

ENTREPRENEURIAL ORIENTATION OF COURIER OPERATORS IN BULGARIA

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Abstract: *This paper investigates the relationship between entrepreneurial orientation (EO) and the business performance of Small and Medium Enterprises (SMEs) operating in the courier services sector in Bulgaria. The original Hughes and Morgan EO Scale was developed to assess the level of EO of courier operators. All scales are 7-point Likert-type scales in which respondents are obligated to choose between pairs of opposing statements. Business performance is assessed in terms of growth (in sales and in employees over the last 5 years) and overall performance. The finding revealed that there is a positively correlation between EO and business performance of courier operators in Bulgaria.*

Keywords: *Entrepreneurial orientation, Business performance*

Introduction

Entrepreneurial activities are increasingly regarded as important to every organization, but in today's complex global economy, entrepreneurship has become even more crucial towards obtaining a sustainable competitive advantage. During the last three decades the Entrepreneurial orientation has become one of the most established constructs in entrepreneurship and management research. EO is the most widely used constructs to assess company entrepreneurship. EO is an organizing marketing approach that an organization adopts and which enables it to identify and exploit the emerging business opportunities.

EO is an organizational decision-making proclivity favoring entrepreneurial activities [Covin, Wales, 2011]. Entrepreneurial orientation is a strategic focus

on new opportunities and a willingness to move beyond existing competencies and company resources. Some authors define EO as the sum total of a firm's radical innovation, proactive strategic action, and risk taking activities that are manifested in support of projects with uncertain outcomes [Cools, Van den Broeck, 2008; Pearce et al., 2010].

An organization is considered to be entrepreneurial if it is innovative, proactive and risk-taking [Rezaei, Ortt, 2018]. Many researchers argue that EO is closely reflect to actual entrepreneurial firm behavior [Stambaugh et al., 2017; Rauch et al., 2009; Rosenbusch et. al., 2013] and is that it is positively related to firm performance [Wang, 2008]. The implementation of EO as an internal resource facilitates a company to effectively identify first and then exploit the opportunities that come across and improve its business performance.

Nowadays, business environment in courier services sector can be described as complex and uncertain. Over the past decade the role of courier services has changed fundamentally. Today, courier services play an integral part in the success of many businesses by providing the vital link between suppliers and consumers. The courier services market is being challenged by new customer habits and has had to adapt new technologies. E-commerce trade is one of the major drivers of the global courier services industry [Otsetova, Dudin, 2017].

This can place emerging young courier operators in vulnerable positions by compromising their ability to compete against established competitors. To compete under such conditions, the young courier operators have to hone their entrepreneurial capabilities so as to launch speedy and stealthy attacks on competitors.

Hence, the aim of this paper is to investigate the relationship of entrepreneurial orientation and business performance of courier operators in Bulgaria and to emphasize its most characteristic aspects that can attribute to a stable and profitable business development.

Entrepreneurial Orientation Measurement

The majority of studies in the field of EO tend to adopt Miller (1983) definition of an entrepreneurial firm and extrapolate it to EO [Hughes, Morgan, 2007]. The author suggests that EO as a construct is composed of three dimensions: innovativeness, risk taking, and proactiveness. In the Miller/Covin and Slevin (1989) scale (Table 1). EO is measured as a first-order reflective construct.

Table 1. Miller/Covin and Slevin EO Scale (adapted for services sector)

<i>Innovativeness items</i>		
<i>In general, the top managers of my firm favor...</i>		
A strong emphasis on the marketing of tried-and-true services	1 2 3 4 5 6 7	A strong emphasis on Research and Development (R&D), technological leadership, and innovations
<i>How many new services has your firm marketed in the past five years (or since its establishment)?</i>		
No new services	1 2 3 4 5 6 7	Very many new services
Changes in service lines have been mostly of a minor nature	1 2 3 4 5 6 7	Changes in service lines have usually been quite dramatic
<i>Proactiveness items</i>		
<i>In dealing with its competitors, my firm ...</i>		
Typically responds to actions which competitors initiate	1 2 3 4 5 6 7	Typically initiates actions to which competitors then respond
Is very seldom the first business to introduce new services, administrative techniques, operating technologies, etc.	1 2 3 4 5 6 7	Is very often the first business to introduce new services, administrative techniques, operating technologies, etc.
Typically seeks to avoid competitive clashes, preferring a "live-and-let-live" posture	1 2 3 4 5 6 7	Typically adopts a very competitive, "undo-the-competitors" posture
<i>Risk-taking items</i>		
<i>In general, the top managers of my firm have ...</i>		

A strong proclivity for low-risk projects (with normal and certain rates of return)	1 2 3 4 5 6 7	A strong proclivity for high-risk projects (with chances of very high returns)
<i>In general, the top managers of my firm believe that...</i>		
Owing to the nature of the environment, it is best to explore it gradually via cautious, incremental behavior	1 2 3 4 5 6 7	Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's objectives
<i>When confronted with decision-making situations involving uncertainty, my firm ...</i>		
Typically adopts a cautious, "wait-and-see" posture in order to minimize the probability of making costly decisions	1 2 3 4 5 6 7	Typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities

Later researches use more detailed conceptualizations of EO, include extra dimensions of EO, and suggest more formative measurement models of EO where the dimensions of EO are allowed to vary independently. Lumpkin and Dess (1996) expanded the number of dimensions that characterize EO. According to the authors EO is composed of five dimensions: innovativeness, risk taking, proactiveness, competitive aggressiveness and autonomy.

The first dimension, risk-taking, is often used to describe the uncertainty that follows from behaving entrepreneurially. Risk-taking reflects an acceptance of uncertainty and risk and is typically characterized by resource commitment to uncertain outcomes and activities.

Innovativeness includes propensity for toward embracing and supporting creativity and experimentation, technological leadership, novelty and R&D in the development of products, services and processes. Innovativeness is about pursuing and giving support to novelty, creative processes and the development of new ideas through experimentation.

Proactiveness relates to a forward-looking perspective where companies actively seek to anticipate opportunities to develop and introduce new products and services to obtain first-mover advantages. Proactiveness represents behaviors in anticipation of future problems, needs, and changes. It involves taking the initiative, anticipating and carrying out new opportunities, and the

creation of or participation in emerging markets. Proactiveness includes the tendency to be the first on the market with new products or services. Indeed, proactiveness concerns the importance of initiative in the entrepreneurial process.

Competitive aggressiveness conveys the intensity with which a firm chooses to compete and efforts to surpass. Autonomy describes the authority and independence given to an individual or team within the firm to develop business concepts and visions [Hughes, Morgan, 2007].

Based on Lumpkin and Dess (1996) study, Hughes and Morgan (2007) developed an EO scale, recognizes the multidimensionality of the EO construct (Table 2).

Table 2. Hughes and Morgan EO Scale [Hughes, Morgan, 2007]

<i>Risk-taking items</i>	
(Risk-taking 1) The term "risk taker" is considered a positive attribute for people in our business	1 2 3 4 5 6 7 "Strongly disagree" (=1) to "Strongly agree" (=7)
(Risk-taking 2) People in our business are encouraged to take calculated risks with new ideas	1 2 3 4 5 6 7
(Risk-taking 3) Our business emphasizes both exploration and experimentation for opportunities	1 2 3 4 5 6 7
<i>Innovativeness items</i>	
(Innovativeness 1) We actively introduce improvements and innovations in our business	1 2 3 4 5 6 7
(Innovativeness 2) Our business is creative in its methods of operation	1 2 3 4 5 6 7
(Innovativeness 3) Our business seeks out new ways to do things	1 2 3 4 5 6 7
<i>Proactiveness items</i>	
(Proactiveness 1) We always try to take the initiative in every situation (e.g., against competitors, in projects when working with others)	1 2 3 4 5 6 7
(Proactiveness 2) We excel at identifying opportunities	1 2 3 4 5 6 7

(Proactiveness 3) We initiate actions to which other organizations respond	1 2 3 4 5 6 7
Competitive aggressiveness items	
(Competitive aggressiveness 1) Our business is intensely competitive	1 2 3 4 5 6 7
(Competitive aggressiveness 2) In general, our business takes a bold or aggressive approach when competing	1 2 3 4 5 6 7
(Competitive aggressiveness 3) We try to undo and out-manuever the competition as best as we can	1 2 3 4 5 6 7
Autonomy items	
(Autonomy 1) Employees are permitted to act and think without interference	1 2 3 4 5 6 7
(Autonomy 2) Employees perform jobs that allow them to make and instigate changes in the way they perform their work tasks	1 2 3 4 5 6 7
(Autonomy 3) Employees are given freedom and independence to decide on their own how to go about doing their work	1 2 3 4 5 6 7
(Autonomy 4) Employees are given freedom to communicate without interference	1 2 3 4 5 6 7
(Autonomy 5) Employees are given authority and responsibility to act alone if they think it to be in the best interests of the business	1 2 3 4 5 6 7
(Autonomy 6) Employees have access to all vital information	1 2 3 4 5 6 7

The results from EO measurement can be used to revisit the firm EO capabilities. Each dimension of EO can vary independently, indicating that firms should manipulate only those that add value.

Analysis and Findings

Small and medium enterprises operating in the courier services sector in Bulgaria are the main units of the study. The courier operators included in the survey met the official European Union (EU) criteria for SMEs, e.g. they employ less than 250 employees.

According to the Communication Regulation Commission at the beginning of 2019 the number of registered courier operators in Bulgaria is 172. 57 of them declared that they did not perform activities. The number of courier operators in

Bulgaria that meet the criteria for SMEs is 101. Using the apparatus of mathematical statistics at significance level $\alpha=0,05$ and margin of error $\varepsilon=0,05$ minimum sample size determined to be 80 [Creative Research System, 2019]. The number of returned and valid questionnaires is 83.

The study was conducted between May and October 2019.

Most of courier operators (72.29% of the sample) fit in the category of small firm, meaning 10 to 49 employees. Fewer firms (27.71% of the sample) are medium sized firms; employing 50 to 250 people.

The questionnaire was send to top level managers or founders. The respondents had an average age of 53 years, 81,93% were male, 75,90% held a university degree (of which 11.10% had a doctoral degree).

The original Hughes and Morgan EO Scale was developed to assess the level of EO in small and medium courier operators in Bulgaria. All scales are 7-point Likert-type scales in which respondents are obligated to choose between pairs of opposing statements.

Business performance is assessed in terms of growth (in sales and in employees over the last 5 years) and overall performance.

Three questions were thus asked to measure performance:

- Evolution of turnover over the last 5 years
- Evolution of the number of employees over the last 5 years
- How would you rate your overall performance over the last 5 years? (1 to 7).

A confirmatory factor analysis is conducted in order to assess the discriminant validity and reliability of the EO scale. To assess the validity and reliability of the scale the absolute fit indices (Confirmative Fit Index (CFI) and root mean square error approximation (RMSEA)) and incremental fit indices (Tucker-Lewis Index (TLI) and Normative Fit Index (NFI)) were calculated.

The factor loadings for the individual items, as well as for the first-order factors are presented in Table 3. The results indicate good convergent validity of the scale. All factor loadings are significant at $p\leq 0.001$.

Table 3. Results from Confirmatory Factor analysis

First order factor	Factor loading
Risk-taking items	0.73
Innovativeness items	0.84
Proactiveness items	0.68
Competitive aggressiveness items	0.62
Autonomy items	0.58
<i>Items</i>	
Risk-taking 1	0.61
Risk-taking 2	0.69
Risk-taking 3	0.71
Innovativeness 1	0.87
Innovativeness 2	0.82
Innovativeness 3	0.73
Proactiveness 1	0.58
Proactiveness 2	0.75
Proactiveness 3	0.68
Competitive aggressiveness 1	0.63
Competitive aggressiveness 2	0.58
Competitive aggressiveness 3	0.61
Autonomy 1	0.59
Autonomy 2	0.67
Autonomy 3	0.54
Autonomy 4	0.65
Autonomy 5	0.67
Autonomy 6	0.71
CFI=.874, RMSEA=.071, TLI=.841, NFI=.917	

Internal consistency of the scale was estimated by Cronbach's coefficient. The internal consistency is considered to be excellent if $\alpha \geq 0.9$, and if $0.7 \leq \alpha \leq 0.9$, it is considered to be good. All the extracted factors have good internal consistency (Table 4).

Table 4. Cronbach's coefficients of first order factors

Factor	Cronbach's coefficient
Risk-taking	0.801
Innovativeness	0.839
Proactiveness	0.729
Competitive aggressiveness	0.702
Autonomy	0.738

The next step of the study is the evaluation of the relationships as shown in Figure 1. This model tests whether EO has a positive correlation with business performance. The findings of the correlation between EO and performance are shown in Table 5.

Table 5. The relationship between EO and Business Performance

	Pearson's correlation coefficient (r)	Direction	Strength	Coefficient of determination (r²)
EO	0.589	+	Moderately positive	0,347

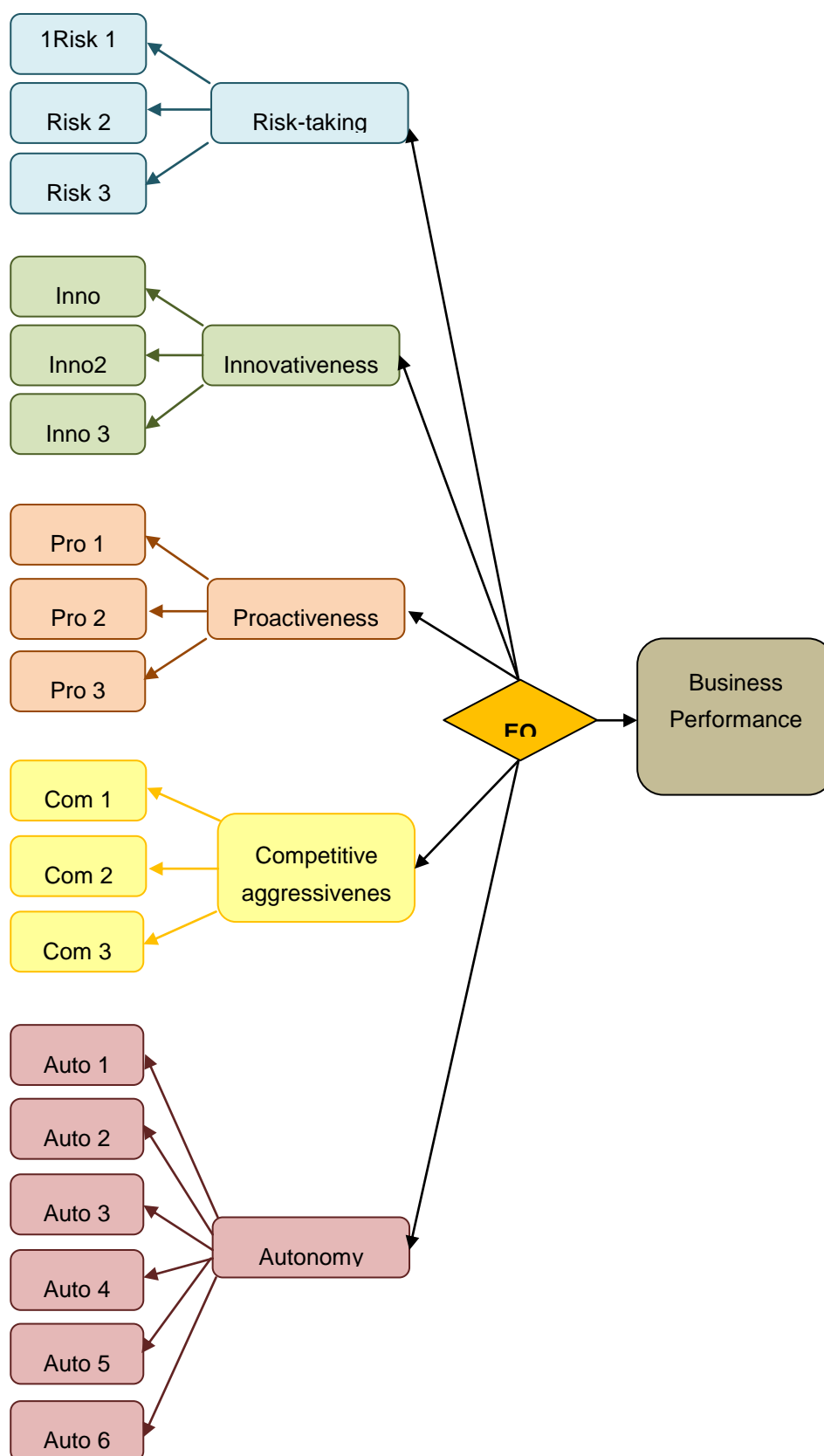


Figure 1. Hypothesized Structural Model

According to the results it can be concluded that the entrepreneurial orientation is positively correlated to business performance, on the base of a medium relation. However, the relation is almost large as the Pearson's correlation coefficient is higher than 0.5. Furthermore, the coefficient of determination explains that EO is responsible of 34.7% of the variance in business performance of courier operators.

Conclusion

This study examines how EO can affect the business performance of SMEs operating in courier services sector in Bulgaria. Significant conclusion from this study is that EO has a positive effect on business performance. It means that as the EO level increases, the degree of business performance also increases. Entrepreneurial orientation contributes to performance of courier operators in Bulgaria with an outlook on business growth as well as business development and improvement. Results from this study could foster SMEs manager to encourage and develop entrepreneurial behaviour within their organizations to achieve sustainable growth.

It can be concluded that there is a necessity of educating entrepreneurs towards entrepreneurial orientation and for entrepreneurs and managers to improve on applying the dimensions of EO in the business environment.

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