

# The Role of Entrepreneurial and Sustainable Orientation in the performance of the SME's in Albania

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**Abstract:** The main issue of the study is the relationship between entrepreneurial and sustainable orientation and how they impact the performance of the business in Albania. Promoting entrepreneurship and creating new businesses, are key factors of this excessive working population. Moreover, knowing that entrepreneurship, in particular (SMEs), tends to be innovative, this may help in finding solutions to several social problems of Albania, such as: economic growth and innovation, higher standards in Education system, more efficient in managing production and trade of products. This means that, pushing for a better performance, based on diversified activities, enables the enterprise to offer a unique way of joint values. Entrepreneurial and sustainable orientation has become a crucial and interesting topic recently for scholars in literature. This study was designed as descriptive and its data gathering method is questionnaire. The questionnaires were addressed to 100 (one-hundred) shareholders of the companies in various industries that are operating in Albania. These findings of the study will allow us to develop a model of business performance of SMEs and to test the hypotheses proposed. The study will have a positive impact because will bring important contributions such as: determining the role of each attribute of entrepreneurial orientation (innovativeness, pro-activeness and competitive aggressiveness) and sustainable orientation (environmental, social and economic) towards business performance of SMEs in Albania.

**Key words:** entrepreneurship, entrepreneurial orientation, sustainable orientation and business performance

## 1. Introduction

After 90' the orientation of Albanian economy was more focus in the private sector particularly towards SMEs, however, it is noticed the government intervention and control in investment and economy efficiency. Despite recent reforms, corruption, property rights and freedom are yet sensitive topic. Since the labor market is incapable of operating well, informal labor activity continues to glow. Small and medium enterprises exert a

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strong influence on the economies of all countries, particularly in the fast-changing and increasingly competitive global market [7]. During these years the definition of entrepreneurial orientation had evolved a lot. The first pioneer was Mintzberg in 1973 by stating: "The entrepreneurial mode, strategy-making is dominated by the active search for new opportunities as well as 'dramatic leaps forward in the face of uncertainty'" [8]. Entrepreneurial Orientation is related to innovation strategy of a company. The companies that are entrepreneurial oriented innovate regularly by taking considerable risks in their product and marketing strategies [5].

In general research made earlier on entrepreneurial orientation were focused on Miller theory. He emphasized: An entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations, beating competitors too the punch" [9]. Meanwhile, in this study the focus was on Lumpkin & Dess theory because it is more appropriate for Albanian market. Recently the businesses and government had focus their attention to sustainability. Small and medium enterprises tend to be more innovative for this reason they have direct impact on sustainable outcome (environmentally and economically). In a business context sustainability is often described according to the triple bottom line, presented by Elkington. [3] The model of the triple bottom implies the accountability of a sustainable business according to the creation of economic, environmental and social value. [3]

This study is intended to identify and determine the effect of entrepreneurial and sustainable orientation in the performance of SMEs in Albania. Data collection was conducted through surveys to SMEs businesses operating in Albania. The main issue of this study is the importance of entrepreneurial and sustainable orientation to be competitive and higher performance. Combining empirical methods with theoretical definitions of entrepreneurial and sustainable orientation, will help to determine the impact of them in business performance. The study will bring an important contributions in determining the role of each attribute of entrepreneurial orientation (innovativeness, pro-activeness and competitive aggressiveness) and sustainable orientation (environmental, social and economic) towards the performance of SMEs in Albania. The paper is divided in 5 (five) sessions; session one is the introduction; session two is literature review; session three is methodology used in this; session four explain the data analysis and session five is referring to the conclusion of the study.

## **2. Literature Review**

### *A. Entrepreneurship/Entrepreneurial Orientation*

Entrepreneurship was studied by Schumpeter in 1930. According to him an entrepreneur is willing and able to convert a new idea or invention into a successful innovation [13]. Entrepreneurship is the gale of creative destruction to replace in whole or in part inferior offerings across markets and industries, simultaneously creating new products and new business models. In entrepreneurship literature, the entrepreneurial orientation is one of the most important concept, and is used to measure it [10]. Entrepreneurship is presented as a multidimensional concept an aggregate variable consisting of the composite weighting of these three variables, innovativeness risk-taking and proactiveness. Miller in his research in 1983 thinks that firms can reach high levels in two of three dimensions may be performing well but not necessarily entrepreneurial [9]. Moreover, Covin and Slevin thinks that: Entrepreneurial firms are those in which the top managers have entrepreneurial management styles, as evidence by the firms' strategic decisions and operating management philosophies. Non-entrepreneurial or conservative firms are those in which the top management style is decidedly risk-averse, non-innovative and passive or reactive [1].

If a company change the technology, develop a new product or incorporate innovative processes because the competitors do so in most of the theories they agree that the company is not entrepreneurial oriented if the proactiveness is not always presented. However, Lumpkin and Dess thinks that the processes, practices and decisions making activities, to create new ventures, it is a strategy making process [6].

There are a lot of theories about Entrepreneurial Orientation, however, our study is focused on 5 (five) dimensions of Lumpkin & Dess [6]. These multi-dimensions are: (a) Innovativeness (b) Risk taking (c) Pro-activeness (d) Autonomy and (e) Competitive Aggressiveness. Lumpkin & Dess are stating: Entrepreneurial orientation refers to the processes, practices, and decision-making activities that lead to "new entry" characterized by one, or more of the following dimensions: "a propensity to act autonomously, a willingness to innovate and take-risks and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities". [6] The questionnaire was designed based on 3 (three) out of 5 (five) dimensions that are: innovativeness, pro-activeness and competitiveness aggressiveness.

### *B. Sustainable Orientation*

In 90' Elkington tried to measure the sustainability of American corporate businesses and their performance. He introduced the triple bottom line an accounting model which integrate three components of performance social, environmental and financial. This approach was different from the traditional one when

the measurement of the performance was not only focused on financial aspect (profit and return on investment) but also in the impact on environment and social aspects. [3]

Later on Andrew Savitz stated: “Sustainability has since become a buzzword for an array of social and environmental causes, and in the business world it denotes a powerful and defining idea: *a sustainable corporation is one that creates profit for its shareholders while protecting the environment and improving the lives of those with whom it interacts.*” [12]

The TBL captures the essence of sustainability by measuring the impact of an organization's activities on the world [12], table no.1 reflect the triple bottom line as per Andrew Savitz definition. [12]

**Table 1.** Triple bottom line of sustainability of the company

	<b>Economic</b>	<b>Environmental</b>	<b>Social</b>
Typical Measures	Sales, Profit, ROI	Pollutants emitted	Health and safety record
	Taxed paid	Carbon footprint	Community impacts
	Monetary flows	Recycling and reuse	Human rights; privacy
	Job created	Water and energy use	Product responsibility
	Supplier relations	Product impacts	Employee relations
	Total	Total	Total

As Gray and Milne statement: “The model of the triple bottom line in itself contains a contradiction because it is a feature of our capitalistic system where financial interests are prioritized over social and environmental interests”. [4] Most of the studies indicate that sustainable orientation has a positive relation with the performance and few thinks that there is a negative or not significant relation with the performance.

*C. Business Performance*

The SMEs performance has a multi-dimensional structure; based on the combination of quantitative and qualitative variables can be measured the success of the business. Some of these attributes that measures the success are: profitability of the business; quality of the products/ services; image of the company; customer satisfaction; employee satisfaction/ motivation; efforts to innovate; number of employees; productivity of the company.

Factors that have positive impact in the performance are: motivation, education, partnership. Many authors had tried to explain the success of SMEs. One of these theories is stated that human capital, social capital and

financial capital are essential factors in improving the performance of business. Performance is directly related to innovation. Increase business performance affects the expansion, competitiveness and chances of survival. Improved performance has an impact on the economy of the country or region [14]. Competitive organizations, constantly supporting and implementing transformative changes [2]. Organizational performance refers to ability of an enterprise to achieve such objectives as high profits, qualities product, large market share, good financial results and survival at pre-determined time using relevant strategy for action [5].

### **3. Methodology**

The Purpose of Study is to determine the relationship between entrepreneurial and sustainable orientation towards business performance of small- and medium enterprise. Hypothesis of the study proposed are:

H1: - *“There is significant correlation between entrepreneurial orientation (towards pro-activeness, innovativeness, competitive aggressiveness) and performance of businesses (SMEs) in Albania.*

H2: *“There is significant correlation between entrepreneurial and sustainable orientations and performance of businesses (SMEs) in Albania.*

In this research was used the quantitative data collection methods. Data collection was conducted during the period April - June 2016. The collection process began with the identification of potential candidates in Albanian business environmental. The number of valid questionnaires were 100 (one-hundred). The data collection was done by searching for information about the business and the collection of information through direct survey.

The questionnaire was segmented into 3 (three) core parts:

1. Measuring 3 (three) out of (five) dimensions of entrepreneurial orientation; the independent variables are: a. innovativeness; b. pro-activeness; c. competitive aggressiveness (Items were rated on 5-point Likert type scale)
2. Measuring the sustainable orientation: the independent variables is sustainable orientation based on triple bottom line measures:
  - a. Environmental (water consumption; gas-emission; recycling and reuse);
  - b. Social (employee relations, health and safety of employees, human rights);
  - c. Economic (amount of taxed paid).

Items were rated on 5-point Likert type scale.

3. The performance of the business within market- is measured by 8 factors (profitability of the business, quality of the products/ services, image of the company, customer satisfaction, employee satisfaction/

motivation, efforts to innovate, number of employees, productivity of the company) (Items were rated on 5-point Likert type scale).

In addition, the questionnaire was collected data for the type of industry, number of employees, number of years operating in the market and annual sales.

#### 4. Data Analysis

The sample is limited to 100 surveys and in this study was used Multi- Regression Analysis to test proposed hypothesis. This approach is designed to develop a regression model with the fewest number of variables which are statistically independent. Analysis of Variance (ANOVA) was used to determine the differences between the models of leadership and performance. Was used the SPSS statistical program to analyze the data based on multiple regression analysis to test the proposed hypothesis. To measure the reliability of a model and significant that the components / questions is used Cronbach alpha level. If Cronbach Alpha values are greater than 0.70 are considered acceptable. In this study the level of reliable values are above 0.70.

Kaiser-Meyer-Test Olkin (KMO) measure the adequacy of the data collected, it should be greater than 0.5. This correlation indicates that the models are relatively compact and analysis factor should provide adequate and reliable factors the result is showed in table 2.

**Table 2.** Validity and Reliability (KMO and Bartlett's Test)

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.567
Approx. Chi-Square		184.116
Bartlett's Test of Sphericity	Df	21
	Sig.	.000

Factor analysis method is applied to determine the size of a scale. Factor analysis is a technique to identify groups or groups of variables and to understand the structure of any hidden variable. Factors will be presented in the form of linear equation (1) to explain the variables measured and their importance as factors.

$$Pkk = a + b1OSak + b2OSi + b3OSp + bSO \tag{1}$$

Note: Pkk= Business Performance

OSak= Entrepreneurial Orientation toward Competitive aggressiveness

OSi= Entrepreneurial Orientation toward Innovativeness

OSp= Entrepreneurial Orientation toward Pro-Activeness

SO- Sustainable Orientation

**H1: - “There is significant correlation between entrepreneurial orientation (towards pro-activeness, innovativeness, competitive aggressiveness) and performance of businesses (SMEs) in Albania.**

The factor analysis method had identified three main dependent variables as it is showed in table 3, and other variables' items and statements as it is showed in table 4. Using SPSS regression model to test the correlation between each Entrepreneurial Orientation (EO) models and the business performance of SMEs in Albania. It was first investigated the relationship between the model of EO towards competitive aggressiveness and performance. In table 7 the output shows the results of regressive analysis performed with SPSS regression model where the dependent variable is as performance and as the independent variable is EO towards competitive aggressiveness.

Table 3. Total Variance/ Principal Component

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.423	34.609	34.609	2.423	34.609	34.609	2.056	29.368	29.368
2	1.544	22.063	56.672	1.544	22.063	56.672	1.688	24.115	53.483
3	1.264	18.052	74.724	1.264	18.052	74.724	1.487	21.241	74.724
4	.618	8.826	83.550						
5	.465	6.646	90.196						
6	.443	6.330	96.526						
7	.243	3.474	100.000						

**Table 4.** Variables and Statements

Statement	Components/ Variables		
	Competitive Aggressiveness	Innovativeness	Pro-activeness
OSKA2 Overall leaders in my company operate: by choosing risky way to potential opportunities.	.894		
OSKA3 Generally the leaders in my company when take decisions that are ambiguous they are: in decision making the attitude is courageous and aggressive.	.862		
OSKA1 Overall leaders in my company tend: to favor high-risk projects.	.684		
OSI2 Main focus of my company is: developing new products or services.		.872	
OSI1 In general, my company executives favor: research & development and leadership towards technological innovation.		.842	
OSP1 My company in relation to competitors: takes initiatives to respond to competitors, or react later.			.902
OSP2 My company relative to its competitors: They are often the first to introduce new products, services, or other administrative techniques and technologies.			.782

**Table 5.** Model of EO towards Competitive Aggressiveness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.097a	.010	-.001	4.782

a. Predictors: (Constant), EO towards Competitive Aggressiveness



**Table 6.** Correlation Analysis (ANOVA) regarding Dependent Variable Performance and independent variable EO Competitive Aggressiveness.

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	21.501	1	21.501	.940	.335 <sup>b</sup>
Residual	2240.939	98	22.867		
Total	2262.440	99			

a. Dependent Variable: Performance; b. Predictors: (Constant), EO towards Competitive Aggressiveness

**Table 7.** Regression Analysis Regarding EO towards Competitive Aggressiveness

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	28.334	1.449		19.554	.000
Competitive Aggressiveness	.140	.144	.097	.970	.335

a. Dependent Variable: Performance

From the ANOVA table 6, as  $p = .024 < \alpha = .05$ , we can say that: "we can say that: "There is no a significant correlation between the model of EO towards competitive aggressiveness and performance of SMEs businesses in Albania.

Moreover, it was investigated the relationship between the model of EO towards innovativeness and performance. Output in table 10 shows the results of regressive analysis performed with SPSS regression model where the dependent variable is as performance and as the independent variable is EO towards innovativeness.

From the ANOVA table 9, as  $p = .024 < \alpha = .05$ , we can say that: "There is a significant correlation between the model of EO towards innovativeness and performance of SMEs businesses in Albania".

To conclude, it was investigated the relationship between the model EO towards pro-activeness and performance. Output in table 13 shows the results of regressive analysis performed with SPSS regression model where the dependent variable is as performance and as the independent variable is EO towards pro-activeness.

**Table 8.** Model of EO towards Innovativeness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.453 <sup>a</sup>	.205	.197	4.284

a. Predictors: (Constant), EO towards Innovativeness

**Table 9.** Correlation Analysis (ANOVA) regarding Dependent Variable Performance and independent variable EO towards Innovativeness.

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	464.037	1	464.037	25.287	.000 <sup>b</sup>
1 Residual	1798.403	98	18.351		
Total	2262.440	99			

a. Dependent Variable: Performance; b. Predictors: (Constant), EO towards Innovativeness.

**Table 10.** Regression Analysis Regarding EO towards Innovativeness.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	22.453	1.496		15.010	.000
Innovativeness	1.028	.204	.453	5.029	.000

a. Dependent Variable: Performance

**Table 11.** Model of EO towards Pro-activeness.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.378 <sup>a</sup>	.143	.134	4.448

a. Predictors: (Constant), EO towards Pro-activeness.

**Table 12.** Correlation Analysis (ANOVA) regarding Dependent Variable Performance and independent variable EO towards Pro-activeness.

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	323.772	1	323.772	16.367	.000 <sup>b</sup>
1 Residual	1938.668	98	19.782		
Total	2262.440	99			

a. Dependent Variable: Performance

b. Predictors: (Constant), EO towards Pro-activeness.

**Table 13.** Regression Analysis Regarding EO towards Pro-activeness.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	22.052	1.932		11.411	.000
Pro-activeness	1.017	.251	.378	4.046	.000

Dependent Variable: Performance

From the ANOVA table 12, as  $p = .024 < \alpha = .05$ , we can say that: "There is significant correlation between the model of and performance of SMEs businesses in Albania".

The correlation between the model of EO towards competitive aggressiveness and performance is negative, which this issue has been emphasis on previous studies. The examination of entrepreneurial orientation was done by evaluating separately the dimensions of: competitive aggressiveness, innovativeness and pro-activeness. The result showed that 2 (two) our of 3 (three) dimensions were positively related to business performance. In terms of impacng the business performance the competitive aggressiveness was not statistically significant. As Lumpking and Dess stated: company's leaders that are willing to improve competitiveness must act anticipating future problems, needs or change that is proactiveness [4]. In order to perform better the companies should motivate and support the new ideas.

**H2: “There is significant correlation between entrepreneurial and sustainable orientations and performance of businesses (SMEs) in Albania.**

In order to conduct test was used the regression analysis, whereas the dependent variable is the performance and as independent variables entrepreneurial orientation to competitive aggressiveness, entrepreneurial orientation to innovativeness, entrepreneurial orientation to pro-activeness, sustainable orientation.

Using multiple regression method with the elimination criterion  $p > \alpha = .05$ , was achieved a model as independent variables are: entrepreneurial orientation to pro-activeness and sustainable orientation, as shown in the table 14.

**Table 14.** Multiple Regression: Depended Variable Business Performance (PKK)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	4.928	.957		5.147	.000		
OSAK	-.050	.141	-.035	-.356	.722	.684	1.462
OSI	.201	.191	.133	1.052	.296	.411	2.434
OSP	.479	.155	.267	3.084	.003	.873	1.145
SO	.520	.268	.275	1.943	.055	.326	3.067
Employees	.003	.003	.098	1.076	.285	.782	1.279

Note:  $R^2 = .417$ , adjusted  $R^2 = .352$ ,  $F(10, 89) = 6.368$  –  $P$ -value = .000.

**Table 15 -** Correlation Analysis (ANOVA) regarding Dependent Variable Performance and independent variable EO towards Pro-activeness and Sustainable Orientation

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	867.543	3	289.181	19.902	.000 <sup>b</sup>
Residual	1394.897	96	14.530		
Total	2262.440	99			

a. Dependent Variable: Performance

b. Predictors: (Constant), EO towards Pro-activeness and Sustainable Orientation.

Referring to the ANOVA table 14,  $p = .000$  as  $\alpha = .05$ , we can say that: “There is significant correlation between entrepreneurial and sustainable orientations with performance of businesses (SMEs) in Albania This means statistically there is an important correlation between entrepreneurial orientation, sustainable orientation and performance of businesses (SME) in Albania as showed on the table below.

**Table 16- Regression Analysis: Depended Variable Business Performance (PKK)**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	12.679	2.289		5.540	.000
	OSP*	.676	.223	.251	3.034	.003
	SO**	.685	.178	.362	3.838	.000

Dependent Variable: Performance

\*Independent Variable: Entrepreneurial Orientation towards Pro-activeness

\*\*Independent Variable: Sustainable Orientation

Referring to the table no 16 we conclude that the correlation between the model of EO towards pro-activeness, sustainable orientation and performance is positive. Moreover, this issue has been emphasis on previous studies. As per Rexas and Coetzer statement “The firm’s proactive orientation toward environmental sustainability”. [11]

## 5. Conclusions

In this study concepts like entrepreneurial orientation towards competitive aggressiveness, innovativeness and pro-activeness are very important regarding the performance of the business. Analysis was conducted on three types of entrepreneurial orientation models as competitive aggressiveness, innovativeness and pro-activeness. In this research was reflected the literature debate regarding the dimensions of entrepreneurial orientation. Some scholars agreed that EO construct is one-dimensional concept and some other agreed that different EO dimensions combinations not necessarily needs to be all presence to support EO.

Furthermore, our work supports the notion that exits a relationship between entrepreneurial and sustainable orientation and business performance. Most of the businesses are concerned if being sustainable oriented can increase the profit? As Andrew Savitz stated in his book: “sustainable corporations operate so that its business interests and the interest of the environment and society intersect...a sustainable business stands an excellent

change of being more successful tomorrow than it is today, and of remaining successful not just for months or even years, but for decades or generations". [12]

During this long transition period (27 years) Albania economy growth was based on remittances from emigration, foreign investment, different donations from developed countries, which cannot maintain the macro- economic balances and not being self-sufficient. Identification of these factors that brings to the new economic growth for Albania and turning to competitive advantages as is a key point. In conclusion, there is a lack of information in this specific area in Albania, so these findings can be used as guidelines in practice by business owners, managers, directors in improving the performance of the company and being more competitive in the market.

In additional, this study can help the policymaker to look for new approaches or update the old ones so SMEs can improve more their performance and being competitive.

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