

Entrepreneurial Orientation and Farmers Performance: Evidence from Bushehr Province in Iran

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Abstract

The purpose of this paper is to investigate the impact of entrepreneurial orientation on the farmer's performance in Bushehr province, Iran. This study follows a quantitative research design using survey methods with statistical treatment. The data was collected from a survey of a group of farmers in Bushehr province. The entrepreneurial orientation questionnaire distinguishes three sub-dimensions - innovativeness, proactiveness and risk-taking. Six items were used to measure the performance indicators. They are: growth in sales, growth in profits, growth in employment, overall performance, additional facilities and offices. Results show that farmers with higher entrepreneurial orientation achieved higher performance.

Key words: Entrepreneurial Orientation; Performance; Farmers.

Abbreviation: EO - Entrepreneurial Orientation.

Introduction

Agriculture, described as 'one of the most potent and enduring symbols of rurality, has, for centuries, been the dominant and driving force of rural economies. Recently, the necessity of an entrepreneurial culture in agricultural land has been recognized. Farmers can increase their production through an improvement in their productivity, in order to ensure their survival and the enrichment of their environment. Entrepreneurship in agriculture is an important issue in the world. Policy makers, researchers, farmers' unions and advisory services are all working on the development of entrepreneurship in agriculture. So farms are advised, like all micro firms (firms with less than 10 employees), to be entrepreneurial (Bjerke & Hultman, 2002). Entrepreneurship as a field of study is relatively young. The literature on entrepreneurship and development defines entrepreneurship as either the creation of new economic activity (Low and MacMillan, 1988; Shane and Venkataraman, 2000), often resulting in the creation of new organisations, or the pursuit of innovation (Davidsson *et al.*, 2001; Rocha, 2004). Entrepreneurial Orientation (EO) is a primary construct in the domain of entrepreneurship

(Lumpkin & Dess, 1996). EO is a significant factor for a firm's success (Wang, 2008). EO has been conceptualized as the process and decision-making activities used by entrepreneurs that leads to new entry and support of business activities (Lumpkin and Dess, 2001; Kropp *et al.*, 2006). EO has been conceptualized as comprising three dimensions: innovativeness, risk-taking, and proactiveness. Innovativeness involves seeking creative or unusual solutions to problems and needs. This dimension includes product innovations, the development of new markets and new processes and technologies for performing organizational functions. The risk-taking dimension refers to the willingness of the management to commit significant resources for opportunities in the face of uncertainty. Previous measures of a firm's EO have included pro-activeness in the pursuit of new business opportunities, risk-taking, propensity, and innovativeness (Kropp *et al.*, 2006; Marino *et al.*, 2002; Okpara, 2009). Recent research has raised concerns about a direct relationship between EO and performance (Lyon *et al.*, 2000; Wiklund and Shepherd, 2003, Arbaugh *et al.*, 2009). The relationship between EO and firm performance has become the main subject of interest in past

literatures which are concerned with the positive implications that entrepreneurial processes have on firm growth and performance (Lumpkin & Dess, 1996; Wiklund, 1999; Zahra *et al.*, 1999). EO is regarded as inevitable for firms that want to prosper in competitive business environment. However, Lumpkin & Dess (1996) suggest that the positive implications of the EO on firm performance are context specific and may vary independently of each other in a given organizational context (Zainol, 2010). This research will test empirically whether there is any correlation between EO and performance of farms.

Literature Review and Hypotheses

Agriculture and entrepreneurship are tools of salvaging poverty, especially among agriculturally educated youths (Osikabor *et al.*, 2011). Entrepreneurship is a very important activity for a country's competitiveness and growth and a significant source of social mobility. New ventures have become an important aspect of a countries' economic development, especially in terms of their contributions to new job creations. However, going beyond the relevant function of entrepreneurship in job generation, there is an important debate about the real impact that entrepreneurship has on a countries' economic and competitive development (Acs and Storey, 2004; Van Stel *et al.*, 2005; Acs and Amorós, 2008).

Entrepreneurial Orientation (EO) is a primary construct in the domain of Entrepreneurship (Lumpkin & Dess, 1996; Runyan *et al.*, 2008). It is used to assess the propensity of an organization to create, change, and improve. EO has traditionally been measured through subjective self-reports on behalf of the firm (Kreiser *et al.*, 2002; Runyan *et al.*, 2008; Lumpkin & Dess, 1996). An EO may contribute to higher performance by facilitating a firm's capacity to identify innovative opportunities with potentially large returns, target premium market segments, and obtain first mover advantages (Wiklund & Sheperd, 2005). Firm performance is defined as the extent to which the firm's financial and other objectives are achieved through execution of tactics, marketing strategies,

and management (Tonesakulrungruang, 2009). Covin and Slevin (1989) define an EO as the processes, structures, and behaviors of firms that are characterized by innovativeness, proactiveness, and risk taking (Stam & Elfring, 2008).

Innovation refers to the tendency of a firm to engage and support a new idea, novelty, experiment and creative process which might produce new products, services or technology process (Lumpkin and Dess, 1996). Empirical studies have proven that innovation is an important factor in the construction of EO through its relationship with the firm's performance (Coulthard, 2007). Proactive refers to a firm that takes initiative emphasizing on expectation and seizing opportunities in new markets and takes initiative in the market with the perspective of looking forward in an identified asymmetry market (Lumpkin and Dess, 1996). Initial studies in the entrepreneurial field have found proactive variables for EO to provide important contributions to the entrepreneurship of a firm (Miller, 1983). Risk taking refers to the level whereby a manager is willing to make large and risky resource commitments. It has been discovered that firms make considerably large investments involving all its resources with the intention to use an opportunity in the market with the hope to gain high returns. High growth would be a result of innovativeness, pro-activeness and risk-taking orientation by the firm, the scopes which refer to an EO. EO of a firm is defined as a firm that is involved in technological innovation (innovativeness), undertakes risky ventures (risk taking), and pursues opportunities proactively (proactiveness). Furthermore, a firm should consistently be taking risks, be innovative and be proactive in order to be labeled as "entrepreneurial" (Zainol & Ayadurai, 2011).

The correlation between the EO of the firm and its performance has been widely discussed, conceptually and empirically, by Wiklund and Shepherd (2005), Covin and Slevin (1989) they showed positive relationship between EO of the firm and performance. Lee and Penning (2001)

have shown a direct correlation between EO and firm performance too. Zainol and Ayadurai (2011) provided an analysis on the relationship between EO and Firm Performance. It showed that an EO of the propensity for a firm to be innovative, risk-taking and proactivity has a direct relationship with the firm performance of a firm. Keh *et al.*, (2007) investigated the effects of EO and marketing information on the performance of small and medium-sized enterprises. They built and tested a causal model using data obtained from Singaporean entrepreneurs and found support for most of their hypotheses. The results indicated that EO has a direct effect on firm performance. Haroon and Kocak (2011) studied relationship between EO Dynamic Capabilities (DC) and firm performance. An interesting finding of their study indicated that EO is fundamental for development of DCs. Further, study revealed that EO has a positive impact on building of DCs that, in turn, positively affects firm performance. There is abundant literature demonstrating that EO has an impact on performance indicators, including economic results and relative market share. Moreover, EO interacts with market orientation to improve performance. So Rodrigues and Raposo (2011) tested a structural model of relationships among EO, Human Resources Information Management (HRIM) and firm performance using a sample of SMEs from the manufacturing sector of Portugal. EO had a positive direct effect on both performances. HRIM also had a positive effect on firm performance and EO indirectly impacted firm performance through HRIM. Abu Hassim *et al.* (2011) examined the relationships between EO and firm performance. The findings showed that the EO has positive effect on firm business performance. Ma *et al.* (2012), investigated relation between entrepreneurship (innovation, progressiveness and risk-taking), market orientation and social performance of social enterprise via analysis. It was also found that entrepreneurship improved their social performance such as their public performance and job creation.

In this study, we aim to investigate relationship between EO and performance of farmers from Bushehr Province in Iran.

These arguments suggest the following hypothesis:

Hypothesis 1: There is a positive correlation between EO and performance of farmers from Bushehr Province.

Hypothesis 2: There is a positive correlation between innovativeness of EO and performance of farmers from Bushehr Province.

Hypothesis 3: There is a positive correlation between risk-taking of EO and performance of farmers from Bushehr Province.

Hypothesis 4: There is a positive correlation between proactiveness of EO and performance of farmers from Bushehr Province.

Methodology

This study follows a quantitative research design using a survey method combined with a statistical treatment. The sample was composed of farmers who cultivate wheat in Bushehr. There were about 2100 farmers who cultivate wheat in Bushehr. A random selection of 630 farmers (30 percent of the target population) was successfully contacted by distributing questionnaires among them. In this study we use the questionnaire developed by Covin and Slevin (1989) and Lumpkin and Dess (1996) to measure the EO. The EO questionnaire distinguishes three sub dimensions: innovativeness ($\alpha = 0.87$), proactiveness ($\alpha = 0.80$) and risk-taking ($\alpha = 0.71$). We used performance measures developed by Zou, Taylor, and Osland (1998). Six items used to measure the performance construct were profitability indicators (growth in sales, growth in profits, and growth in employment, overall performance, and additional facilities and offices). The items were measured on five point Likert scale ranging from (1 = "strongly disagree" to 5 = "strongly agree"). The overall reliability of the questionnaire was 86. Factor and reliability analyses were employed to assure construct validity of the measures for farmers selected. All measures were also examined and verified for face validity by 90 farmers who were experienced in agriculture and 10 university professors who were

experienced in EO and publication writers of this subject.

Table 1. Reliability Analysis (Alpha)

Scale name	Alpha value
Innovativeness	87%
Pro-activeness	80%
Risk Taking	71%
Performance	86%

Data Analysis

The results showed that of 630 respondents, 503 (79.8%) were male and 127 (20.2%) were female. Age of the respondents varies between less than 20 years to more than 50 years. The highest age group is between 30 to 40 years (42.1%), (Table 1). The education profile showed that of 630 respondents, 256 (40.6) were students in pre-university, 202 (32.1) high school, 165 (26.2%) were graduates with a BA or BS.c degree and only 7 (1.1 %) were post graduates with M.Sc. or MA degree. Simple frequency analysis (Table 2) was carried out to show frequency of independent and dependent variables. Hence, it is quite interesting to note that innovativeness has highest score.

Table 2. Frequency of variables

Reasons	Frequency of Occurrence
Innovativeness	75.8%
Pro-activeness	72.8%
Risk Taking	62.2%
Entrepreneurial Orientation	70.2%
Performance	75.4%

Table 3. Correlation Measures Between Independent and Dependent Variable

Independent variable	Dependent variable	R	Sig.
Innovativeness	Performance	0.951**	0.000
Pro-activeness	Performance	0.868**	0.000
Risk Taking	Performance	0.369**	0.000
Entrepreneurial Orientation	Performance	0.876**	0.000

** $p < 0.01$, * $p < 0.05$.

Spearman coefficient was employed for measurement of relationships between entrepreneurial orientation and performance. The results shown in Table 3 indicate that there is a strong association between innovativeness of EO and performance of farmers. This finding is consistent with previous studies of (Wilklund, 1999 and Okpara, 2009).

The findings in Table 3 show that there is significant positive relationship between risk-taking and performance of farmers too. These

results are also consistent with earlier studies (Mostafa, *et al.*, 2006; Rauch *et al.*, 2004 and Okpara, 2009). The findings in Table 3 show that there is significant positive relationship between risk-taking and performance of farmers too. These results are also consistent with earlier studies (Mostafa, *et al.*, 2006; Rauch *et al.*, 2004 and Okpara, 2009). Results indicate that positive association exists between proactiveness and performance measures. This result support Hypothesis 3 and are consistent with previous studies (Okpara, 2009). The correlation results of all 3 dimensions of EO in total and performance of farmers indicate that there is a strong association between them too.

Conclusion

Entrepreneurial orientation (EO) has been described as an important factor for a farmers's success. A review of relevant literature shows that the majority of the literature on EO and performance has been conducted in globally. However, little research has been done on this topic in Bushehr Province. In an effort is to bridge this gap and increase our understanding in this important topic by of this research. The purpose of this exploratory study is to investigate the impact of entrepreneurial orientation (EO) on performance of farmers in Bushehr Province. This study tests the relationship between EO and performance indicators of farmers in Bushehr Province. The results obtained in this research indicate that: (a) there are positive correlation among entrepreneurial orientation, and overall performance. Based on our findings, we can therefore speculate that famers with high entrepreneurial orientation would perform better in agriculture and suggest that farmers can speed up their development with the use of entrepreneurial orientation in their work.

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