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## ENTREPRENEURIAL ORIENTATION IN THE PERFORMANCE OF MICRO INDUSTRIES IN THOOTHUKUDI DISTRICT

### Article Particulars

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### Abstract

*The traits, competencies and motivation level of the entrepreneurs constitute entrepreneurial orientation. It influences the processes, practices and decision-making activities of entrepreneurs that lead to the betterment of the firms. In order to test the relationship between the entrepreneurial orientation and the performance of micro industries in Thoothukudi District, a sample representation of the micro industry entrepreneurs in Thoothukudi District is considered for the survey and the data obtained are analysed using correlation method. The findings reveal that there is a significant relationship between the entrepreneurial orientation and the performance of the firms.*

**Keywords:** *Entrepreneurial orientation, Performance of industries*

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### Introduction

Micro- industrial sector emerges as a highly spirited active segment of the Indian economy by providing large employment, through the industrialisation of rural and backward areas. These industries find many opportunities to enhance production and to look forward for the new markets at global level.

The growth of micro-industrial units are influenced by various factors of the firm. They are classified as entrepreneur related factors and business related factors. The entrepreneur related factors are experience in business, socio-economic background, skills, knowledge, personality attributes, values, expectations and motivation. Among these factors, the personality traits and the competencies of the entrepreneur are taken together as entrepreneurial orientation. This orientation is defined as a composite

behaviour of different behavioural dimensions namely achievement motivation, innovativeness, risk-taking propensity, competitive aggressiveness, proactiveness, autonomy and managerial competency. In every organisation, the entrepreneurial behaviour plays a major role in its path to success.

Thoothukudi district is one of the major districts which contributes more to the economic upliftment of TamilNadu. In this district, there are numerous micro industries under sixty-four different categories. The major industrial categories in this district are salt, fish processing, ready-made garments, safety matches, brick, and engineering works. The present paper is an attempt to analyse the influence of entrepreneurial orientation in the performance of micro industries of Thoothukudi district.

### **Review of Literature**

Entrepreneurial orientation plays an important role in the performance of industries and become the main area of investigation for the researchers. The reviews of various studies related to the entrepreneurial orientation and the performances of firms are as follows:

According to Mintzberg (1973), entrepreneurial orientation is the reflection of strategic posture and is deeply related to strategy making process. Miller and Friesen(1978) revealed that proactiveness is one of the important dimension of entrepreneurial orientation which is a capacity of a firm to present new product or services to the market before their competitors introduce them. Miller (1983) stated that the firms which involve entrepreneurial orientation always innovate regularly and take risk in their strategic operations. Burgelman (1983) identified that innovation, risk-taking, pro-activeness are the essential dimensions of entrepreneurship. Covin and Slevin (1989) appealed that an organization's entrepreneurial orientation is the outline of the extent to which the entrepreneurs are motivated to take a business related risk, to favour change and innovation in order to obtain a competitive advantage for their firm and to compete aggressively with other firms.

Lumpkin and Dess (1996) conceptualized entrepreneurial orientation as a process construct which is concerned with the behaviour of entrepreneurs. It not only reflects the methods, policies and processes adopted by the entrepreneurs, but also manifests entrepreneurial behaviour. Wang (2008) revealed that entrepreneurial orientation is the tendency of a firm's management to assume risk, to demonstrate creative behaviour and to show case proactive and aggressive behaviour towards rivals. According to Merlo and Auh (2009) a person with achievement motivation independently overcome all obstacles and achieve the standards of excellence by using his/her talent successfully and increase self-satisfaction.

Simpson, Padmore & Newman (2012) provided a conceptual model which link the entrepreneurial characteristics with the success of the business. Chrisman, McMullan, Ring, & Holt (2012), in their study, found that entrepreneurial orientation is positively

related to distinctive marketing competencies and organisational performance. According to Babalola, Amiolemen, Adegbite, & Emmanuel (2015) innovativeness is associated with the firm's performance. It helps an organisation to remain competitive in the changing business environment. Bager, Jensen, & Nielsen (2015) revealed that managerial competencies are the important determinants for small and medium enterprises' growth.

Thus, the reviews of literature disclose the concept of entrepreneurial orientation and its influence on the performance of industries.

### **Objectives of the Study**

The objectives of this study are as follows:

1. To analyse the socio-economic profile of the entrepreneurs.
2. To evaluate the relationship between entrepreneurial orientation and the performance of micro industries.

### **Research Methodology**

The present study is conducted over 353 micro-industry entrepreneurs who are selected on the basis of stratified random sampling technique from five different industry categories namely safety match, salt, brick, readymade garments and engineering works in Thoothukudi district. The study is conducted during the period of June 2014 to March 2015. The researcher used the formula  $n = (ZS/E)^2$  (where  $Z=1.96$  and  $S=0.479$  and  $E=0.05$ ) for determining the sample size. After determining the sample size, the data are collected from the samples through survey method using interview schedule. SPSS software is used for the analysis which indicates that the data are reliable with Cronbach's Alpha value of 0.95 which is closer to 1.00. Entrepreneurial orientation is measured by seven variables such as achievement motivation, innovativeness, risk-taking propensity, competitive aggressiveness, proactiveness, autonomy and managerial competency. The performance of the industries are measured by the seven variables namely customer base, attraction of new customers, sales volume, profitability, development in the size of the firm, employee stability and increase in employee numbers. Further, the collected data are analysed using correlation.

### **Results**

The results obtained from the analysis are discussed as follows:

#### **Demographic Characteristics of the Entrepreneurs**

While analysing the entrepreneurial orientation, the entrepreneurs' demographic profile also given due importance and from the profile analysis, it is inferred that majority (98.3%) of the entrepreneurs are male and only little number of them belong to

the age group of below 30 years. It is observed that due to the challenges of unavailability of labours, the young entrepreneurs hesitate to start the five categories of industries which are taken for the study.

Most of the entrepreneurs have gained school level education and very less number of entrepreneurs (5.7 %) have obtained higher than school education which denotes that the degree holders or the professionally qualified persons are not preferring to start these industries. More than five years of experience is possessed by majority (89.5%) of the entrepreneurs and the average annual income of Rs.10, 00,000 to Rs.15, 00,000 is received by a majority of the entrepreneurs. With regard to the family type, it is found that 57.8 per cent of the respondents are living in the joint family and they have the possibility of financial and human resource support through the joint family system. Regarding the ownership form, it is found that sole proprietorship (47.9%) and partnership (52.1%) exist among the firms. The sales turnover is in the range of Rs 60, 00,000 to Rs.80, 00,000 per annum for majority of the entrepreneurs which indicate that the size of the industrial units are not expanded. In the analysis of participation in the training programme, it is found that 88.7 per cent of the respondents have not attended any training programme which shows the low awareness level about the benefits of Entrepreneurship Development training and the high level of hesitation for participating in the training programmes.

**Relationship between Entrepreneurial Orientation and Performance of Micro Industries**

The factors measured under entrepreneurial orientation are achievement motivation, innovativeness, risk-taking propensity, competitive aggressiveness, proactiveness, autonomy and managerial competency.

**Table 1 Correlation between the Factors of Entrepreneurial Orientation and Performance of industrial units**

S. No	Factors of Role of entrepreneurs	Correlation co-efficient
1	Achievement Motivation	0.700(**)
2	Innovativeness	0.705(**)
3	Risk Taking Propensity	0.602(**)
4	Competitive Aggressiveness	0.708(**)
5	Proactiveness	0.635(**)
6	Autonomy	0.712(**)
7	Manageriel Competency	0.687(**)
8	Overall Role of Entrepreneur	0.820(**)

**Note:** \*\* Denotes significant at 1% level.

Dependent variable: Performance of the firms

To find the relationship between entrepreneurial orientation and the performance of micro industries, the correlation coefficients between the entrepreneurial orientation factors and the performance of industrial units are calculated and it is found that the

correlation values are significant at 1% level. Hence, there is significant relationship between the entrepreneurial orientation and the performance of the firm.

The correlation coefficient between achievement motivation and the performance of industrial units is 0.700 which indicate 70.0% positive relationship between achievement motivation and the performance of industrial units. It means that whenever the respondents' achievement motivation is increased, the performance of the firm will also be increased. The correlation co-efficient between innovativeness and the performance of industrial units is 0.705 which indicate 70.5% positive relationship between innovativeness and the performance of industrial units. The correlation coefficient between risk taking propensity and the performance of industrial units is 0.602 which indicate 60.2% positive relationship between risk taking propensity and the performance of industrial units.

The correlation coefficient between competitive aggressiveness and the performance of industrial units is 0.708 which indicate 70.8% of positive relationship between competitive aggressiveness and the performance of industrial units. The firms which use strategies to compete with the competitors, always have the high level achievement motivation. As achievement motivation influence the performance of the firm, the competitive aggressiveness also has its effect on the performance of the firm. The correlation coefficient between proactiveness and the performance of industrial units is 0.635 which indicate 63.5% positive relationship between proactiveness and the performance of industrial units. The correlation coefficient between autonomy and the performance of industrial units is 0.712 which indicate 71.2% positive relationship between autonomy and the development of industrial units. The correlation coefficient between managerial competency and the performance of industrial units is 0.687 which indicate 68.7% positive relationship between managerial competency and the performance of industrial units.

## Discussion

Based on the analysis, the following interpretations are made. Achievement motivation is constructed by the indicators such as "feeling of proud to achieve something", "perfect completion of work" and "level of success in the business" which are closely related with the good performance. Hence, when the entrepreneur is motivated to attain the goal, the performance of the industrial units will also increase.

Innovativeness is constructed by the indicators such as "initiative in introducing changes" and "introduction of new technology and new product lines". When the firms introduce new products or new technology, they can easily make entry in the market by defeating their competitors and can improve their sales which results in better performance of the firm. Hence, the presence of innovativeness will improve the performance of the firm.

Risk taking propensity is constructed by the indicators such as “handling high risk projects” and “handling unexpected events”. When there is risk, the outcome of taking risk will also be worth enough. To introduce new ideas in his business, the entrepreneur need to take risk with the uncertainty of outcome. But, due to that risk the firm get a benefit of improvement in sales. Thus, risk taking is related with the performance of the firm. This concept is proved by the hypothesis test of relationship between risk-taking propensity and performance of the industrial units.

As proactiveness is constructed by the variables such as “quickly recognise good opportunities for the development of the firm” and “frequently forecast the demand and customer preference” the presence of proactiveness will improve the firm's performance.

Autonomy is constructed by the indicators such as “fix goals based on inspiration”, “taking decisions independently” and “allow independence for workers”. With the aim of goal achievement, the entrepreneur allows the independent decisions of workers team in their organisation which will provide better performance of the firm.

The managerial competency is constructed by the indicators “leadership skill”, “human resource management skill”, “motivating skill” and “decision making skill”. All these indicators will guide the workers in the organisation to keep reaching the goal and hence, the performance will be good.

It is found that, all the factors related to entrepreneurial orientation have positive relationship with the performance of the firm. The performance is measured by the factors such as detainment of customers, increase in number of customers, sales growth, profitability, increase in the size of the firm and employee stability .The steps taken to motivate the entrepreneurs will help them to complete the work perfectly and to reach the end result. The introduction of new ideas in marketing, introduction of new technology, competitive marketing strategies can be implemented for bringing detainment of customers, sales growth and profitability. If the managerial competency of the entrepreneurs is increased, it will help to provide employee stability in the organisation. As the entrepreneurial orientation is positively correlated with the performance of the firm, the improvement in entrepreneurial orientation will provide better performance of the firm.

## **Conclusion**

This study reveal that the entrepreneurial orientation strongly influences the performance of the micro-industries. The efforts taken to improve the entrepreneurial orientation factors such as achievement motivation, innovativeness, risk-taking propensity, competitive aggressiveness, autonomy and managerial competency will lead to the better performance of the firms.

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