

ENTREPRENEURIAL ORIENTATION AND BUSINESS PERFORMANCE: THE MODERATOR ROLE OF GOVERNMENT ASSISTANCE PROGRAMS IN MALAYSIAN NASCENT VENTURE: A PROPOSED FRAMEWORK.

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Abstract

This conceptual paper is to study the relationship between entrepreneurial orientation and nascent venture performance of Malay-owned nascent venture in Malaysia. This paper proposes a framework which illustrates the moderating role of government assistance program in the relationship between entrepreneurial orientation and nascent venture performance. The proposed framework is developed based on the review of extant literature. Based on the proposed framework, it is presumed that the effect of entrepreneurial orientation factors, innovativeness, proactiveness and risk taking on nascent venture performance is dependent on whether government assistance programs are supportive or not.

Keyword: *Nascent venture performance, entrepreneurial orientation, innovativeness, proactiveness, risk taking, government assistance program, organization life cycle.*

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Introduction

In the entrepreneurship study, the organization life cycle theory has been widely used by the researchers to provide an understanding on the development of the business venture. Most entrepreneurship scholars agreed on the three stage of organizational life cycle which are emergence, adolescence and post adolescence in the entrepreneurship research (Churchill & Lewis, 1983; Kazanjian & Drazin, 1990; Lester, Parnell, & Carraher, 2003) while recent study by Duobiene (2013) agreed with established, grow-up and decline stage to represent the stage of organizational life cycle. The early stage; the stage of emergence is found to be most crucial

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stage not only for entrepreneurs, but also for a researcher. In this stage, the review of nascent, new or start-up studies remains to be a focal point in entrepreneurship studies. Nascent entrepreneurship research exposed its uniqueness of the study where the discipline of the studies is still at the early stage (Saade, 2013; Parker & Belghitar, 2006) but has received much attention in recent years. This area of study is crucial when there is no consensus in definition of nascent, new or start-up ventures. While for entrepreneurs, in the emergence stage, there is a need of study to determine the best strategy to develop their business to the maturity stage.

Most of the entrepreneurship researchers agreed that the creation of new venture contributes to the economic growth of a country (Ahlstrom, 2010; Wong, Ho & Autio, 2005; Wennkers & Thurik, 1999). While Acs and Szerb (2007) highlighted in their study where there is a positive effect of entrepreneurial activity on economic growth in the highly developed countries while the negative effect is found on the relationship between entrepreneurial activity and economic growth in the developing country. Malaysia is ranked as the most ease in doing business and the start-up business rate also shows promising figure. This is proved by the TEA rate and business density rate. Lowrey (2005) defined business density as the number of business firms per 1,000 persons. However, the creation of nascent ventures in Malaysia do not contribute to extensive gross of economic growth and employment compared to Turkey and Poland. In addition, although the result of discontinuation rate showed that Malaysian entrepreneurs have low rate in discontinuation of business, but the closing business rank by NationMaster (2014) proved that the higher number, ranked 43 over 155 countries signifies there were high number of business failure. This evidence also leads to the need of study at nascent ventures context as in this emerging stage, the high number of nascent venture creation contributes to high growth of economy in one's country.

In addition, recent study by Haltiwanger, Jarmin, and Miranda (2013) found that, most of the nascent ventures at the emerging stage contribute substantially to the job creation. Previous studies also agreed that the creation of nascent ventures contributes to GDP growth (Davidsson, 2003; Wagner, 2007). They further explained that the venture's age and net growth have weak relationship when exclude start-up while in the survival perspectives, nascent and new ventures contribute to the higher growth of employment. This study envisaged the significance of start-up ventures plays a significant role towards Malaysia economy (Hilmi & Ramayah, 2008; Hashim & Hassan, 2008; Murjan, 2012) and their development also crucial in creating economic resilience and national growth (Shinozaki, 2012). The statistical figure of SMEs growth in Malaysia also postulate a decreasing rate in 2011 to 2012 and slightly grew in 2013 at 0.3 percent. This inconsistency of growth should be concerned as SME's is the major player in Malaysian economic growth. The highlight of business failure by previous researchers indicates that there is a need of study on the nascent venture performance. While in a study done by Jamak, Salleh, Sivapalan and Abdullah (2011) indicates, "only 10 percent of the start-ups business survived beyond 10 years marked while more than 90 percent of new start-ups businesses have failed within 5 years of their operations" (p.863). Not to mention, Malaysian researchers in entrepreneurship studies also found out the rate of failure among bumiputera where majority are Malay entrepreneurs is highest (Roddin *et al.* 2011; Abu Bakar *et al.*, 2004) while non-bumiputera are seen more proactive in generating wealth (Zainol & Ayadurai, 2011; Zainol & Daud, 2011).

As a manager and owner of the business, the decision of the business is fall on nascent entrepreneur's wise thinking. This is because all the decisions made by them will lead to the success or failure of the business. EO (Entrepreneurial Orientation) is widely discussed in the previous study as it is an important measure of the way a firm is organized. Naldi, Nordqvist, Sjoberg and Wiklund (2007) refer EO as a

strategic orientation. Although there is massive literature on the relationship between EO and business performance (Zainol, Daud & Muhammad, 2012; Fairoz, Hirobumi & Tanaka, 2010; Wiklund & Shepherd 2005), but previous studies reported that there is lower correlation between entrepreneurial orientation and ventures' performance. Inconsistent findings of the significant relationship of EO and performance in other studies (Lumpkin & Dess, 2001; Zahra, 1991; Fairoz, et al., 2010) where they even unable to find a significant relationship between EO and performance (Covin, Slevin, & Schultz, 1994) especially the discussions of EO and business performance in the context of how entrepreneurs managed their nascent venture entrepreneurially also still deficient (Kotey and Meredith, 1997).

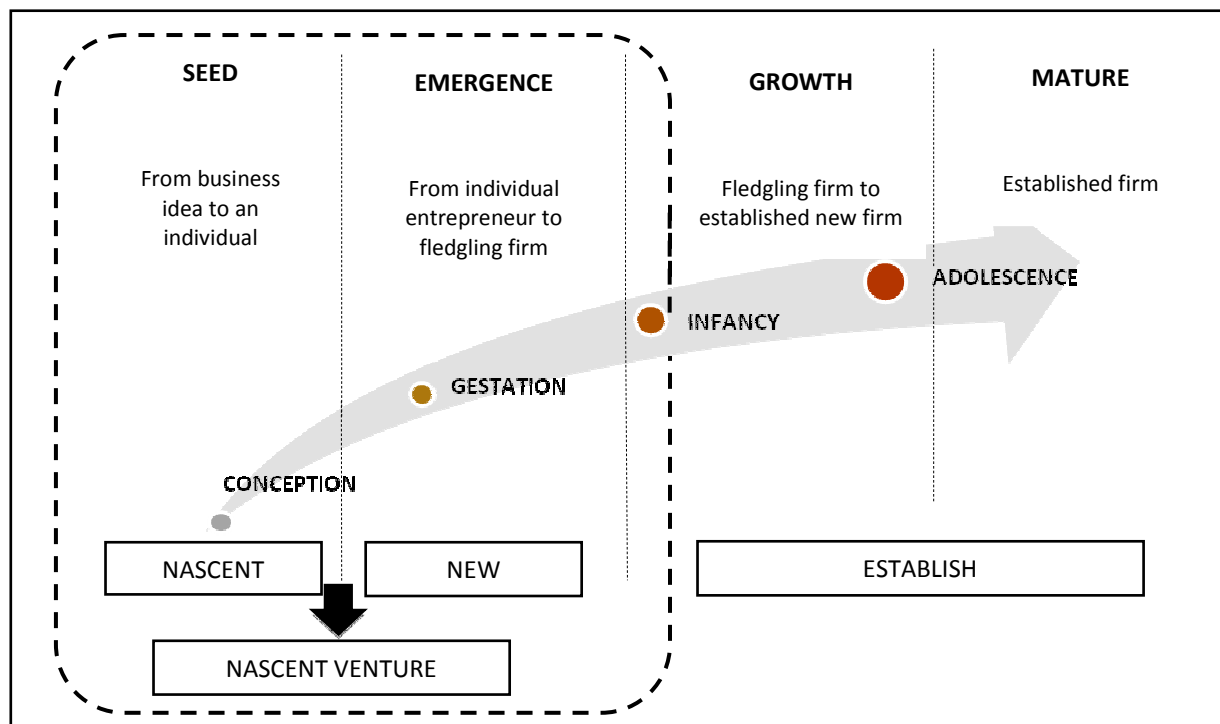
In emerging phase, resources acquisition is vital for nascent ventures to survive. In a contingencies perspective, understanding of under which situations entrepreneurial orientation enhances venture performance is important to achieve the fit between venture's strategic posture and other constructs of interest (Lumpkin & Dess, 1996). While the study between EO and ventures performance has considerably rich, the inconsistency findings of EO and ventures performance relationship suggested that moderating variables may improve the result of significant relationship (Rausch, et al., 2009; Stam & Elfring, 2008). Previous studies have significantly examined the role of environment factors like dynamism, hostility, turbulence (Aziz, 2010; Lumpkin & Dess, 2001; Wiklund & Shepherd, 2005; Cruz & Nordqvist, 2012) and organizational factors like sizes, strategy culture, structure (Alegre & Chiva, 2013; Lechner & Gudmundsson, 2014, Rausch, et al., 2009) in EO and ventures performance relationship. Whereas much work has focused on the moderating role of environmental and organizational factors, surprisingly few studies have examined how a venture's utilize the available resources of government support and social networking (intangible resources acquisition) to improve nascent ventures performance (Stam & Elfring, 2008; Anderson & Yoshima, 2013). The purposes of this study is to examine the factors contributing to nascent ventures' performance in Malaysia and the to evaluate the moderating effect of government assistance programs on the relationship between entrepreneurial orientation and performance of nascent venture in Malaysia.

Literature Review

Nascent Venture

The definitions from GEM (Global Entrepreneurship Monitor) report stated the guideline of identification between nascent and new entrepreneurs, yet the issue of determining nascent and new venture in emergence stage remains debatable among researchers (Saade, 2013; Dimov, 2010; Davidsson, 2006; Aldrich & Martinez, 2001). In different view of entrepreneurship research, the early stage of venturing a business is a critical stage for most entrepreneurs. They need to manage their resources efficiently in lessen the risk of discontinuity of business and drives their venture to be an establish venture (West & Noel, 2009). When a venture no longer regard as a new venture, this demonstrates the entrepreneurs are success to reach another phase in entrepreneurship process, shifting the venture from the emergence stage to the growth stage. Nascent venture is defined as a new and independent start-up business by nascent entrepreneurs or new entrepreneurs, where they venturing the business on their own (Wagner, 2007). In the entrepreneurial process, nascent ventures are in the second transition, between gestation and infancy stage where in this process (refer Figure 1), from the individual entrepreneurs to fledgling firm and from fledgling firm to new establish business (Reynolds, 1994; Bosma & Amoros, 2013; Wagner, 2004) and the

age of venture is not more than 5 years (Dzathor, Mosley & White, 2013; Driessen&Zwart, 1999). From the GEM report prepared by Bosma and Amoros (2013), nascent entrepreneurs and new entrepreneurs are actively engaging with the nascent activities in the emerging stage of entrepreneurship.



Source: Adapted from Bosma&Amoros (2013), Wagner (2004)

Figure 1

The analogy of entrepreneurs and ventures phase in business

Nascent venture performance

Performance is important for entrepreneurs of nascent ventures to evaluate their presence in the market. Alternatively, performance also important for all types of ventures as it has been widely recognized to relate with their profit and survival (Kallerberg&Leicht, 1991; Van Praag, 2003; Bosma, Praag, Thurik& Wit, 2004). In fact, nascent ventures performance also is another source of information for entrepreneurs to do the decision making process like analyzing, planning, directing and controlling (Zuriekat, Salameh&Alrawashdeh, 2011). Smith and Reece (1999, p.153) defined venture performance as, “the operational ability to satisfy the desires of the company’s major shareholders” while Zulkiffli and Perera (2013) added the measure of performance must be assessed to evaluate business venture’s achievement. Previous study evaluated performance by using different variables of instrument and measurement (Soriano &Castrogiovanni, 2012; Lim, Ribeiro & Lee, 2008; Haber &Reichel, 2005; Reid & Smith, 2000). Due to the newness of the venture, performance of nascent venture is defined as the ability of an emerging business to exist profitably within one to five years of its establishment (Dzathor, Mosley & White, 2013; Driessen&Zwart, 1999). The nature of nascent business is they are new, lacking in skills, information knowledge and experience also low access to credit finance front to the company

having incomprehensive data. In fact, most study in entrepreneurship concur that obtaining financial data to measure business performance is not accessible especially for those who have incomplete financial data. Therefore, subjective measure is more appropriate in measuring nascent entrepreneur's business performance. Previous studies agreed using subjective measures of company performance is apposite not only because of inappropriate financial records; also they are cost effective for the researchers (Wall, et al., 2004; Prajapati & Biswas, 2011; Dawes, 1999; Zulkiffli & Perera, 2011).

Entrepreneurial Orientation

Wiklund and Shepherd (2005) defined entrepreneurial orientation (EO) as the strategic orientation of a firm, which captures specific aspects of the firm's decision-making styles, practices, and methods. This involves the willingness of a firm to innovate and renew market offerings, take business related risks in trying out new and uncertain products and markets, as well as succeeding in competing other rival firms by being proactive (Covin & Slevin, 1991), which in return generate and sustain performance for that firm. EO also played an important role in sustaining the organization in the stiff competitive market. Wiklund and Shepherd (2005) emphasizes that venture performance is a company's competitive advantages, thus they again proved the entrepreneurial orientation have significant relationship with the venture performance. Seeing the importance of entrepreneurial orientation in one's venture, numerous studies have found the dimension of entrepreneurial orientation helps to improve the ventures profit (Chow, 2006) and realization of strategic capability (Lan & Wu, 2010). Again, Lan and Wu (2010) addressed ventures which have high entrepreneurial orientation are founds to have high survival rate in the future.

EO as a construct is gaining its popularity and acceptability globally for over two decades (Huang, Wang, Chen, & Yien, 2011; Shane et al., 2009) as a significant antecedent of performance (Covin & Slevin, 1991), and a global construct in determining performance (Lumpkin & Dess, 1996). Nevertheless, still there is relatively little research that have examined the effects of EO on firm performance in developing countries (Abu-Hassim et al., 2011). Moreover, there is another issue with regard to the argument on whether EO is a unidimensional or multidimensional construct, which is still under discussion (Liu & Fu, 2011). Covin and Slevin (1989) posited that EO is a unidimensional construct, whereas Lumpkin and Dess (1996) argued that EO is multidimensional construct in which each dimension affects performance independently and differently. In this regard, Rauch et al. (2009) conducted a meta-analysis study on fifty-one (51) previous studies on the relationship between EO and performance. Their study found that thirty-seven (37) studies have hypothesized EO as a unidimensional construct, while the other fourteen (14) have followed multidimensional conceptualization. In this regard, more is needed to be known on the multidimensional influence of EO on performance as suggested by Mahmood and Hanafi (2013). The most frequent dimension adopt in the previous study are innovativeness, proactiveness and risk-taking. Innovativeness reflects a firm's willingness to promote new ideas, novelty and creative solutions (Richard et al, 2004); Proactiveness refers to a firm's initiative in seizing opportunities in the marketplace (Lumpkin & Dess, 2001). whereas risk-taking concerns a firm's propensity to take business-related chances with regard to strategic actions when faced with uncertainty (Richard et al, 2004). However, in the recent studies, it found that proactiveness has been addressed as a potential dimensions to see the strength of the entrepreneurial orientation among entrepreneurs (Knight, 2000; Kuratko, Hornsby & Goldsby, 2007, Kropp, Lindsay and Shoham, 2008). Hence, the present study attempts to examine the multidimensional effects of EO (proactiveness, innovativeness, and risk-taking) on SME performance.

Innovativeness refers to the effort of a firm in finding new opportunities and new solutions. This involves an experimentation and creativity that result in the development of new goods and services or improvement of technological processes. However, in today's business environment, effectiveness in production, assimilation, as well as exploiting innovation cannot be overemphasized as they can bring about competitive advantage.

Proactiveness is associated with seeking first mover advantage and forward-looking efforts to shape the firms' business environments thereby introducing products and processes ahead of competitors (Lyon et al., 2000). In other words, proactiveness refers to an opportunity-seeking and forward-looking behavior that are characterized by the introduction of new products or services ahead of competitors in an anticipation of future demand (Rauch et al., 2009). It also includes initiative efforts and applying existing advantages in shaping a business environment and responding to competitive challenges (Wang et al., 2001). Hence, a firm will always be the first to come up with proactive moves in terms of its products and beat other competitors (Miller, 1983).

Risk-taking, on the other hand, concerns with bold actions by borrowing heavily, and committing considerable resources to venture into uncertain market environments (Rauch et al., 2009). It is the degree of the managers' ability and willingness to commit large and risky resources into uncertain or unknown venture (Wang et al., 2001). Such risky investment, if succeeded, will possibly generate and yield high returns. To sum, Barney (1991) posited that entrepreneurial behavior could be categorized as heterogeneous resources that could be used as a source of competitive advantage and sustain performance (Barney, 1991). Yet, there is a little concern on how EO determines performance in turbulent settings, especially in the Malaysian nascent venture context where studies on EO and performance relationship are generally scarce. Thus, the present study hypothesized that: H1: There is significant relationship between innovativeness and nascent venture performance, H2: There is significant relationship between proactiveness and nascent venture performance H3: There is significant relationship between risk-taking and nascent venture performance.

Government assistance program

Government influences and supports for entrepreneurship is very crucial to promote the entrepreneurial development in order to guarantee SMEs future venture success. The support from government including financial and non-financial assistance is another critical strategy for entrepreneurs in nascent venture increased their survival rates. Vадnjal (2011) stressed out that the importance of government program for new venture creation to achieve growth and success is extensively discussed in the textbook. However, the effectiveness of government assistance program has been so far neglected and poorly demonstrated by academic research (Lambrecht & Pirnav, 2005). There is an ongoing debate among policy makers, practitioners and academics on the necessity for provision of low-cost business services for start-ups which would be available in the local environment (Rustenet al., 2005) in which businesses operate. However, this debate is influenced more by individuals' beliefs than significant academic findings (Vадnjal, 2011).

Government assistance program is proven by conceptual discussion as another contributing factor for early stage ventures to survive (Lazim & Azizan, 2013; Yusoff, 2011, Yusuf, 2010; Zainol & Daud, 2011; Shanmugam, 2013). A study done by Jamak, et al (2011, p.863) alleged, "mismatch of the services provided in terms of content and entrepreneurial factors are the most reasons cited for the low

participation among entrepreneurs in assistance programs”. There were few research studies on the role of government assistance programs (GAP) for entrepreneurs, however the effectiveness of GAP is absent in relative to nascent business strategy (Gomezelj & Kusce ,2013; Zainol & Daud,2011;Korunka, Kessler, Frank &Lueger, 2010). The absent of the GAP effectiveness on entrepreneurs in nascent ventures is grounded by the factor of poor formulation, implementation, evaluation and control of the support programs (Curran, 2000).While recent discussions highlight the importance of how government assistance programs helps entrepreneurs to stimulate their venture performance, lack of empirical evidence in proving the effectiveness of government assistance programs towards performance is demanding in entrepreneurship research (Yusuf, 2010; Yusoff ,Yaakob& Ibrahim, 2010; Yusuf, 2012; Shanmugam, 2013). While study done by Chrisman, et al., (2012) resulted in significant findings between business assistance and new venture growth, the findings from studies Braun (2009) and Pickernell, et al., (2013) demonstrate insignificant result between government business assistance to new firm performance and growth orientation. Surprisingly, a study by Braun (2009) only quantitatively to be not significant, but qualitatively entrepreneurs believed that government assistance is benefiting for their business.

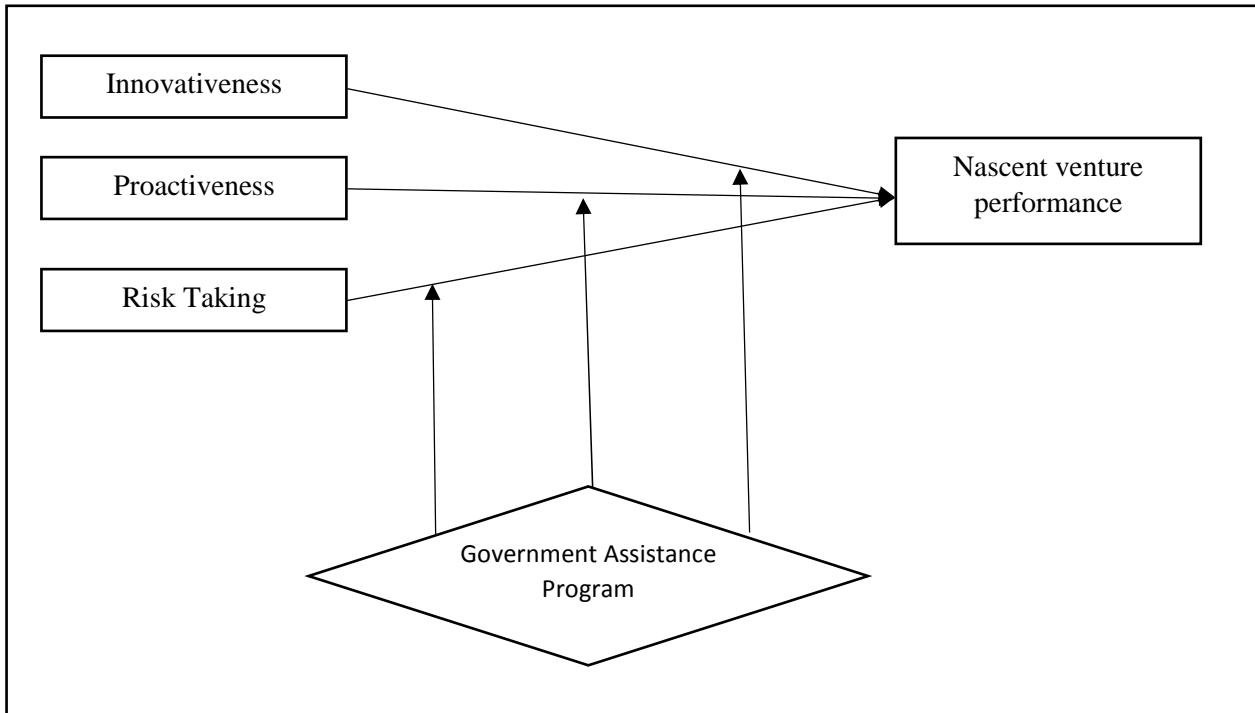


Figure 2
The Proposed Conceptual Model.

Conclusion

This paper proposes a framework which illustrates the moderating effect of government assistance program on the relationship between entrepreneurial orientation and nascent venture performance. It is assumed that the effect of entrepreneurial orientation factors; innovativeness, proactiveness and risk

taking on nascent venture performance is dependent on supportive external environmental factors of government assistance programs. Theoretically, this study offers an insight of the relationship between nascent ventures' strategies (entrepreneurial orientation) with nascent venture performance. While the relationship between entrepreneurial orientation and performance has been extensively discussed in the previous literature (Lumpkin & Dess, 2001; Zahra, 1991; Rauch, et al., 2009), this study concerned at the strategy making processes that provide nascent ventures with a basis for entrepreneurial decisions and actions. Further, this study also will look on the moderating effect of resources acquisition by nascent venture in Malaysia. Moreover, by focusing at entrepreneurs of nascent ventures as the subject for this study, it would be an addition to the SME literature as it conducted in Malaysia where there is lack of study focused on nascent ventures at the local context (Egge, Tan & Mohamed 2003; Ahmad & Xavier, 2012).

The implication is that, this study also will expose new perspectives to SMEs (Small-Medium Enterprises) entrepreneurs especially those who are in nascent ventures in using the unfilled opportunities in enhancing their business and boosting their sales to increase the productivity level. This study also attempts to provide new information for the future entrepreneurs. The information available can be used to evaluate their decision making in receiving government assistance programs which would be valuable for entrepreneurs especially in nascent stage (Delanoe, 2011; Yusuf, 2012). Previous research has shown the use of business assistance programs (provided by government or outside company) may enhances the start-up success, survival and performance of nascent ventures (Yusuf, 2012). However, as discussed in the problem statement, a question of "is assistance programs effective in supporting entrepreneurship if nascent entrepreneurs are not intended to be assist by the trainers?" need to be answered. Furthermore, another question that is critical for this study is whether the assistance programs reach those who (nascent entrepreneurs) need advice and training most? From these questions, this research is providing current information for government, policymakers and stakeholders to review the best strategy to deliver effective assistance programs for new and nascent entrepreneurs. With this, this study is expected to give a guide for entrepreneurs in receiving assistance programs efficiently.

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