



# ENTREPRENEURIAL ORIENTATION AND BUSINESS PERFORMANCE IN STARTUPS

\* Saurabh Agarwal (Research Scholar of Jiwaji University)

\*\* Dr. Richa Banerjee (Asst. Professor Prestige Institute of  
Management, Gwalior)

## ABSTRACT

India is becoming a prominent global startup hub. Increasing numbers of entrepreneurs, incubators, accelerators, Venture capitalists are involved in the development of a flourishing tech scene. The Startup ecosystem has flourished in the country owing to the supportive measures by the government and the general acceptance of the public. This study is conducted to understand the Entrepreneurial Orientation in Startups and its influence on Business performance. The data has been collected with the aid of an online survey instrument from a sample size of 80 Startup founders from varying industry sectors across India. The results indicate that two of the three variables considered, innovativeness and pro-activeness have positive impact on business performance.

**Keywords:** Contribution, Economic Growth, Employment Generation, Gross Domestic Product (GDP), Micro, Small and Medium Enterprises (MSMEs)

## ❖ INTRODUCTION

Today's dynamic business environment demands firms to be entrepreneurial if it is to survive and grow. It is especially true for fast growing startups which experience the liability of newness (Stinchcombe, 1968). In the research area of entrepreneurship, entrepreneurial orientation (EO) can be regarded as a crucial factor for the business success. The reason is that EO is closely related to the tendency to take advantage of business opportunities, which has a positive influence on firm performance (Wiklund, 1999). "Are the performance effects of EO universalistic independent of the structural and embedding characteristics of organization?" Previous researches have usually focused on the late rather than early stage of growth, and thus the question whether the performance effect of EO is universalistic or contingent is not fully identified. Also previous researches have utilized an overall constructs of EO, and barely examine the individual effects of EO dimension, such as innovativeness, proactiveness, and risk taking, and thus paid only limited attention to the individual effects of EO.

Entrepreneurial orientation can be argued not to be a simple performance enhancing attribute but rather enhancing if it is applied under the right circumstances of the firm. In some cases, Entrepreneurial orientation can even be disadvantageous for firms, if the situation of the firm does not fit with applying Entrepreneurial orientation. Different situations (also known as context) can be the environment.

## ❖ BUSINESS PERFORMANCE

If we talk about the Commercial effectiveness and ability of a company, a department or an individual to achieve its or their objectives and expected results. The notion of commercial effectiveness thus covers issues of costs, deadlines, quality and profitability. It is measured using qualitative and/or quantitative KPIs (key performance indicators)

The nature of the business is based on sector in which the company operates, the economic context, the seasonality or the strength of the competition in the market explain the KPIs directly linked to commercial effectiveness in terms of turnover, the number of sales, market shares and margins etc.

### • STARTUPS

Startups are businesses that want to disrupt industries and change the world—and do it all at scale. Startup founders dream of giving society something it needs but hasn't created yet—generating eye-popping valuations that lead to an initial public offering (IPO) and an astronomical return on investment.

The name startup refers to a company in the first stages of operations. Startups are founded by one or more entrepreneurs who want to develop a product or service for which they believe there is demand. These companies is start with high costs and limited revenue, which is why they look for capital from a variety of sources such as venture capitalists.

### • UNDERSTANDING STARTUPS

Basically, the Startups are companies or ventures that are focused on a single product or service that the founders want to bring to market. Theis all companies typically don't have a fully developed business model and, more crucially, lack adequate capital to move onto the next phase of business. Most of these companies are initially funded by their founders.

Lots of startups turn to others for more funding, including family, friends, and venture capitalists. Silicon Valley is known for its strong venture capitalist community and is a popular destination for startups, but is also widely considered the most demanding arena.

- **MSME**

Micro, Small, Medium Enterprises (MSME's) are entities that are involved in production, manufacturing and processing of goods and commodities. The concept of MSME was first introduced by the government of India through the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006. As per this announcement, the definition of Micro manufacturing and services units was increased to Rs. 1 Crore of investment and Rs. 5 Crore of turnover. The limit of small unit was increased to Rs. 10 Crore of investment and Rs 50 Crore of turnover. Similarly, the limit of medium unit was increased to Rs. 20 Crore of investment and Rs. 100 Crore of turnover.

According to the Micro, Small and Medium Enterprises Development Act, 2006, MSMEs are classified into three categories:

- **Micro enterprise**

An enterprise where the investment in the plant and machinery or equipment does not exceed ₹1 crore, and turnover does not exceed ₹5 crores.

- **Small enterprise**

An enterprise where the investment in the plant and machinery or equipment does not exceed ₹10 crores, and turnover does not exceed ₹50 crores.

- **Medium enterprise**

An enterprise where the investment in the plant and machinery or equipment does not exceed ₹50 crores, and turnover does not exceed ₹250 crores.

The Government of India has introduced several programs for employment generation. It has implemented financing schemes to promote businesses and local manufacturing in India.

Business owners can apply for MSME business loans at attractive interest rates through HDFC Bank for easy financing options.

Ministry of MSME has reiterated that it has put in place a very strong handholding mechanism for MSMEs and new entrepreneurs in the name of Champions ([www.champions.gov.in](http://www.champions.gov.in)) which was recently launched by the Prime Minister. Interested Enterprises/People can take benefit of this mechanism and can also put their queries or complaints.

- **Pro-Activeness**

Proactiveness describes the propensity to act on the part of human beings. Proactiveness is included in most definitions of entrepreneurial orientation but only in a fairly marginal way, yet it can be argued that being proactive

is one of the most important characteristics of entrepreneurship. It is in this context that the concept is selected as a focus for this paper.

### **+ Innovativeness**

Innovation in Entrepreneurship can be defined as a major catalyst for improving the creativity, character, and thought process of a company. By stimulating the imagination of employees, an organization can attain desired heights.

### **+ Risk Taking**

Risk-taking in business is an important part of both the individual health and success of a company and the economy at large. Taking risks in business usually involves a process known as trial and error. Trial and error is a process in which decision-makers overcome their fear of the unknown and make decisions knowing they may lead to failure. Within the trial and error approach, there is an understanding that there will be failure, and that failure is something to seek out rather than avoid. This is because learning comes with failure, and failing in a specific way can be incredibly valuable to a company.

## **❖ REVIEW OF LITERATURE**

The meta-analysis conducted by Rauch et al. (2004) reveals that the dimensions of EO vary independently of performance. As part of this meta-analysis, the study carried out by Lumpkin and Dess (2001) analyzes two independent factors comprising EO (proactiveness and competitive aggressiveness) and argues that their relative impacts on business performance vary over the different stages of the industry's life cycle. According to Yoo's study (2001), which is also part of this meta-analysis, the three factors comprising EO (innovativeness, proactiveness, and risk-taking) are closely interrelated. Similarly, Rauch et al. (2004) identify differences in the relation between EO and objective compared to perceptual performance measures, thus indicating that EO is only related to selected indicators of business success<sup>4</sup>. The intensity of pro-activeness within a firm talks about the processes and activities which are designed at looking for new-fangled opportunities, the introduction of new products and brands ahead of competition and purposefully getting rid of operations which are nearing the maturation stage of the life cycle. Since entrepreneurial activities are always subject to risks in business, the aspect of risk-taking proclivity within Entrepreneurial orientation replicate the level of ambiguity that results from a firm 'entrepreneurial activities.

Proactive entrepreneurs, the primary focus of this study, are separated from reactive entrepreneurs based on push/pull motivation theory (cf. Ratten, 2016). Motivation, regardless of its origin, is widely recognized as playing a crucial role in entrepreneurial commitment and performance (Stephan, Hart, Mickiewicz, & Drews, 2015) and it should be considered a pivotal variable in theoretical models (Herron & Sapienza, 1992, p. 49). Push/pull motivation theory suggests the act of engaging in entrepreneurial activities is either a positively motivated,



enthusiastic action or a reluctant reaction to an environmental situation (Welter, Baker, Audre's, & Gartner, 2016). An individual might be pulled into entrepreneur because of the existence of attractive, potentially profitable business opportunities, aspiration to explore a new business idea, desire for independence or some other positive motivating factor to pursue an independent venture (Stephan et al., 2015). On the other hand, an individual might feel pushed into entrepreneurship because of dissatisfaction with current employment conditions, loss of work opportunities, pressure to assume the family business or some other undesirable situation (cf. Hopp & Martin, 2017; Ratten, 2016; Simón-Moya, Revue to-Taboada, & Ribeiro-Soriano, 2016).

## ❖ RESEARCH METHODOLOGY

The study the research was carried out in two phases. A literature review was conducted in order to achieve insight into the subject matter of Entrepreneurial Orientation and its impact on business success. The metrics for the Business Performance has been obtained after Expert opinion from Startup Accelerator founders, entrepreneurs and theoretical framework across literature which defines Business performance in financial and Non-Financial Parameters. With the aid of interviews with key performance metrics has been identified.

A questionnaire based on the Covin and Slevin model has been adopted to measure Entrepreneurial Orientation and business success in Startups. First Phase of the questionnaire is designed to calculate the Entrepreneurial Orientation of the respective Startup firms. Second Phase of the questionnaire is designed to measure the success factors such as business performance of the Startup. The Entrepreneurial Orientation has been categorized into statements based on Pro-activeness, Risk-taking propensity and Innovativeness.

The 80 respondents held positions of CEO/Founder or managers in the Startup who has a knowledgeable viewpoint on the Entrepreneurial orientation and the performance of the business unit. This is due to the objective of getting the organization-level measures. Defining performance using analogies makes the data collected easier to provide as opposed to numerical measures, so executives tend to be more willing to answer such questions.

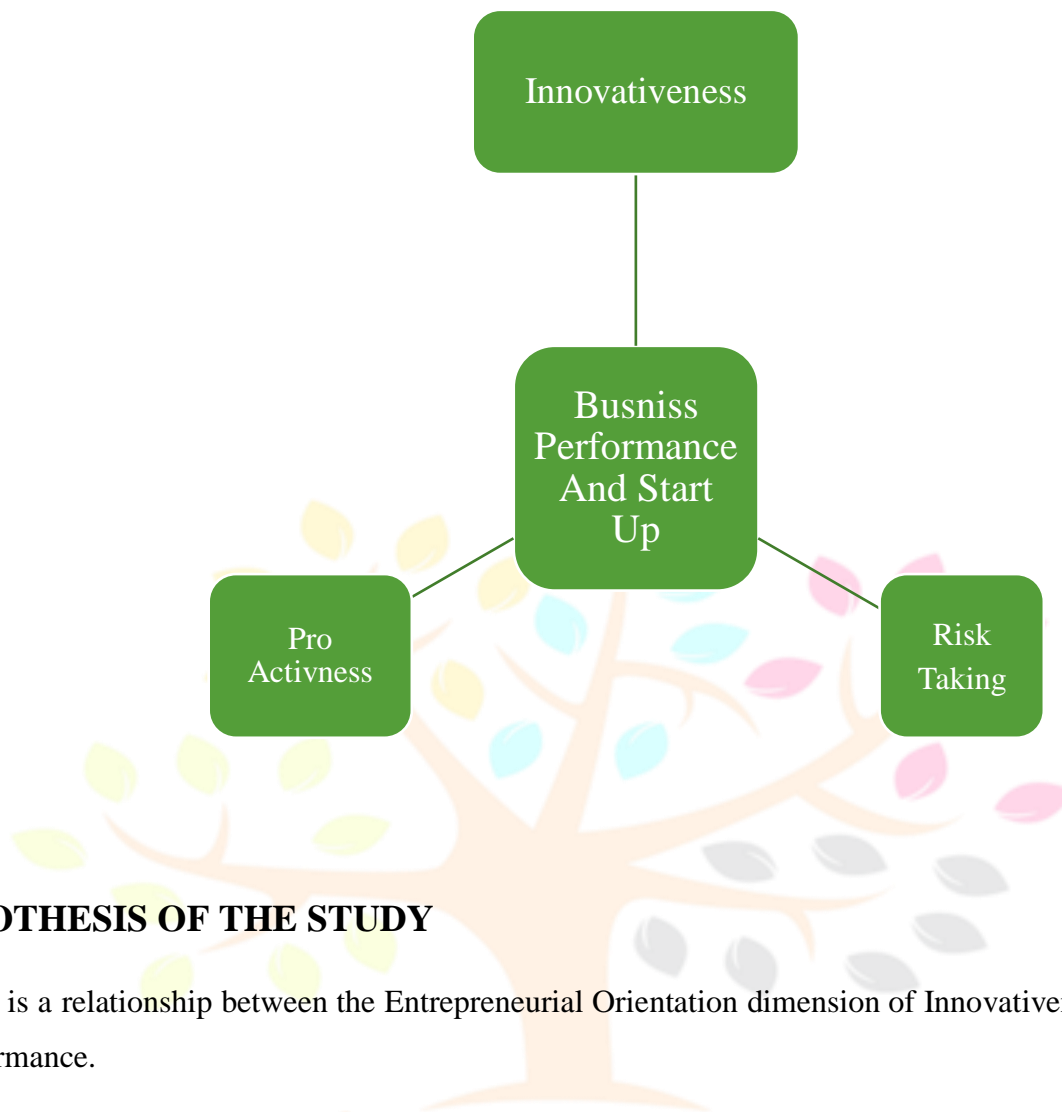
### ○ EMPIRICAL MODEL

BUS = Business Performance

INN = Innovativeness

PRO = Pro-activeness

RISK = Risk-taking proclivity



## ✚ HYPOTHESIS OF THE STUDY

Hypo 1: There is a relationship between the Entrepreneurial Orientation dimension of Innovativeness and Startup business performance.

Hypo 2: There is a relationship between the Entrepreneurial Orientation dimension of pro-activeness and Startup business performance.

Hypo 3: There is a positive relationship between the Entrepreneurial Orientation dimension of risk-taking and Startup business performance.

## ❖ RESULT AND DISCUSSION

with the data collected from 80 Start-up founders, a multiple regression was conducted with the Business performance as the dependent variable and pro-activeness, innovativeness and risk-taking as independent variables. The proposed model has the R square value of 0.83. The results are shown below

**Table 1: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
dimension0 1	.792 <sup>a</sup>	.600	.593	.458	1.723

a. Predictors: (Constant), innovativeness, pro-activeness, risk-taking.

The results of the regression show that the two of the three variables are found to be significant. The variables are pro-activeness and innovativeness, the other independent variable of risk-taking doesn't show a significant p value. This could be attributed to the sample size in the study or other independent variables which could influence business performance. This indicates that the variables of pro-activeness and innovativeness are positively influencing the dependent variable of Business performance. The independent variable Pro-activeness has the most significant p value. It has been proved that Proactive personality is a predictor of Entrepreneurial Orientation and studies by GT Lumpkin claimed that pro-activeness is a major factor for Entrepreneurial Orientation and is directly related to performance.

**Table 2: Result Summary**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.313	.685		-.398	.710
Pro-Activeness	.788	.169	.667	6.636	.000
Risk Taking	.165	.167	.187	1.485	.186
Innovativeness	.339	.197	.289	2.003	.050

a. Dependent Variable: Business performance

## Conclusion

Now the study conducted across 80 Startups in India, it has been found that entrepreneurial dimensions impact the business performance. Many studies have been done earlier to understand the entrepreneurial orientation in MSMEs. However, given the dynamic startup culture in the country, it is imperative to understand the factors which defines the success of the firm.