Entrepreneurial Orientation (EO) and Performance Among Micro, Small and Medium Enterprises (MSMEs) (From an RBV Perspective)

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ABSTRAK

The research aims to examine the influence of entrepreneurial orientation (EO) on the performance of Micro, Small and Medium Enterprises (MSMEs) from the RBV perspective. RBV says that to achieve sustainable competitive advantage requires resources, these resources can be tangible or intangible resources, are heterogeneous, not perfectly distributed and must meet the VRIN (Valuable), Rare (rare), imitable framework (not easily imitated) and In-imitable (Not replaceable). Entrepreneurial orientation (EO) has been identified as one of the most significant resources that determines company performance and competitive advantage. The concept of EO manifestation consists of innovation, proactiveness, autonomy, competitive aggressiveness, and risk taking. As a result, companies with high EO are considered more innovative in terms of product and market combinations, take bold strategic decisions to seize new opportunities, and stay ahead of the competition. They are also known to favor high-risk, high-reward activities. These behavioral patterns are intangible and distributed among members of the organization, so they are rare, valuable, and cannot be imitated or replaced. Also, it strengthens the valuable, rare, non-substitutable and non-imitable elements of EO resources. A company's EO is unique to that company, so it becomes a source of performance improvement and sustainable competitive advantage.

Keywords: Entrepreneurial Orientation (EO), MSME Performance, EO Dimenssion

INTRODUCTION

MSMEs in both developed and developing countries are referred to as engines of national economic development, seeds of large-scale companies, and creators of productive and efficient jobs (Abor J., 2010). However, despite their impact on the country's economy. MSMEs still lack financial, technical and managerial resources, which can disrupt performance (Singh et al., 2008). Entrepreneurial orientation (EO) is a strategy development process that enables businesses to carry out entrepreneurial activities and decision making [Rauch A et al., 2009]. Entrepreneurial orientation is one strategy that can be used to resolve deficiencies in MSMEs. Entrepreneurial orientation is an individual's attitude in creating models, methods and practices of entrepreneurial components in corporate decisions on entrepreneurial activities, either in existing organizations or starting new businesses (Jinpei Wu., 2009). According to Wiklund J, Shepherd D., (2005) entrepreneurial orientation (EO) is viewed as a multidimensional phenomenon with five subscales: innovation, risk taking, proactiveness, autonomy, and competitive aggressiveness.

In theory, entrepreneurship researchers have claimed that entrepreneurial orientation in existing business organizations is a source of revitalization that improves performance and provides a competitive advantage for companies over competitors [Akpan AP, et al., 2021]. Organizations with higher levels of entrepreneurial orientation will outperform organizations with lower levels of entrepreneurial orientation [Rauch A., 2009). Furthermore, existing literature recognizes that entrepreneurial orientation at the organizational level is associated with profitability, growth, strategic renewal, market share, wealth generation, and overall success [Wang EST, Juan PY., 2016]. According to Porter (2008), entrepreneurial orientation can be interpreted as a company's profit strategy to be able to compete more effectively in the same market. Meanwhile, another definition was mentioned by (Anidityas et al. 2012) who argued that "Entrepreneurial orientation is a process, practice and decision-making activity that leads to new entrants. Entrepreneurial orientation arises from the strategic choice perspective which states that the opportunity for new entrants to succeed is highly dependent on performance goals. Anitah (2011) states that entrepreneurial orientation is something that leads to processes, exercises and activities in making decisions for developing new products.

According to (Anderson & Gerbing, 1988; Arzubiaga et al., 2018; J. J. Ferreira et al., 2021; Gupta & Batra, 2016; Kiyabo & Isaga, 2020; Mantok et al., 2019; Rodrı´guez-Gutie´rrez et al., 2015) states Entrepreneurial Orientation (EO) is an important factor that determines the performance of MSMEs. The relationship between EO and performance can be explained using a resource-based view. This view states that when organizations successfully combine their resources and/or capabilities together, they obtain superior performance (J. Barney, 1991). EO is suggested to be an important capability that enables MSMEs to develop their own competitive advantage (Brouthers et al., 2015; Shirokova Gupta & Batra, 2016; Kiyabo & Isaga, 2020; Mantok et al., 2019; Rodrı´guez Gutie´rrez et al., 2015). EO increases the willingness to innovate and take risks, and the tendency to act ahead of their competitors and anticipate future customer demands (Miller, 1983). Therefore, EO capabilities enable better utilization of internal resources as well as acquiring and exploiting external resources more efficiently (Wiklund & Shepherd, 2003), which means superior performance.

However, empirical data differs. Empirical findings show that the influence of entrepreneurial orientation on organizational performance is ambiguous and contradictory [Mokaya SO, 2016]. The direct relationship between EO and performance is very complex (Anderse´n & Samuelsson, 2016). Empirical evidence shows mixed results (Soares & Perin, 2019). Some research Covin & Slevin, 1991; Covin et al., 2006; Ireland et al., 2009; Lumpkin & Dess, 1996; Soininen et al., 2012; Wiklund & Shepherd, 2003, Alegre, J., et al., 2013; Jia J, et al., 2014; Mahmood R, Wahid RA., 2012, found a positive relationship between entrepreneurial orientation and performance (E-O). Others [Covin JG, 1994; George G, et al., 2001; Shamsuddin S., 2012; Nybom et al., 2021; Veidal & Flaten, 2014] found a negative relationship between entrepreneurial orientation and performance. While several studies reveal partial support for this relationship (Dimitratos et al., 2004; Richard et al., 2009) and also no relationship (Covin et al., 1994; George et al., 2001; Madison et al., 2014; Stam & Elfring, 2008). Other studies show an inverted U-shaped relationship (Bhuian et al., 2005; Chen & Hsu, 2013; Tang et al., 2008).

This research takes a multidimensional approach to EO by examining the extent of the contribution of five dimensions of EO; innovation, risk taking, proactiveness, autonomy, and competitive aggressiveness on SME performance as viewed from the resource-based theory. So far, the multidimensional approach to EO in SME studies has not received much attention. A better understanding of this relationship can lead to the formulation of relevant policy, educational, and managerial implications that will improve the performance of MSMEs.

METHOD

Systematic Literature Review (SLR) is a method for this observation by reviewing certain discussion points which focus on specific problems that have been identified and classified in a structured manner, assessed, concluded and selected based on predetermined benchmarks based on evidence and facts. from quality research that is relevant to the research question (Latifah & Ritonga, 2020). Data comes from good literature articles that already have a good reputation and are in English. because it provides a simple method for exploring scientific works with a wide scope and is the largest publishing database. "Entrepreneurial orientation (EO) on MSME performance" as a keyword entered in the search string. The focus of this research is on entrepreneurial orientation on MSME performance, where the data used in the literature are papers or articles related to entrepreneurial orientation on performance MSMEs and speak English.

RESULT AND DISCUSSION

Entrepreneurial Orientation (EO) has its roots in the strategy-making process literature (Mintzberg, 1973). Strategy making is an organization-wide phenomenon that combines planning, analysis, decision making, and many aspects of an organization's culture, value system, and mission (Hart, 1992). Consistent with Mintzberg, Raisinghani, and Theoret who note that strategy making is important, in terms of actions taken, resources committed, or precedents set (1976, p. 246), EO represents the policies and practices that provide the basis for decisions. and entrepreneurial action. Thus, EO can be viewed as an entrepreneurial strategy-making process used by decision makers to set their company's organizational goals, maintain its vision, and create competitive advantage.

Important dimensions of EO can be gleaned from a review and integration of strategy and entrepreneurship literature (Covin & Slevin, 1991; Miller, 1983; Miller & Friesen, 1978; Venkatraman, 1989a). Miller, (1978) conceptualized EO with three dimensions, namely: innovation, risk taking, and proactiveness. *Innovation* is the tendency to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership through research and development in new processes. *Take risks* involves taking bold action by venturing into the unknown, borrowing large amounts, and/or using significant resources to undertake a venture in an uncertain environment. *Proactive* is an opportunity-seeking, forward-looking perspective characterized by introducing new products and services before competition and acting in anticipation of future demand.

Lumpkin and Dess (1996) suggested that two additional dimensions are important to EO. Based on the definition of Miller (1983) and Burgelman, 1984;

Hart, 1992; MacMillan & Day, 1987; Venkatraman, 1989a), they identified competitive aggressiveness and autonomy as additional components of the EO construct. *Competitive aggressiveness* is the intensity of a company's efforts to outperform its competitors and is characterized by a strong offensive posture or aggressive response to a competitive threat. *Autonomy* refers to independent actions taken by an entrepreneurial leader or team directed at bringing a new venture to fruition and making it a reality.

Five Dimensions of EO

1. Innovation

Innovation is seen as an important component for a business to succeed as an entrepreneur. It represents a company's tendency to participate in and encourage the production of new ideas and inventive processes can produce new goods, services, technological processes and markets [Zahra SA, 2008]. To add clarity, the definition of innovation can be divided into three segments: continuous renewal and expansion or creation of new products, services and related markets; discover, present, and build new distribution and supply channels; and introducing new procedures in the management and organization of work to improve workers' skills and working conditions [Arief M, et al. 2013). [Edmond VP, Wiklund J., 2010] emphasizes that innovation plays an important role in solving business challenges, and is seen as an important pillar for gaining a competitive advantage compared to other businesses in the same industry. This is because innovation helps companies to capitalize on consumer purchasing power, changing tastes by satisfying unique market needs [Isichei EE., 2020]. When operating in a world of global competition, rapid technological advances, and limited resources, a company's innovative ability to update its market offerings becomes critical to its ability to survive and thrive [Mokaya SO., 2012].

Innovation can be characterized into product, service, process and administrative innovations are examples of different types of innovation [Miller D., (1983); Covin JG et al., (1994)]. While product innovation aims to provide new products and services to meet customer requirements and expectations [Mahmood R. Wahid RA., (2013)], process innovation places new processes into the market by combining innovations in techniques, equipment, and software to methods better production and delivery, while market innovation selects new market niches best served by the company [Putnin, T.J. and Sauka, A., 2019]. According to [Akpan AP, et al., 2021] innovation can be used to combine new goods, processes and markets to improve business performance.

Because different types of innovation are not mutually exclusive, innovative organizations may engage in one or more forms of innovation (Covin JG, et al (1994). However, the level of innovation varies based on company features and company performance [Abor J., 2010]. According to [Akpan AP, et al., 2021], the degree of novelty or the amount of new knowledge that will be acquired is usually used to categorize innovations as radical or incremental. Radical innovation requires significant organizational change that results in an increase in the company's current knowledge. Innovation always requires an increase in knowledge (Shamsuddin S, et al. 2012). This includes basic product improvements or line extensions that minimally improve existing performance (Jia J, et al., 2014).

(Schumpeter J., 1934) emphasized the importance of innovation in entrepreneurship. He argues that innovation is key in the core efforts of entrepreneurial organizations that include the creation of new products and the discovery of new processes. [Jogaratnam G, Tse EC, 2006] also believes that innovation can help companies enjoy competitive advantages. In line with that, [Jia J, et al., 2014] argues that innovation is an important component in any business and entrepreneurship would not be possible without innovation.

2. Risk Taking

The concept of risk taking is synonymous with entrepreneurship (Zahra SA., 2008). In the entrepreneurship literature, risk taking is recognized as an important attribute of entrepreneurially oriented businesses (Isichei EE, et al., 2020). (Lumpkin GT, Dess GG, 1996) explains that EO companies are more tolerant of risk than other types of companies. Risk taking is defined as a company's willingness to take calculated commercial risks in the market, even if the outcome is uncertain (Lumpkin GT, Dess GG, 1996). Risk-taking companies exhibit opportunity-seeking behavior by frequently changing their current tactics in anticipation of increased revenue (Putniņš, T.J. and Sauka, A, 2019). Risk-taking behavior generally reflects their readiness to deviate from known effective methods to try new options with better profit potential, but also allows for the possibility of unexpected losses when exploring the unknown. In other words, high-risk companies are more likely to pursue new business prospects that provide better returns. Borrowing significantly, entering unknown markets, and committing large amounts of resources to initiatives with unclear outcomes are examples of risk-taking behavior (Lumpkin GT, Dess GG, 1996).

There are three types of risks that organizations and their executives face: business, financial, and personal (Lumpkin GT, Dess GG, 1996). Taking business risks means entering the unknown without knowing the likelihood of success. This is the danger of entering an untested market or implementing experimental technology. Financial risk taking occurs when a company borrows substantially or commits a large amount of its resources for its own growth. In this sense, risk refers to the risk/return trade-off. Risk-taking in business involves venturing into the unknown without knowing the probability of success. These are the risks associated with entering an untested market or implementing unproven technology. Financial risk taking describes when a company borrows large amounts or commits most of its resources to its own growth. Risk is used in this context to refer to the risk/return trade-off. The risk a CEO takes when taking a stance that supports a strategic action plan is referred to as personal risk taking (Lumpkin GT, Dess GG, 1996). (Putniņš, T.J. and Sauka, A, 2019) propose that organizations with strong entrepreneurial behavior are attracted to initiatives with higher levels of risk to gain greater profits. In contrast, a risk-averse company will avoid taking any action whose rewards are unclear and lack flexibility or adaptability to changing environmental risks. Risk-averse behavior usually results in poor performance because the company may not be willing to take advantage of market opportunities (Jia J, et al., 2014).

Risk taking, indicating a company's willingness to investigate the unknown. Additionally, risk-taking behavior allows organizations to take advantage of market opportunities by creating timely assessment to outperform competitors [Akpan AP, et al., 2021; Ajamieh A, 2016]. Nevertheless, organizations that are risk takers are expected to make timely and accurate assessments to achieve the large positive returns they anticipate [Putniņš, T.J. and Sauka, A, 2019]. Measurable risk-taking behavior based on wise strategic policy making can help business firms in highly unpredictable markets to take advantage of environmental changes to improve performance [Putniņš, T.J. and Sauka, A, 2019; George G, 2001, Isichei EE, et al., 2020].

3. Proactive

Proactivity is defined as predicting and seeking new opportunities related to future demand and participating in emerging markets [Lumpkin GT, Dess GG, 1996]. According to [Abor J, 2010], proactiveness is "an opportunity-seeking and forward-looking perspective characterized by introducing new products and services before competition and acting in anticipation of future demand". The ability to recognize and respond to market signals shows the proactive nature of a company [Jogaratnam G, 1999]. [Akpan AP, et al., 2021] emphasizes that proactiveness is critical to a company's success because it allows the company to enjoy a first-mover advantage when it comes to pursuing early revenue and other investment opportunities. Proactivity helps organizations anticipate and correctly predict future offerings that meet client expectations, as well as make efforts to distribute them to the appropriate market [Mahmood R, Wahid RA, 2012].

The role of proactiveness in company performance, as found by [Isichei EE, et al., 2020, George G, 2001], varies depending on the stage of company development. [Isichei EE, et al., 2020] explains that proactivity is essential throughout the early stages of a company's development; however, once a company is established, it becomes less necessary. They further argue that proactiveness allows a young, growing company to secure its position in its chosen industry, thereby ensuring long-term success.

According to a survey of entrepreneurship literature, a company's level of proactiveness is related to its ability to gather more information relevant to the resources and opportunities available in an industry [Covin JG, Slevin DP, 1988]. This means that proactive organizations can scan the external environment more broadly to find existing opportunities. As a result, these firms are more aware of the acquisition of information and resources than less proactive firms, thereby helping them to outperform their less proactive competitors and enjoy above-average profits.

4. Autonomy

Autonomy refers to the ability of an individual or group to create decisions and taking action independently of the organization [Lumpkin GT, Dess GG, 1996]. This also reflects a person's great desire for freedom in formulating and implementing an idea. [Lumpkin GT, Dess GG, 1996] asserts that autonomy can "allow a team (or individual) to not only solve problems, but to really define the problem and the goals that will be achieved to solve the problem". Consequently, they propose that to obtain a high level of EO, there must be autonomy at the strategic level [Zahra SA., 2008]. [Arief M, et al., 2013] proposed that giving employees more autonomy at work will encourage them to work in a more positive way, potentially leading to improved company performance. He also believes that companies that demonstrate autonomous behavior will encourage individual innovation by encouraging fresh ideas. Individuals who display autonomous behavior tend to make decisions without considering other people's opinions. Autonomy is self-motivated behavior that aims to achieve predetermined goals [Wang EST, Juan PY., 2016].

5. Competitive Aggressiveness

According to [Jinpei Wu, 2009], competitive aggressiveness is defined as a company's willingness to directly and vigorously challenge competition to gain entry or strengthen its existing position in the market, which is directed at outperforming industry competitors. This is seen as the tendency of organizations to compete vigorously to outperform competitors in the industry (Jia J, et al., 2014). Organizations that exhibit aggressive competitive behavior are more likely to take a hostile stance toward their competitors in an effort to outperform competitors that challenge their existence or market position. In organizations. Competitive aggressive behavior can be responsive or reactive. Responsive behavior can take the form of head-to-head competition or direct attacks on competitors, such as when a company joins a market where competitors already exist. In addition, reactive behavior requires immediate action in response to competitors' actions; for example, a company may lower prices and sacrifice profitability to maintain its market share when competitors launch new products into the same market (Lumpkin GT, Dess GG, 1996). Competitive aggressiveness encourages increased company performance. This is because its emphasis on outmanoeuvring and undercutting strengthens competitors (Lumpkin GT, Dess GG, 1996). Being competitively aggressive allows a company to gain a competitive advantage by undercutting its competitors. This also allows the business world to react quickly to activities carried out by competitors that are considered detrimental.

Salient EO dimensions typically show high intercorrelations with each other, for example ranging from r = .39 to r = .75 (Bhuian, Menguc, & Bell, 2005; Richard, Barnett, Dwyer, & Chadwick, 2004; Stetz, Howell , Stewart, Blair, & Fottler, 2000; Tan & Tan, 2005). Therefore, most studies combine these dimensions into a single factor (e.g., Covin, Slevin, & Schultz, 2004; Lee, Lee, & Pennings, 2001; Naman & Slevin, 1993; Walter, Auer, & Ritter, 2006; Wiklund & Shepherd, 2003). However, there is some debate in the literature regarding the dimensions of EO. Some scholars argue that the EO construct is best viewed as a unidimensional concept (Covin & Slevin, 1989; Knight, 1997) and, consequently, different dimensions of EO should relate to performance in similar ways. More recent theory suggests that EO dimensions can occur in different combinations (Covin et al., 2006; Lumpkin & Dess, 2001), each representing a distinct and independent aspect of the multidimensional concept of EO (George, 2006). As a consequence, EO dimensions may relate differently to firm performance (Stetz et al.). Specifically referring to the EO dimensions, Covin et al., p. 80) noted that “intellectual progress related to EO is likely to occur as a function of how clearly and completely scholars can delineate the pros and cons of alternative conceptualizations of the EO construct and the conditions under which such alternative conceptualizations may be appropriate.” Although different conceptual arguments can be used for and against treating EO as a uni- or multidimensional construct, meta-analysis can establish empirically whether different dimensions of EO relate to performance to the same or varying degrees.

Resource Based View (RBV)

According to Safari and Saleh (2020), a company's RBV focuses on company-specific internal factors and their influence on performance; where pragmatic implementation (which is assisted by management and organizational process skills, information and knowledge) will result in maintained competitive advantage (Barney, 1991). However, Foss and Knudsen (2003) argue that the RBV lacks a clear definition of competitive advantage because of its weakness in providing useful morals for managers regarding which specific resources need to be accumulated to gain profits. This means that, rather than simply assessing opportunities and threats, inherent in the environment, in running a business, certain organizational resources that are within the control of the business have the potential to provide improved performance and, ultimately, competitive advantage. However, to convert short-term competitive advantage into sustainable competitive advantage, resources are needed that are tangible or intangible, heterogeneous, not perfectly distributed and must meet the VRIN framework (Valuable, Rare, imitable and In-imitable). In this context, EO has been identified as one of the most significant resources that determines company performance and competitive advantage [Zahra SA., 2008) argue that the current business environment places more emphasis on the information era than the information era So, Jalali et al. (2020) found that companies that develop informal internal and external relationships and smooth out piecemeal allocation to combine resource sharing will show higher levels of entrepreneurial behavior. Previous research shows that entrepreneurial orientation (EO) is beneficial for organizational performance [Mahmood R, Hanafi N, 2013; Rauch A, et al., 2009; Mahmood R, Wahid RA, 2012, Akpan AP, et al., 2021]]. In other words, entrepreneurial organizations perform better and enjoy competitive advantages over competitors. Based on this research, and consistent with RBV predictions, it is expected that the level of EO in a company will generally improve the company's performance. Thus, MSMEs can achieve the desired level of performance by implementing a series of EO practices. The concept of EO manifestation consists of innovation, proactiveness, autonomy, competitive aggressiveness, and risk taking (Covin JG, Slevin DP, 1988; Edmond VP, Wiklund J., 2010). As a result, companies with high EO are considered more innovative in terms of product and market combinations, take bold strategic decisions to capture new opportunities, and stay ahead of the competition. They are also known to favor high-stakes, high-reward events.

These behavioral patterns are intangible and spread among organizational members, so they are rare, valuable, and cannot be imitated or replaced (Barney JB, 1997; Barney JB, et al, 2011). Also, it strengthens the valuable, rare, non-substitutable and non-imitable elements of EO resources. Akpan AP, et al., (2021) argue that the dimensions contained in EO cannot be obtained from the market such as technological or financial resources because these dimensions are embedded in organizational routines. They assert that a lot of investment is needed to develop an EO culture in a company. That is, although competitors may be able to detect an organization's actual strategic actions, competitors may find the EO manifestations underlying those actions difficult to understand or reproduce. This is because a company's EO is unique to that company, so it becomes a source of performance improvement and sustainable competitive advantage.

Performance

Performance is a multidimensional concept, if the connection between EO and performance depends on the indicators used to assess performance (Lumpkin & Dess, 1996). The empirical literature reports a high diversity of performance indicators (Combs, Crook, & Shook, 2005; Venkatraman & Ramanujam, 1986);

the general distinction is financial and nonfinancial measures. Nonfinancial measures include goals such as satisfaction and global success ratings created by business owners or managers; Financial measures include assessments of factors such as sales growth and return on investment (ROI; Smith, 1976). Regarding financial performance, there is often low convergence between various indicators (Murphy, Trailer, & Hill, 1996). At a conceptual level, we can distinguish between growth measures and profitability measures. Although these concepts are related empirically and theoretically, there are also important differences between them (Combs et al). For example, businesses may invest heavily in long-term growth, at the expense of short-term profits. Argument The conceptual EO-performance relationship focuses mainly on aspects of financial performance. Businesses with high EO can target premium market segments, set high prices, and "search" the market ahead of competitors, which will give them greater profits and allow them to expand more quickly (Zahra & Covin, 1995). The relationship between EO constructs and non-financial goals, such as increasing company owner satisfaction. We argue that there is a direct influence of EO on non-financial goals but this relationship is weak. For example, if non-financial goals are of paramount importance, the uncertainty associated with the bold initiatives and risk-taking implied by an EO has the potential to cause suffering, sleeplessness, and reduced satisfaction. However, satisfaction may increase due to better financial performance. However, indirect impacts are usually smaller than direct impacts. Therefore, we assume that the relationship between EO and financial performance should be higher than the relationship between EO and non-financial performance.

In terms of financial performance, research may rely on self-reports or archival data collected from secondary sources. Although self-reported data may offer greater opportunities to examine multiple dimensions of performance, such as comparisons with competitors (Wiklund & Shepherd, 2005), such measurements may introduce bias due to social desirability, environmental harm and/or common method variance. Therefore, an important task of this meta-analysis is to establish the size of the influence of EO on performance. The company's financial performance is measured by the company's return on assets (ROA). ROA is a standard measure of company performance used to evaluate the impact of a company's strategic activities (Wood and LaForge, 1979).

Performance according to Jalali et al. (2020) is defined as an indicator of the total strength of MSMEs in satisfying customers, suppliers and other stakeholders which can be measured based on primary data. Vij and Bedi (2016) argue that primary data can also be used for cross-industry comparisons that can measure performance subjectively to show owners' evaluation of overall success.

Discussion of Finding

Entrepreneurship experts argue that entrepreneurial orientation (EO) is an important factor that determines the performance of MSMEs (Anderson & Gerbing, 1988; Arzubiaga et al., 2018; J. J. Ferreira et al., 2021; Gupta & Batra, 2016; Kiyabo & Isaga, 2020; Mantok et al., 2019; Rodrı´guez-Gutie´rrez et al., 2015). The relationship between EO and performance can be explained using a resource-based view. This view states that when organizations successfully combine their resources and/or capabilities together, they obtain superior performance (J. Barney, 1991). EO is suggested to be an important capability that enables MSMEs to build their own competitive advantages (Brouthers et al., 2015; Shirokova et al., 2016). Specifically, EOs increase the willingness to innovate and take risks, and the tendency to act ahead of their competitors and anticipate future customer demands. front (Miller, 1983). Therefore, EO capabilities enable better utilization of internal resources as well as acquiring and exploiting external resources more efficiently (Wiklund & Shepherd, 2003), which means superior performance.

EO has a long tradition that has basically been around for the last three decades (Jalali et al, 2013). EO is defined as a company's processes, structures, and behaviors that are characterized by innovation, proactiveness, and risk taking (Jalali et al., 2014). Innovation is defined as the willingness to place a strong emphasis on research and development, new products, new services, product line improvements, and global technology in an industry (Jalali et al., 2020; Covin & Slevin, 1988). Jalali et al. (2020) and Kropp, Lindsay, and Shoham (2006) assert that the innovation component of EO contributes to the success of new businesses by improvising existing businesses, procedures and related processes acting as a means of differentiating entrepreneurs (Schumpeter & Backhaus, 2003). The relationship between innovation, creativity and experimentation; including having an impact on product and service development and technological leadership (Hu & Zhang, 2012) as well as improving company performance (Jalali et al., 2020; Ramamoorthy, Flood, Slattery, & Sardessai, 2005). Proactivity is defined as acting opportunistically to shape the environment by influencing trends, creating demand, and being a first mover in a competitive market (Jalali & Jaafar, 2019; Lumpkin & Dess, 1996). Proactivity is necessary for competitive advantage (Brendle, 2001) which provides opportunity-based knowledge about competitors and initiatives (Zahra & Covin, 1995) and again, enables the ability to control market network distribution and build brand recognition (Jalali et al., 2022;

Risk taking is defined as the willingness to commit more resources to projects where the costs of failure may be high (Danso, Adomako, Damoah, & Uddin 2016; Wiklund & Shepherd, 2005). It also means committing resources to projects whose outcomes are unknown. Meanwhile, McClelland (1961) argued that entrepreneurs are risk takers compared to non-entrepreneurs. It is known that proven strategies can produce high average performance, and risky decision making can lead to variations in performance, so that some projects may fail or succeed in the long run (Danso et al., 2016; McGrath, 2001).

Research has reported the utilization of EO, proactive, risk-taking and innovation behaviours; in assessing the company's strategic attitude towards exploring opportunities that have not been maximized (Wiklund & Shepherd, 2005). EO elements are behavior and action oriented. Although there are reports documenting the ability of EO to improve SME performance (Chong, Ong, & Tan, 2018; Jalali, Jaafar, & Ramayah, 2013), empirical research has given important consideration to the contingency framework (e.g. Stam & Elfering, 2008 and Jalali, Jaafar, & Ramayah, 2014) but the mediating role of EO in corporate performance models has been neglected (Rosenbusch, Rauch, & Bausch, 2013). Additionally, Wales, Gupta and Mousa (2013) argued that although several studies discovered several antecedents of EO, the principles of EO as an organic phenomenon are still unknown.

The pattern of results obtained here supports the general idea that entrepreneurial orientation (EO) is positively related to MSME performance. However, although these results are significant for the EO dimensions, namely innovation, proactiveness, and risk taking, they are not significant for the autonomy and competitive aggressiveness dimensions. In addition, a critical review shows that there is a significant relationship between the EO dimensions, namely innovation, proactiveness and risk taking, with MSME performance variables except for autonomy and competitive aggressiveness which are not significantly correlated with MSME performance variables. Therefore, the readiness of the business world to explore and implement new ideas or techniques to produce better products and services for market delivery; takes initiative by anticipating and pursuing new opportunities related to future demand; and taking calculated business risks in the marketplace, even if the outcome is unknown, is a more important predictor of performance than having autonomy and aggressive competitive tendencies to outperform industry competitors. This finding is supported by [Putniņš, T.J. and Sauka, 2019; Isichei EE, et al, 2020, Luu N, Ngo LV., 2019; Akpan AP, et al., 2021; Ajamieh A, et al, 2016]. In particular, [Putniņš, T.J. and Sauka, 2019] argue that MSMEs must be creative and produce new ideas, processes, technology and products in order to be able to compete and enjoy above average profits. According to them, this is because innovation is very important in entrepreneurship. Furthermore, [Ajamieh A, et al, 2016; Luu N, Ngo LV, 2019] suggests that MSMEs take a risky attitude to increase profits and take advantage of opportunities; take bold action to achieve company goals; taking calculated risks with new ideas; and implementing structures to monitor and manage risk, will improve performance. This finding supports the findings of Isichei EE, et al, 2020] which states that risk taking influences SME performance. They emphasize that a risk-taking strategy needs to be considered in strategic decisions, which will help businesses take advantage of environmental changes to improve performance.

CONCLUSION

This research was designed to examine the influence of entrepreneurial orientation (EO) on the performance of micro, small and medium enterprises (MSMEs). Research shows that entrepreneurial orientation (EO) has a positive and significant correlation with MSME performance. This view states that when organizations successfully combine their resources and/or capabilities together, they achieve superior performance. EO is an important capability that allows MSMEs to build their own competitive advantage. Specifically, EO increases the willingness to innovate and take risks, and a tendency to act ahead of their competitors and anticipate future customer demands. Therefore, EO capabilities enable better utilization of internal resources as well as acquiring and exploiting external resources more efficiently, which translates into superior performance.

MANAGERIAL IMPLICATIONS

This research finds that there is a significant positive relationship between EO and SME performance. Thus, this supports the idea that EO as an organizational resource, when implemented correctly, can contribute to and influence SME performance positively. Because, EO is unique to the company, MSMEs are advised to promote an entrepreneurial culture that links organizational strategy, goals, and performance in the short and long term.

If we look at the EO dimensions associated with MSME performance variables, the research results show that not all EO dimensions have a significant and positive influence on MSME performance variables. In particular, the dimensions of autonomy and competitive aggressiveness are not significantly related to MSME performance variables except competitive aggressiveness towards customer performance. Therefore, MSME owners/managers should use the EO dimensions that best suit their company's strategic emphasis, taking into account aspects such as the age and/or size of the organization, industry influences, and the specific environment in which the company operates.

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