent action taken by an individual or group in order to put greater emphasis on a concept or a vision of business and defend it until its completion (Felício, et al, 2012).

f. Competitive energy
Competitive energy reflects the intensity of the companies' efforts to overcome their rivals in the industry, characterized by a combative stance and a vigorous response to the actions of competitors (Felício et al., 2012, Mason et al, 2015). Competitive energy can also be interpreted reflects the intensity of the companies' efforts to overcome their rivals in the industry, characterized by a combative stance and a vigorous response to the actions of competitors (Felício, et al, 2012)

CONCLUSION
Based on the first research concept of EO developed by Miller (1983) which states entrepreneurial orientation who characterized it by innovation, proactiveness and risk taking. Furthermore, Lumpkin and Dess (1996) state that EO can provide entrepreneurial keywords that can answer the question of how new business can be done and it focuses on the strategic orientation, and important aspects of decision styles, practices, and methods uses. Based on previous research entrepreneurial orientation (EO) can be measured using proactiveness, innovativeness, risk taking, competitiveness, autonomy, competitive energy. because these measurements are the most flexible and can keep up with the times. But to prove the problem then further research is needed regarding the effectiveness of EO on organizational performance

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