



Munich Personal RePEc Archive

Entrepreneurial orientation of employees

Pureta, Igor and Pureta, Tanja

University of Osijek

March 2017

Online at <https://mpra.ub.uni-muenchen.de/89208/>

MPRA Paper No. 89208, posted 28 Sep 2018 20:27 UTC

ENTREPRENEURIAL ORIENTATION OF EMPLOYEES

Igor PURETA

Grawe Hrvatska d. d.

igor.pureta@grawe.hr

Tanja PURETA

Ramiro d. o. o.

tanja.pureta@ramiro.hr

Abstract

Entrepreneurial orientation is a tendency of businesses to act autonomously and innovative, take risks and is taking proactive initiatives to potential market conditions. There is a positive relationship between entrepreneurial orientation and business performance of the company. Although the entrepreneurial orientation commonly referred to as a feature the company and not the individual, since the people are supporting tasks within business, there are defined characteristic behaviors that define the entrepreneurial orientation of individuals. This behavior have so far examined the entrepreneurs, not the employees. This paper aims to determine the extent to which employees in the organization have developed entrepreneurial behavior (vision of their own areas of responsibility development, goal setting needed to achieve the vision, planning of specific activities, actively seeking information, persistence in its realization in spite of obstacles and actively seeking feedback about own performance), and whether employees with more developed entrepreneurial behavior more represented in private companies or in the public sector, and if they have intention to found their own company.

Keywords: entrepreneurial orientation, entrepreneurial behavior, proactivity

JEL Classification: J5, J50

1. INTRODUCTION

Entrepreneurial orientation is the tendency of the company to act autonomously and innovatively, to take risks, and to proactively undertake initiatives to reach potential market opportunities. There is a positive correlation between entrepreneurial orientation and company's success in business operation. However entrepreneurial orientation is typically referred to as a characteristic of a company, not an individual; because people are the ones who make the business operation happen, characteristic behaviors that determine the entrepreneurial orientation of individuals have also been defined. These behaviors have been examined in entrepreneurs, not employees. Therefore, the goal of this paper was to determine to what extent employees in organizations have developed their entrepreneurial orientation, as defined by Freese (2010). Additionally, the goal of this paper was to determine whether there are differences in employee entrepreneurial orientation in terms of geographic characteristics, position within the organization, and the characteristics of the organization that employ them.

2. METHODOLOGY

This research has been conducted with an online method in the period from March 1 to March 9, 2017, with 292 people filling in the questionnaire, of which 57.5% were women, and 42.5% were men. 15.1% are owners of the company they are employed at, and 84.9% are not.

Age	%	Qualification	%	Position within the organization	%
25 and younger	0.3	Semi-skilled	0	Employee	29.5
25-34	20.5	Secondary school education	17.1	Junior management	8.9
35-44	37.0	Higher education	11.6	Middle management	17.1
45-54	31.8	University degree	56.8	Senior management	15.1
55 and older	10.4	MA/PhD	14.4	General manager / Board member	29.5

Table 1: Structure of respondents considering age, qualification and position within the organization

Size	%	Ownership	%	Success in 2016	%
10 or less	25.0	Private company	82.2	Did not meet goals	22.9
11-50	15.1	State-owned company	7.8	Met goals	47.7
51-250	22.9	Public service	10.0	Exceeded goals	29.1
251 and more	37.0			N/A	0.3

Table 2: Structure of organizations that employ the respondents, according to size, ownership and success

This research checked the attitudes of employees on personal entrepreneurial orientation in their job position. To this end, a questionnaire was made consisting of 31 statements and a Likert-type scale from 1 to 5, where respondents were asked to rate their level of agreement with the statements, with 1 being strongly disagree, and 5 being strongly agree.

3. RESULTS AND DISCUSSION

By generally observing the rating the employees gave to their entrepreneurial orientation, it can be concluded that they generally think it is relatively highly developed. The arithmetic mean of the results of the highest-rated statement on one's own entrepreneurial orientation is 4.65 ($s=0.62$), and the lowest-rated 3.86 ($s=0.98$). By grouping the statements according to individual areas of entrepreneurial orientation, as defined by Freese (2010), the respondents are best assessed by:

- Clarity of their own role and goals
- Dedicated work on realizing their goals and personal enthusiasm
- Analysis of their own efficiency and constant work to improve it
- Active seeking of feedback on their own successfulness from colleagues, users and superiors

Analysis of areas ranked in this way shows that respondents have a clear vision of what they want to achieve and the enthusiasm to make it happen, and these are certainly important factors in entrepreneurial orientation and business success.

In their approach to work, they show somewhat lower levels of analysis of their own success and constant searching for new information on how to improve their success. The reason for this might be the fact that they are too focused on operative performing of tasks, so they lack time to step away from them to analyze their behavior and get more information on new, more efficient behaviors. Another reason might be their expectations that the analysis is something that should be done at the organizational level by their superiors, who should then suggest new, more efficient solutions. In any case, the consequence is that the employees might exhaust themselves by investing a lot of energy and enthusiasm into activities that do not lead to results, and thus feel helpless when facing more demanding obstacles. All of this could be prevented with regular analysis of efficiency of their own activities and continuous work on developing higher professional competence, which would assist them in facing even more demanding business challenges. If no such regular analysis is performed, exhausting efforts could have a negative effect on both their work enthusiasm and their dedication to realizing goals.

The area in which entrepreneurial orientation is least represented is the area of active seeking of feedback regarding their own successfulness from colleagues, users and their superiors. This aspect is extremely important, as success within a job is not measured by how dedicated the employee is to realizing goals and the way they see them, but by how much they have aligned their own goals and business vision with the vision and goals of their team or organization. In order for the employee to know this, it is very important that they keep asking for feedback not only from their superiors and their colleagues, but also the users, as this is the only way the organization as a whole can achieve results. If this is not the case, the organization can become a collection of individuals who all think they are doing an excellent job, but as a group they do not reach success, but it leads them to conflict and shift responsibility to someone else. It is therefore important to develop this segment of entrepreneurial orientation as well, because the two situations described above will not lead to the success of the organization as a whole.

4. DIFFERENCES IN ENTREPRENEURIAL ORIENTATION IN TERMS OF SEX, AGE AND QUALIFICATION OF EMPLOYEES

The only statistically relevant difference in terms of gender is that, statistically, women think they understand the needs of their users much more than men. The explanation of this result might be that men might be more orientated to product characteristics or services to meet their buyers' needs, and that women interact with buyers with behaviors that contribute more to the emotional satisfaction of buyers. However, this hypothesis certainly needs to be examined further.

In terms of age, as well, only a few differences have been found. The first difference is that employees of age 26-35 have a statistically much less clear vision of the direction in which to develop the work that they do, in comparison to employees who are 46 or older ($p < 0.05$). The other difference is that employees of the same age group love their job statistically much less, and they perform it with less energy and enthusiasm in comparison to those aged 46-55 ($p < 0.05$) and those 56 or older ($p < 0.01$). These results can be explained by a large load of work, which is additionally exacerbated by their lack of expertise in comparison to older colleagues. However, it would be a good idea for the employers to keep this difference in mind and to make sure the younger colleagues are provided mentorship so that they can develop their business orientation as fast and easily as possible.

In terms of qualifications, only three statistically relevant differences have been found. The first difference is that employees with a higher education qualification think that their colleagues, superiors and users regard them as experts who they trust much less than they do their colleagues with university education ($p < 0.01$). The second difference is that employees with a secondary school education qualification think that their expertise can influence their superiors and their colleagues much less in order to make the soundest business decision, in comparison to employees with a university degree ($p < 0.01$). The third difference is that employees with an MA or PhD have a significantly higher intent to establish their own company than employees with a qualification much lower than theirs ($p < 0.05$). All of these results show that confidence in their own expertise and influence on colleagues grows with their education level; and this is something that managers should consider in running the organization.

5. DIFFERENCES IN ENTREPRENEURIAL ORIENTATION IN TERMS OF THE POSITION OF EMPLOYEE WITHIN THE ORGANIZATION

This research has found several statistically relevant differences in entrepreneurial orientation of employees precisely in terms of their position within the organization.

Employees who do not have a managerial position, are statistically very different from general managers / Board members in these characteristics:

- They have a less clear idea of why the work they do is important for the organization ($p < 0.01$).
- They have a poorer understanding of the way in which their job correlates to other jobs in the organization ($p < 0.05$).
- They know less about the goals they are supposed to realize in their job ($p < 0.05$).
- They have a less clear vision of the direction in which to develop the job they do ($p < 0.01$).
- They like their job less and perform it with less energy and enthusiasm ($p < 0.01$).
- They develop less in line with the vision of expertise they wish to achieve ($p < 0.01$).
- They think that colleagues, superiors and users think of them less as experts they trust ($p < 0.05$).
- They ask significantly less for feedback about their work from colleagues, superiors and/or users in order to be able to further develop in a professional sense ($p < 0.01$).
- They significantly less influence their superiors and colleagues with their expertise in order to make the best joint decision about business operation ($p < 0.01$).
- They think the organization they work for does not encourage and appreciate a proactive approach to work enough ($p < 0.01$).
- They think they have a harder time working with colleagues on mutual adjusting and achieving joint goals ($p < 0.05$).

- It is more difficult for them to make decisions and take responsibility for the consequences ($p < 0.01$). The same result was obtained for junior management.

All of the characteristics in the above list can be significantly improved by active engagement of managers with employees, as these can be a significant factor in deflating the efficiency of the entire organization in realizing its goals.

It is interesting that there is a statistically significant difference between middle management and general managers/Board members, specifically in middle management:

- Has a less clear idea of why the work they do is important for the organization ($p < 0.01$).
- They influence their superiors and colleagues with their expertise in order to make the best joint decision about business operation significantly less ($p < 0.01$).
- They think the organization they work for does not encourage and appreciate a proactive approach to work enough ($p < 0.01$).

This data is especially indicative, because it demonstrates that middle management think their role is not defined clearly enough, and that they have poor influence on the Board. Since it is middle management that is key for active work and strengthening of the organization's lower levels, it is very important that senior management and the Board work with middle management in order to make their role and efficiency clearer.

Additionally, if they get a task they think is not developed enough, employees and lower management ($p < 0.01$), as well as middle management ($p < 0.05$) express their opinions and suggestions on how to improve the task statistically less. This data is also indicative, because it shows a lack of two-way communication at all levels other than the Board. Communication is critical for coordinating with the purpose of realizing joint goals, and it is therefore very important to encourage communication so that entrepreneurial orientation can be enhanced on all levels of the organization.

6. DIFFERENCES IN ENTREPRENEURIAL ORIENTATION IN TERMS OF THE OWNERSHIP STRUCTURE OF THE ORGANIZATION

In terms of ownership structure, the following differences have been found. Employees of state-owned companies and the civil service, in comparison to employees of private companies:

- Have a statistically less clear vision of why the work they do is important for the organization ($p < 0.01$).
- Have a statistically poorer understanding of the way in which their job correlates to other jobs in the organization ($p < 0.01$).
- Think the organization they work for does not encourage and appreciate a proactive approach to work enough ($p < 0.01$).

Civil servants show statistically relevant differences in comparison to employees of private companies in the following:

- Poorer knowledge of the goals they should be achieving in their job ($p < 0.01$).
- Less active in looking for chances to be more efficient in achieving goals in their job ($p < 0.01$).
- Poorer knowledge of the quality of service required by their users ($p < 0.05$).
- Less active in listening to the needs of their users and a timely and quality response to those needs ($p < 0.05$).
- Poorer experience of their approach to work, as well as results that they achieve, as confirmation of their own professionalism, so they do the best they can ($p < 0.01$).
- If they think a given a task is not developed enough, they offer clear opinions and suggestions on how to improve the task in a constructive way much less ($p < 0.05$).
- Less regularly ask for feedback on their own work from colleagues, superior and/or users in order to be able to further develop professionally ($p < 0.05$).

- Influence their superiors and colleagues with their expertise in order to make the best joint decision about business operation significantly less ($p < 0.01$).
- Think the organization they work for does not encourage and appreciate a proactive approach to work enough ($p < 0.01$).

All of the characteristics in the above list can be significantly improved by active engagement of managers with employees, as these can be a significant factor in deflating the efficiency of the entire organization in realizing its goals.

7. DIFFERENCES IN ENTREPRENEURIAL ORIENTATION IN TERMS OF THE SUCCESS OF THE ORGANIZATION

Employees of organizations which have exceeded their sales goals in 2016 are statistically different from employees of organizations which have not realized their goals, in the following:

- They know which activities to perform in order to realize their goals ($p < 0.01$).
- They are constantly dedicated to the fullest to achieve the quality of service their users need ($p < 0.05$).
- They regularly ask for feedback on their own work from colleagues, superiors and/or users, so that they can further develop professionally ($p < 0.05$).
- They influence their superiors and colleagues with their expertise in order to make the best joint decision about business operation ($p < 0.05$).

Employees of organizations which have realized and exceeded their sales goals in 2016 are statistically different from employees of organizations which have not realized their goals, in the following:

- They easily work with colleagues on coordinating and achieving joint goals ($p < 0.01$).
- They think the organization they work for encourages and appreciates a proactive approach to work ($p < 0.01$).

As many as three out of the six characteristics that differentiate employees of successful organizations from employees of unsuccessful organizations refer

to active cooperation with other members of the organization in achieving joint goals and asking for feedback on one's own work. This means that employees rarely question and consider the quality of their own work and their own goals and talk about it with their colleagues with the purpose of acting in a harmonized way. It is precisely the level of proactive efforts, where employees develop their own area of work and coordinate with other employees in the organization that can lead to above-average organizational efficiency. On the other hand, proactive efforts which only refer to realizing one's own vision of work, without coordinating with the other employees in the organization, can lead to destructive conflict of interest, conflict of values and goals, and it can, in the end, be counterproductive for organizational efficiency. It is therefore an important component of proactive efforts, which should be systematically developed at all levels of an organization.

8. CONCLUSION

The results of this research show that employees in Croatian organizations to a large extent feel they are entrepreneurially orientated, albeit they are more orientated to developing their own vision of business operation and dedicated realization of their own goals rather than coordinating with colleagues on the joint vision and goals. The only organizations that systematically focus on this segment of entrepreneurial orientation are the ones with most market success, making them statistically different from the most unsuccessful organizations. This confirms the extreme importance of constant aligning of one's own vision of business operation and vision with the vision and goals of one's colleagues, which is a key aspect of the success of an organization. One of the respondents, a general manager of a successful organization, wrote: "We encourage professional proactive efforts by guiding them to adopt behaviors characteristic for corporate entrepreneurs (intrapreneurship), and that they seek and implement their ideas, tasks and solutions like entrepreneurs".

Moreover, a statistically higher entrepreneurial orientation has been found in employees on higher managerial levels in comparison to those with no managerial position. Additionally, employees of private companies have also been found to have statistically more entrepreneurial orientation than those working in the civil service. The characteristics of entrepreneurial orientation that all of these employees rate as being not as present in their own approach to work can

be easily developed by managers' targeted interventions, which could also have a systematic effect on increasing the success of their organizations. As one of the respondents, a general manager of a successful organization, has noted: "Being proactive is a two-way process. It requires both sides to cooperate, otherwise there is a risk of uncooperativeness easily spiraling".

REFERENCES

- Aloulou, W., Fayolle, A. (2005). *A Conceptual Approach of Entrepreneurial Orientation Within Small Business Context*. Journal of Enterprising Culture, 13, str. 21-45.
- Frese, M. (2010), *Towards a Psychology of Entrepreneurship: An Action Theory Perspective*, in *Foundations and Trends® in Entrepreneurship* 5(6), DOI: 10.1561/03000000028
- Lumpkin, G.T., Dess, G.G. (1996). *Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance*. Academy of Management Review, 21, str. 135-172.
- Wennekers, A.R.M., Thurik, A.R. (1999). *Linking Entrepreneurship and Economic Growth*. Small Business Economics, 13(1), str. 27-56.
- Wiklund, J. (1999). *The sustainability of the entrepreneurial orientation – performance relationship*. Entrepreneurship Theory and Practice, str. 37-48.