International Journal of Business and Economics, 2019, Vol. 18, No. 1, 41-58

Entrepreneurship Orientation (EO), Resources, and Small Firm Growth: Evidence from India

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Abstract

Entrepreneurial orientation (EO) is the entrepreneurial behavior displayed by firms that contributes towards their success of firms, but the view that firms who possess higher EO perform well has limited empirical support. A large majority of studies on EO define it as a uni-dimension, consisting of three dimensions - namely, innovativeness, risk taking, and pro-activeness - that co-vary and collapse to make this overarching construct. This masks the influence of individual EO dimensions that possibly explains the reason behind the indifferent results about the EO-firm performance relationship. Some studies have focused on the EO construct as a multidimensional one, comprising five dimensions that act independently as proposed by Lumpkin and Dess (1996). Small firms have limited resources, and so for them knowing which dimensions of EO are significant is an important issue. This study thus focuses on the EO construct as a multidimensional one consisting of five dimensions that act independently and examines the relationship between each EO dimension and growth of small firms and how resources moderate this relationship. It highlights that small firms should make judicious use of their limited resources by allocating them to only those dimensions of EO that contribute to firm growth rather than focusing on the entire EO construct.

We analyze the data in this study using structural equation modeling (SEM) and the ordinary least square regression method. The findings of this study empirically establish that individual EO dimensions have a unique and independent influence on small firm growth, varying in strength as well as direction. Further resources moderate the relationship between individual EO dimensions and firm growth differently.

Keywords: entrepreneurial orientation; multi-dimensional construct; resources and small firm growth (SMEs)

JEL classification:

Received January 12, 2018; revised February 11, 2019; accepted April 2, 2019.
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1. Introduction

The rapidly changing and increasingly competitive business environment is resulting in short product and business life-cycles, thus creating both opportunities and threats for businesses especially small firms that increasingly rely on their entrepreneurial behaviour to grow (Dess et al., 1997). There is a strong popular as well as anecdotal notion that entrepreneurship contributes to firm success. Entrepreneurship has been broadly defined as recognition and exploitation of opportunities through displaying the entrepreneurial approach to decision making by firms, which refers to 'Entrepreneurial Orientation (EO)'. EO is the strategic approach focusing on firms' entrepreneurial behavior through their decision-making styles, methods, and practices suggesting how they act (Lumpkin and Dess, 1996). Research in the past has emphasized that EO brings valuable rewards for firms by improving their business performance. Various scholars have reported a positive linkage between EO and growth of firms and empirical evidence about this linkage has been mounting (eg. Brown and Kirchhoff, 1997; Miller, 1983), but at the same time, some researchers have found an insignificant, weak, or even negative relationship (eg. Su et al., 2011). Thus, the view that those firms that have higher EO perform well has mixed empirical support.

This raises an important question about the possible reasons behind such inconsistent findings. One possible reason behind them can be the ambiguity regarding the composition of the EO construct. Most studies in the past have considered EO as a summative, wholesome construct consisting of the three dimensions of innovativeness, pro-activeness, and risk-taking, which co-vary and are put together in a composite EO scale. Lumpkin and Dess (1996) strongly hold that the three dimensions are insufficient to explain the entrepreneurial behavior of firms and suggest the inclusion of competitive aggressiveness and firm autonomy, stating that these five dimensions act independently rather than co-vary. It is based on the premise that firms adopt different entrepreneurial strategies at different stages of the firm life-cycle under different contexts and have the freedom to choose their strategies as highlighted by the strategic choice school of thought (Rumelt, 1987). Adopting the EO construct as comprising three dimensions that co-vary is parsimonious, but it restricts the scope of the entrepreneurial nature of a firm as all EO dimensions have to vary in equal measure in the same direction to establish that a firm is entrepreneurial (Miller, 1983). The approach suggested by Lumpkin and Dess (1996) about EO as a multidimensional construct consisting of five dimensions that vary independently not only expands the scope of the entrepreneurial nature of a firm, but also allows firms the freedom to choose the dimensions or their combination that are beneficial to them at a given point of time. There is a strong possibility that one of the dimensions or a combination of a few of them will have a strong relationship with firm growth in a particular direction, while some others may have an insignificant or even negative relationship.

Lekmat et al. (2018) point out that EO alone may not be enough as it is an important, but not the only factor contributing to firm growth as various

environmental and organizational factors influence the EO-firm growth nexus (Lee et al., 2001). Research in the past have indicated that simple a EO-firm performance relationship might be inadequate to explain performance implications of firms as this relationship may be contingent on many contextual factors (Casillas et al., 2010). Thus, another probable argument behind the mixed empirical results might be the influence of various contextual factors on the EO-firm performance relationship. EO is a resource consuming orientation, and performance implications of EO depend upon whether the firm is well endowed with resources. Resources provide firms the necessary cushion to experiment and pursue new opportunities through their entrepreneurial strategies and achieve growth objectives. Researchers posit that EO benefits organizational performance over a longer period of time, but especially fledgling small firms need to be initiallyendowed with appropriate resources.

The construct of EO has been largely researched in developed economies, and though firms in developed economies do face resource constraints, the extent of these constraints pale in comparison to the resource constraints faced by firms in emerging economies. In such a resource constrained situation, small businesses with scarce resources have to depend extensively on their entrepreneurial strategies to grow and overcome the liability of their small size and compete against established players. Since small firms are resource constrained, they may not be in a position to spend their limited resources on all EO dimensions and would rather use them judiciously. For them, it is very important to know about the specific EO dimensions that contribute to firm growth and how the impact of resources varies the performance implication of each EO dimension, so that firms can focus their energies only on those aspects of EO rather than spreading their limited resources across all EO dimensions.

One possible way for India to move up the economic ladder is to move towards technology-intensive industries by focusing on various entrepreneurial strategies (Neill et al., 2014). Johnson et al. (2008) show how many countries have successfully competed in the global market by developing advanced, technology-intensive products and services by deploying entrepreneurial strategies. India as an emerging economy is an appropriate setting for examining these issues. By considering the EO construct as comprising five dimensions that act independently, this research unmasks the importance of individual EO dimensions and their influence on firm performance.

Based on these reasons, this study focuses on the multidimensional nature of the EO construct comprising five independent dimensions and examines the influence of each of these dimensions on the growth of small firms. The study also looks at how to judiciously use the limited resources available to the firm by deploying them to those aspects of entrepreneurial strategy that facilitate firm performance.

2. Literature Review

EO indicates to what extent a firm is willing to take risk, innovate, and act pro-

actively to beat competitors (Miller, 1983). Covin and Slevin (1989) highlight that EO is captured by the willingness of firms to take risks, favor changes through innovation, and act proactively. Lumpkin and Dess (1996) define the EO construct as the "methods, practices, and decision making styles managers use". However, in the EO literature there is an ongoing discussion on whether the EO construct comprises three dimensions that co-vary in equal measure or whether it consists of five dimensions that act independently (Davis, 2007). Many researchers have stated that the EO construct is better viewed as comprising three dimensions forming an overarching construct (eg. Miller, 1983; Covin and Slevin, 1989); whereas some say that EO dimensions are independent and may happen in many different combinations (eg. Hughes and Morgan, 2007; Krieser et al., 2002; Stetz et al., 2000).

The external environment presents both opportunities and threats to firms that encourage or inhibit their performance. The proactive component of EO shapes firms' response to opportunities, while Miller (1983) mentions "beating competitors to the punch" is captured by competitive aggressiveness that shapes a firm's response to threats coming from the external environment. Furthermore, the independent spirit and freedom to act are important to facilitate new business creation and are the primary drivers of entrepreneurial spirit. Lumpkin and Dess (2001) establish that pro-activeness is different from competitive aggressiveness and state that these are two different dimensions. Burgelman (1983) mentions that it is the strong independent initiative of a few people within a firm who act autonomously to capture new opportunities. Autonomy represents the independent initiatives taken by these independent individuals or teams aimed at starting new businesses and bringing them to fruition. Drawing on previous research (Burgelman, 1983; Hart, 1992), Lumpkin and Dess (1996) add competitive aggressiveness and autonomy as two additional dimensions to the EO construct and argue that EO comprises five dimensions instead of three. Lumpkin and Dess (1996) develop a different explanation, stating that rather than three it is five dimensions that are key to understanding the EO construct, and they are present in different combinations in firms depending upon various factors to capture an entrepreneurial opportunity.

The problem with the gestalt construct where the EO dimensions vary in equal measure is that it ignores their individual influence (Hughes and Morgan, 2007). This narrows the scope of firms' entrepreneurial behavior to those situations where a higher level of EO means all dimensions have to contribute in equal measure for a firm to be considered as entrepreneurial, and this at times is not able to happen for different forms of entrepreneurship. In their analysis of the nature of the EO construct, George and Marino (2011) highlight that the uni-dimensionality approach may be affected by aggregation effects, from which the multidimensional approach does not suffer. Past research shows that firms may still be entrepreneurial if they display a certain degree of imitativeness than innovativeness when they employ the acquisitive mode of entrepreneurship (Nelson and Winter, 1982), be moderate in taking risks (McCleland, 1965), or may have a desire to be less pro-active or aggressive. It is quite possible that various combinations of EO dimensions in

different proportions may better suit firm objectives rather than displaying all dimensions in equal measure. These views are consistent with Gartner's (1985) observations regarding new venture formation as a multi-dimensional phenomenon, whereby each dimension explains only a certain aspect of the entrepreneurial behavior. Miller (2011) highlights this when looking back at the way EO research has evolved over a period of time, stressing the importance of evaluating whether the EO construct is a multidimensional one consisting of five independent dimensions rather than three, because at times the specific dimensions better explain the entrepreneurial behavior of firms rather than the full construct. These arguments imply that if the role of individual dimensions in the EO construct is not uniform, then the failure to take this into account might lead to a situation where this construct might result in a biased measurement. This means that past usage of EO's influence on firm performance might not be accurate and may have resulted in a situation where the contribution of an individual dimension may be either under- or over-representing the influence of other dimensions (Hughes and Morgan, 2007).

Research in the strategic management field indicates that the key aspects of strategic change and long-term value creation are firm resources (Rumelt, 1987). This is the foundation of the resource-based view (RBV) that has become a key factor in evaluating opportunities and building a competitive advantage for firms (Barney, 1991). RBV suggests that the heterogeneity of firm resources is a key driver of performance variations among firms (Wernerfelt, 1984). Penrose (1959) argues that resource heterogeneity might not be the only factor driving firm performance, as firm performance is a function of the way the firm uses its resources. Penrose's formulations have served as significant influence on most research in this field in the sense that resources may be construed as facilitators, meaning that value creation for firms happens when resources are deployed appropriately through the adoption of different strategies. Better resource management may lead to better performance outcomes in firms even when they possess similar resources - it is the firm's strategic behavior that results in better firm performance. Though entrepreneurship and RBV have fundamentally evolved separately in the literature, they are somewhere related. While RBV focuses on resource heterogeneity, entrepreneurship focuses on heterogeneity about the value of resources through entrepreneurial strategies leading to opportunity identification and exploitation. Resources provide the base from where the performance capacity of a firm departs, while pursuing entrepreneurial strategies leads to superior performance by firms (Gupta and Sebastian, 2017).

3. Development of Hypotheses

Innovativeness and Growth of SMEs (Small- and Medium-Sized Enterprises)

The foundation of work on innovativeness can be attributed to Schumpeter (1934), who denotes it as the key aspect of a firm's entrepreneurial behavior. Ever since Miller (1983), other researchers studying firm-level entrepreneurship have considered innovativeness as a key component of the entrepreneurial orientation

construct. Innovativeness plays a key role in helping firms to enter new markets, strengthens their position in the markets where firms are currently operating, and helps develop capabilities to explore new opportunities (Hult and Ketchen, 2001). Wu and Lin (2018) highlight the need for developing a culture of innovation in organizations to develop new products that satisfy customer needs, thus improving firm performance. De Villiers and Coleman (2017) mention the need to develop new capabilities within the firm to achieve superior performance. An extensive amount of literature highlights the importance of innovativeness in entrepreneurship, suggesting a strong positive relationship between innovativeness and firm growth (Kemelgor, 2002; Tan and Tan, 2005; Zahra and Bogner, 2000).

***Hypothesis 1*:** Innovativeness is significantly related to the growth of SMEs.

Pro-Activeness and Growth of SMEs

While innovativeness results in developing new products/services, pro-activeness is the firm's ability to adopt a futuristic perspective that helps it to respond to opportunities (Dess and Lumpkin, 2005). Proactive firms anticipate change or respond to changes in the marketplace quickly, and this creates opportunities for them to meet the existing and latent needs far ahead of competitors (Hamel and Prahalad, 1994). Hofer (2015) studies how small- and medium-sized service enterprises operating in emerging markets proactively develop business relationships that are very critical for successful new market entry. Kreiser et al. (2002) report that pro-activeness has a positive relationship with the sales growth and gross profit of a firm. Hughes and Morgan (2007) point out by "inert to inertia" that proactive firms gain advantage, and these firms act in advance to better serve their customers and markets and in the process leverage their response capability.

***Hypothesis 2*:** Proactiveness is significantly related to the growth of SMEs.

Risk-Taking and Growth of SMEs

Risk-taking is the extent to which firm managers make resource commitments and absorb the gains or losses that are the outcome of these decisions. Khandwalla (1977) finds a stronger association between organizational risk-taking and firm growth. Organizations that do not take risks become unresponsive to market changes that result in losing their strong position and market share (Covin and Slevin, 1991). Risk taking can carry a cost, but when customer demands change incessantly, firms need to develop an appetite to take risks and challenge the prevailing order of business to achieve better business growth (Hughes and Morgan, 2007).

***Hypothesis 3*:** Risk-taking is significantly related to the growth of SMEs.

Competitive Aggressiveness and Growth of SMEs

Competitive aggressiveness is a firm's approach to directly and strongly challenge rivals, as displayed by an intense aggressive approach to competitors' actions (Lumpkin and Dess, 1996). Competitive aggressiveness requires adopting unconventional undo the competitors' tactics (cutting prices and sacrificing profits) to challenge rivals (Lumpkin and Dess, 1996). Lee and Lim (2009) find a strong

association between competitive aggressiveness and firm growth.

***Hypothesis 4*:** Competitive aggressiveness is significantly related to the growth of SMEs.

Autonomy and Growth of SMEs

Autonomy conveys the freedom to act independently, be creative, and pursue entrepreneurial opportunities that contribute to firm growth (Lumpkin and Dess, 1996). When people working in organizations are not constrained by organizational traditions, they focus on entrepreneurial action resulting in firm growth (Burgelman, 1983). Monsen and Boss (2004) empirically establish a positive relationship between autonomy and firm growth. Understanding the importance of autonomy, Hughes and Morgan (2007) empirically examine the relationship between autonomy and firm growth.

***Hypothesis 5*:** Autonomy is significantly related to the growth of SMEs.

Resources, EO Dimensions, and Firm Growth (Contingency Approach)

Research until recently has focused on a direct relationship between resources and firm growth, with very few studies targeting the possibility of an effective use of resources through a firm's entrepreneurial approach (Wiklund and Shepherd, 2005). One possible way to overcome the limitation of resource constraints faced by firms is to utilize their limited resources judiciously by deploying them only on those aspects of entrepreneurial strategies that lead to firm growth rather than spreading them over all EO dimensions. Through the combination of entrepreneurial strategies and resources, firms can create better combinations leading to better firm performance (Alvarez and Busenitz, 2001). Successful firms are able to exploit entrepreneurial opportunities, as they are more able to combine their entrepreneurial strategies with available resources to create better value for firms.

The adoption of entrepreneurial strategies requires resources and resource endowments to ensure that firms have more strategic options open to them (Romanelli, 1987). As EO requires resources, a limited availability of them makes small firms more vulnerable, becausae they are left with limited strategic room for experimentation. With resource availability, a firm's willingness to experiment by taking risks and innovating, act proactively, and compete aggressively is enhanced. Since resources are essential for firm growth (Romanelli, 1987) and the fact that being innovative, proactive, aggressive, and risk oriented are resource consuming behaviors (Kirchhoff, 1994), acquiring resources is important for firms to pursue an entrepreneurial approach. Wiklund and Shepherd (2005) mention that resource availability allows firms to be proactive and to take risky and aggressive strategies that might not be approved in a situation when a firm has resource constraints. Bruno and Tyebjee (1982) state that resource availability is the key factor that stimulates or inhibits entrepreneurial strategy. If a young firm is well endowed with resources, then it would be in a better position to pursue its chosen entrepreneurial strategy (Gupta and Pandit, 2013). Resource availability allows small firms to pursue pro-active, highly aggressive and risky resource-intense strategies based on

innovativeness. Proactive firms can continuously seek valuable resources to enhance their competitive advantage.

Research has suggested that risk oriented firms need resources, because they act as a cushion or insurance cover. Resources also help firms to exploit new entrepreneurial opportunities proactively by encouraging employees to find new ways to redeploy existing resources to create new value by providing them the necessary autonomy (Eckhardt and Shane, 2003). Resource availability can be beneficial as risk associated with new market entry can be minimized when firms have the cushion in the form of resources that encourage them to take risky decisions. Resources give firms more elbow room to experiment and innovate while pursuing opportunities in a proactive manner, or conversely the firms may be in a better position to fight competition aggressively. Access to resources might reduce the possibility of risky projects becoming fatal or spur the action of taking on a competitor with an aggressive approach and fostering a spirit of experimentation within a firm by providing autonomy. Firms with a focus on innovation are able to combine existing resources that lead to wealth creation and build a competitive advantage (Alvarez and Barney, 2005). Based on these observations, we frame the following hypotheses.

***Hypotheses 6a*:** Resources significantly moderate the relationship between innovativeness and SMEs' growth.

***Hypotheses 6b*:** Resources significantly moderate the relationship between pro-activeness and SMEs' growth.

***Hypotheses 6c*:** Resources significantly moderate the relationship between risk-taking and SMEs' growth.

***Hypotheses 6d*:** Resources significantly moderate the relationship between competitive aggressiveness and SMEs' growth.

***Hypotheses 6e*:** Resources significantly moderate the relationship between autonomy and SMEs' growth.

4. Research Design

4.1 Sample

Any research focused on small firms in India has to follow the criteria laid down by the Micro Small and Medium Enterprises (MSME) 2006 Act in order to be named as a small- or medium-size enterprise (SME). The research employs a cross-sectional research design using a survey approach, and the respondents are either senior managers or owners of small firms. These firms were chosen as small firms representing an important aspect of new venture creation (Birch, 1979). A convenience sample of SMEs from the National Capital Region (NCR) in India was chosen as respondents. A questionnaire was used to collect primary data, and complete data from two twenty-three SMEs were gathered.

4.2 Variables and Measures

Entrepreneurial Orientation (EO) Dimensions

We measure the five dimensions using scales developed in past studies. To measure innovation and risk taking, we choose five items for each of these dimensions: three each from the original EO scale developed by Covin and Slevin (1989) and two items developed by Lumpkin (1996). We also measure pro-activeness by the three items developed by Covin and Slevin (1989), measure competitive aggressiveness by the three items used by Lumpkin (1996), and for autonomy we choose four items used by Lumpkin et al. (2009). In total, we utilize twenty items for the five dimensions of EO on a seven-point Likert-type scale.

Resources

Wiklund (1999) reports that availability of resources, which include financial, knowledge, and human resources, is a pre-requisite for the growth of firms. To measure these three kinds of resources, we use six items to measure the three kinds of resources using two items for each type of resource. The items are taken from the existing literature in the field for measuring resources like financial resources (Wiklund and Shepherd, 2005), knowledge resources, and human resources (Wiklund, 1999). We measure these nine items for the resources on a 7-point Likert scale.

Firm Growth

Literature in the area of entrepreneurship indicates that there is no fixed way to measure a small firm's performance. Though some of the most frequently used measures are market-based and accounting-based indicators, survival and closure rates can also be proxy measures and subjective measures as per Cooper (1995). Accounting-based measures may be more relevant in entrepreneurship research, but getting the right information from small firms is difficult, and to a large extent the decision is guided by how the owner perceives it. Thus, we decide to measure firm growth as a parameter of performance and measure the growth of SMEs by the two variables of sales and employment growth. The respondents were asked to share their perceptions for sales and employment growth on a 7-point Likert scale.

Control Variables

There is a number of variables that can affect SMEs, and so we decide to control for firm age, size, and type, and these three are the control variables. Firm age is measured by asking the respondents the year in which the firm was set up. Since the nature of the industry can influence the entrepreneurial behavior within small firms (Covin and Slevin, 1991), we take the nature of business as a control measure. We also check whether the main business of respondents is manufacturing or service to know the type of business. Research indicates that firm size can influence firm growth, and so we control it on the basis of the number of full-time employees.

4.3 Data Analysis

Measurement Model Assessment

Before analyzing the data, we check for multivariate normality. The Kolmogorov-Smirnov test of normality helps establish the multivariate normality of the data. Furthermore, we diagnose multicollinearity for the data with the variation inflation factor (VIF). The VIF coefficients of all the variables are well below the commonly agreed threshold (VIF < 5) value.

We first analyze the proposed model with the covariance-based structural equation modeling (CB-SEM) statistical technique (Bagozzi and Yi, 1988) and carry out confirmatory analysis with AMOS 24.0 software. Table 1 shows that all the variables achieve the prescribed level of Cronbach's alpha and composite reliability (CR) (Hair et al., 2006). The convergent validity of each construct is quite satisfactory based on its average variance extracted (AVE) value (Bagozzi and Yi, 1988). From the criterion suggested by Fornell and Larcker (1981), the square roots of the AVE values of each construct are higher than the inter-construct correlations, thus establishing discriminant validity.

We assess indicator reliability using the factor loadings (Hair et al., 2006) and drop some indicator items that result in increased composite reliability and AVE above the suggested threshold values (Hair et al., 2006). The measurement model shows good fit, as the fit indices are better than the recommended values (Hu and Bentler, 1999). The chi-square statistic (χ^2) is 565.379, the p-value is 0.000, the degrees of freedom (df) are 228, the relative/normed chi-square (χ^2/df) is 2.48, the goodness-of-fit (GFI) is .842, the comparative fit index (CFI) is 0.859, and the root mean square error of approximation (RMSEA) is 0.08 (refer to Table 2).

Table 1. Reliability and Validity

Variables	Cronbach's alpha	CR[a]	AVE[b]	Inno.	Pro-act.	Risk-tak.	Comp. Agg.	Auton.	Resou.	Grow.
Innovation	0.892	0.902	0.650	**0.806**[c]						
Pro-activeness	0.875	0.886	0.721	-0.299	**0.849**					
Risk-taking	0.705	0.768	0.458	-0.463	0.571	**0.677**				
Competitive Aggressiveness	0.690	0.721	0.464	-0.404	0.272	0.382	**0.681**			
Autonomy	0.752	0.836	0.632	-0.192	0.328	0.422	0.579	**0.795**		
Resources	0.707	0.742	0.426	-0.109	0.152	0.221	-0.002	0.027	**0.652**	
Growth	0.607	0.655	0.489	-0.149	0.226	0.164	0.195	0.120	0.177	**0.699**

[a]CR = composite reliability. [b]AVE = average variance extracted. [c]The off-diagonal values are the correlations between the latent variables, and the diagonals are the square roots of AVE.

Model Assessment

After carrying out confirmatory factor analysis, this study opts for ordinary least squares regression to examine the proposed hypotheses. Of the five independent variables examined, three are found to significantly affect the growth of firms, innovativeness and pro-activeness are significantly and positively associated with firm growth, while risk-taking is significantly though negatively related with firm growth as indicated by the beta values and p-values. The five independent

variables and the main effect of resources account for an additional variance of 24.0% in firm growth. Thus, the first three hypotheses are supported, whereas the relationship between competitive aggressiveness as well as autonomy is found to be insignificant with firm growth. Thus, hypotheses 4 and 5 are not supported.

Table 2. Confirmatory Factor Analysis

Items	Innovation	Pro-activeness	Risk-taking	Competitive Aggressiveness	Autonomy	Resources	Growth
I1	0.816						
I2	0.702						
I3	0.802						
I4	0.921						
I5	0.775						
PA1		0.902					
PA2		0.835					
PA3		0.808					
R1			0.636				
R2			0.753				
R3			0.520				
R4			0.769				
CA1				0.611			
CA2				0.710			
CA3				0.717			
A1					0.782		
A2					0.873		
A3					0.722		
Re1						0.616	
Re2						0.836	
Re3						0.573	
Re5						0.544	
G1							0.759
G2							0.634
CMIN					565.379		
Df					228		
P					0		
CMIN/df					2.480		
Goodness of Fit Index (GFI)					0.842		
Comparative Fit Index (CFI)					0.859		
Root Mean Square Error of Approximation (RMSEA)					0.082		

Examining the moderating influence of resources on five independent dimensions of firm growth, we find that it varies with individual EO dimensions. The influence is significant with innovativeness, risk-taking and competitive aggressiveness are shown by the beta value and p-value, and the direction of this influence is positive with these three dimensions, whereas the influence is insignificant with pro-activeness and autonomy. The moderating influence explains an additional variance of 8.7% on firm growth, and so hypotheses 6a, 6c, and 6d and reject hypotheses 6b and 6e.

Table 3. Results of Hierarchical Regression (Firm Growth)

Variable	Control Variables		Universal Model		Contingency Model	
	β	p-value	β	p-value	β	p-value
Firm Type	0.217	0.001	0.080	0.217	0.126	0.043
Firm Size	-0.109	0.128	-0.064	0.324	-0.083	0.182
Firm Age	-0.086	0.227	-0.097	0.139	-0.073	0.244
Innovation			0.232	0.001	0.243	0.001
Pro-active			0.273	0.000	0.246	0.003
Risk			-0.139	0.047	-0.068	0.303
Comp. Agg.			-0.083	0.154	-0.130	0.022
Autonomy			-0.033	0.593	-0.042	0.476
Resources			0.245	0.000	0.212	0.001
Inn. * Res.					0.187	0.008
Pro. * Res.					0.095	0.238
Risk * Res.					0.202	0.002
Comp. * Res.					0.154	0.031
Aut. * Res.					0.056	0.567
R2	0.069		0.309		0.396	
Adj. R2	0.056		0.280		0.355	
R2 Change	0.069		0.240		0.087	
F-Value	5.375		10.544		9.688	

The table displays Standardized Regression Coefficients.

5. Discussion

This study explores the relationship between individual dimensions of the EO construct and small firm growth and how resources moderate this relationship in the context of the emerging market of India. The findings suggest that though the EO construct contributes significantly to small firm growth, the individual EO dimensions have a unique and differential relationship. The results indicate that all five dimensions of the EO construct may not be required all the time, and that the relationship of individual dimensions with firm growth varies in strength, direction, and relevance. These findings question the earlier held notion that EO is an overarching construct where the individual dimensions collapse to form this construct and the dimensions co-vary, as this hides the contribution of individual EO dimensions to firm growth.

The results denote that innovativeness and pro-activeness are positively and significantly related with small firm growth, while risk-taking has a negative relationship with firm growth; moreover, both competitive-aggressiveness and autonomy are found to have no significant relationship with firm growth. This shows that considering EO as a gestalt overarching construct, where the individual dimensions collapse, masks the influence of individual dimensions that have an independent and unique relationship with firm growth rather than co-vary. For small firms, it is far more beneficial to focus their energies on individual dimensions rather than the EO construct as a whole, because this will help the small firms to take better advantage of their entrepreneurial strategies.

This relationship deserves additional exploration as various contextual factors play an important role. Resource endowments do significantly moderate the relationship between individual EO dimensions and firm growth. The results are interesting, as the resources moderate the relationship between innovativeness, and small firm growth positively signals that resources provide the necessary cushion to firms to experiment their products/services/business models, which play a positive role in their growth. On the other hand, forward looking, pro-active tendencies of firms do not require any resource support, but the most interesting results are the moderating influence of resources on the risk-taking-firm growth and competitive aggressiveness-firm growth relationship. In the absence of resource endowments, their relationship with firm growth is negative, but the moment the firms become resource rich, they usually take a risky as well as aggressive approach, which offers a positive pay-off for them. This strongly indicates that resources have the potential to change the direction as well as the intensity of the relationship between some of the key EO dimensions with firm growth. The findings suggest that the dimensions of EO generally benefit small firm growth, but this relationship flourishes when the firms are resource rich. When the factor markets are weak and firms are not well endowed with resources, focusing on risk-taking and taking an aggressive approach can be counter-productive for small firms, resulting in economic downturns.

6. Conclusion

This study fills the gap in the literature on entrepreneurship orientation (EO) and the multidimensional nature of its construct where the dimensions vary independently. The results herein strongly indicate that the EO dimensions vary independently and possess differential relationships with firm growth of varying magnitude, strength, and direction. The findings further support the earlier work of many researchers who argue that each dimension of EO cannot be equally valuable at a given point of time. This study presents that some EO dimensions have positive effects, some negative effects, and some no effect at all on firm growth at a given point of time. We thus explain one of the possible reasons for the contradictions of findings in various previous studies about an inconsistent EO-firm growth nexus.

SMEs are inherently considered to be entrepreneurial, but the liability of their small size, limited availability of resources, and fast-changing external environment can be possible causes for why they struggle to grow. Adopting entrepreneurial strategies can be one way to overcome these constraints, but the full adoption of the EO construct with an equal focus on all dimensions may not help their cause and might even result in wasting their precious limited resources. Small firms should be cautious about using EO as a wholesome construct, which may be resource-consuming, and instead focus on the selective aspects of the EO construct. Firms should be careful about putting their full energies on EO, because all dimensions of it may not necessarily contribute to firm growth. Implementation of EO construct requires resources, so when small firms adopt EO to achieve their growth objectives, they need to be sure, which EO dimensions to focus on maximize their growth and

also at which stage of their development, which combination of EO dimensions will be better.

Small firms therefore must move cautiously when using EO and apply it strategically to focus only on those dimensions that add value to them. A blind focus on the implementation of all aspects of EO can be a damaging proposition as it results in resource wastage and a strategic decision that might undermine firm performance. For small firms, using the EO construct is not an issue, but rather the key decision is picking up the relevant dimensions of EO based upon the assessment being the most beneficial aspect of an entrepreneurial strategy to be pursued at each stage of firm development. The findings suggest that resources play an important role in encouraging specific aspects of entrepreneurial orientation. This research provides insight into a complex and under-explored area, thus extending our understanding about the importance of individual dimensions of the EO construct, firm resources, and the possible ways they interact.

7. Managerial Implications

As few researchers in the past have suggested that individual dimensions vary independently, an excessive focus on using all EO dimensions may not be an appropriate approach for firms to grow; inversely, it might result in wastage of the few resources these firms possess. Managers need to develop a sharp assessment of not only EO's positive contribution to firm growth, but also should identify the specific dimensions that contribute to this growth. It means that firms should not get carried away by the overall consideration that EO as a whole can contribute to their growth, but instead carefully focus on the specific aspects of EO to advance their growth prospects and also avoid judiciously employing limited resources. Managers of small firms should not take excessive risks mindlessly, and when competing against their rivals they should not become too aggressive as this may not help them realize their growth objectives. The focus on a universal adoption of the EO construct is not an appropriate way for firms to create value, because not all EO dimensions are useful. Small firm owners/managers should not consider EO as a cumulative construct and only pick those dimensions that improve firm performance.

8. Limitations and Future Research

This study has focused on researching small- and medium-size enterprises (SMEs) in a selected emerging market country, and so necessary caution should be taken in painting these findings upon different geographies. At best, this study and its findings can be a useful reference point for policy makers in similar settings. This study has adopted a cross-sectional approach to collect and analyze data, but a longitudinal approach may be a better way to find out how the influence of difference EO dimensions varies at different stages of firm development and how different EO combinations contribute to firm growth. Since this study considers only

one moderating factor, there may be many other factors that moderate this relationship simultaneously. It thus opens the door for future research about the stage at which the other dimensions or their combinations contribute to firm growth. In this study both risk-taking and competitive aggressiveness have a negative relationship with small firm growth, but at some later stage in firm development they may have a positive influence. Just like firms grow in size and acquire a stable organizational structure, firm autonomy may be an important EO dimension that contributes positively to firm growth.

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