

Role of Entrepreneurial Orientation and Competitive Advantage in Firm's Performance

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ABSTRACT

Entrepreneurship serves as a growth engine for the rapid development of the country where entrepreneurs play a vital role providing more employment opportunities and improving the standard of living of the people to a great extent. To encourage the entrepreneurs it is important that there should be higher level of business performance. In this regard, entrepreneurial orientation and competitive advantage play important role in ensuring sound business performance. Entrepreneurial orientation plays an important role in influencing business performance through its three dimensions, which significantly predict an organization's performance. In this regard, the present study examines the effect of three components of entrepreneurial orientation on business performance through firm's competitive advantage of small scale industries (SSIs) in Ludhiana. Based upon a sample of 192 manufacturing industries, the study found that among the three dimensions of entrepreneurial orientation, proactiveness has a greater positive and significant impact on firm's competitive advantage. However, this relationship is not so strong. Thus, SSIs should lay more emphasis on proactiveness. In order to be more proactive, SSIs should give greater emphasis on forward-thinking strategic planning, anticipate the future problems, needs and changes. Further, competitive advantage has a positive impact on organizational performance.

Key words: *Entrepreneurial Orientation, Competitive Advantage and Business Performance.*

INTRODUCTION

A good number of research works have been done in the arena of entrepreneurial orientation, yet not much attention has been paid to understand the both the entrepreneurial orientation and competitive advantage on business performance. This piece of research work strives to comprehend the role of entrepreneurial orientation and competitive advantage on firm's performance. Entrepreneurial orientation and competitive advantage play important role in ensuring sound business performance. Entrepreneurship has been regarded as an important

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ingredient in acknowledging innovation (McGrath, 2001), which corroborates firm's initiatives toward achieving competitive advantage (Lumpkin & Dess, 1996) that improves the firm's performance. There is a positive and significant relationship between entrepreneurial orientation and business performance (Saeed, Yousafzai, & Engelen, 2014). Competitive advantage plays an important role in the market-place that leads a firm to outperform its rivals (Porter, 1985). Alalak & Tarabieh, (2011) also investigated that competitive advantage leads to superior organizational performance. Thus, entrepreneurial orientation and competitive advantage play important role in improving business performance.

Studying the importance of entrepreneurial orientation and competitive advantage, the present study strives to examine the role of entrepreneurial orientation and competitive advantage on firm's performance in context to SSIs.

LITERATURE REVIEW

According to Hult, Hurley, & Knight, (2004), entrepreneurial orientation is a vital driver of firm's innovativeness, while market and learning orientations may help managers to create superior products, processes and ideas and it is likely that entrepreneurial orientation provides the stimulus for driving such activities because entrepreneurial orientation captures the qualities of proactiveness, aggressiveness, and initiative. Wang, (2008) revealed that entrepreneurial orientation is important for performance in medium-to-large sized firms. Lin, Peng & Kao, (2008) proposed a quantitative analysis in which innovativeness were key success factors in technology intensive firms and indicated that firms should strengthen innovativeness and avoid interfering in the organizational structure to improve business performance. Brettel & Rottenberger, (2013) found that entrepreneurial orientation positively influences individual-level learning, team-level learning and organizational-level learning. However, the influence of entrepreneurial orientation on team-level learning process is more significant than its influence on individual or organizational-level learning. Brettel, Chomik, & Flatten, (2014) investigated the role being played by organizational culture in determining the level of three dimensions of entrepreneurial orientation, (innovativeness, proactiveness and risk-taking) in SMEs. Cheng & Huizingh, (2014) revealed that entrepreneurial orientation is related to risk tolerance, which helps to overcome some barriers in performing open innovation and fosters the effect of open innovation on innovation performance. On the other hand, Kollmann & Stockmann, (2012) investigated that the three dimensions of entrepreneurial orientation are positively associated with exploration and also innovativeness

and proactiveness positively influence exploitation. Wales, Parida, & Patel,(2013) found that with higher entrepreneurial orientation, higher absorptive capacity can be achieved before financial returns diminish. Entrepreneurial orientation captures a firm-level strategic posture toward the pursuit of new opportunities for organizational growth and renewal (Covin & Wales, 2012).Entrepreneurial firms are prone to regular and bold innovations, assuming risks in their product and market strategies (Miller & Friesen, 1982). Along with others (Khandwalla, 1977; Mintzberg, 1973), Miller and Friesen argued that entrepreneurial firms tend to take more risks than non-entrepreneurial firms and proactively seek out new business opportunities. Thus, entrepreneurially oriented firms may be perceived as innovative, proactive and revealing a high tolerance for risk. Avlonitis & Salavou, (2007) observed that the firms which are proactiveness and risk-taker can produce new products and lead to overall performance. They also found thatproactiveness directly influences new product performance whereas risk-taking does not. Miller, (2011) suggested that researcher should not only focus on entrepreneurial orientation as a unified construct but also emphasise on the separate sub-components of entrepreneurial orientation, i.e., innovativeness, proactiveness and risk-taking.

RESEARCH GAPS AND OBJECTIVE OF THE STUDY

Hence, most of the previous research studies focused on entrepreneurial orientation and learning on firm's performance. There is an abundant scope of research in the field of entrepreneurial orientation and competitive advantage and its impact on firm's performance. The study like,Brettel, Chomik, & Flatten, (2014); Cheng & Huizingh, (2014); Kollmann & Stockmann, (2012); Wales, Parida, & Patel, (2013); Covin & Wales,(2012) and Saeed, Yousafzai, & Engelen, (2014) focused on individual effect of entrepreneurial orientation on firm's performance and thus, ignored competitive advantage which plays important to edge over competitors. The studies examining theroleof individual dimensions of entrepreneurial orientation on competitive advantage and further on business performance could not be traced. Therefore, the present study examines, (a) the impact of innovativeness on competitive advantage (b) proactiveness on competitive advantage (c) risk-taking on competitive advantage and (d) further, competitive advantage on business performance.

The study contributes to the existing literature in different ways; (i) the study examines the individual impact of each dimensions of entrepreneurial orientation on firm's performance through competitive advantage and (ii) which dimension of entrepreneurial orientation has more impact on competitive advantage.

HYPOTHESES FORMULATION

Product innovativeness comprises of product design, market research, and advertising and promotion (Miller & Friesen, 1978; Schere, 1980). Numerous studies have examined positive significant relationship between innovativeness and performance, thus innovativeness has a critical role to play in the success and survival of a firm in reaping sustainable competitive advantages. Introduction of new processes, products or ideas in the firm is of high significance for the firms to engage in innovation (Hurley, Hult, & Knight, 2003) and this innovation capacity is one of the core competencies that help in generating a strong influence on business performance (Burns & Stalker, 1961; Hurley & Hult, 1998). Owing to the greater relevance of innovativeness, recently many studies have analyzed the contribution of firm's innovative assets and action toward its performance (Sorescu & Spanjol, 2008; Srinivasan & Dominique, 2009). Firms with greater capacity to innovate will be more successful in responding to their competitors and satisfy customer needs. In the marketing literature, innovativeness has been considered as an indispensable asset that creates value in the market (Rust et al., 2004) and thus, compete the competitors. A firm with innovative product generates superior market offerings to meet the changing needs of its customers and improve its positional advantage over competitors. The present study proposes the significant impact of innovativeness on competitive advantage based on this discussion, we present our first hypothesis:

H1: Innovativeness has a positive and significant impact on competitive advantage.

Proactiveness is the emphasis on being the first to take action. The ability and willingness of leaders to conceptualize and implement a plan for opportunistic expansion provides a first mover advantage to help capitalize on a market opportunity (Lieberman & Montgomery, 1988). On the other hand, proactiveness emphasises aligning services and products with the perceived emerging market rather than exploiting the existing market. The impact of proactiveness on performance for commercial organizations is positive when it leads to a beneficial first-mover advantage. Proactiveness implies searching for opportunities, future oriented perspective accompanied by launching of novel products or services in the hope of creating potential demand and gaining competitive edge over the rivals in the market, which leads to high business performance. Such a behaviour of searching for and availing those opportunities is referred to as strategic ability (Bullinger, 1999), which resembles

Teece's, (2007) concept of dynamic capabilities that enable an organization to know the loopholes and to take advantage of them through entrepreneurial efforts. Therefore, on the basis of above discussion, we can set up the second hypothesis:

H2: Proactiveness has a positive and significant impact on competitive advantage.

Entrepreneurial firms are prone to regular and bold innovations, assuming risks in their product and market strategies (Miller & Friesen, 1982). Along with others Khandwalla,(1977); Mintzberg,(1973), Miller and Friesen argued that entrepreneurial firms tend to take more risks than non-entrepreneurial firms and proactively seek out new business opportunities. Further, risk taking is the willingness to take risks and to act outside of accepted practices and norms. Risk-taking behaviour has the potential to facilitate exceptional results, especially in a setting where predictable behaviour is characteristically high (Gill, 1995; Kohl, 1984). Previous researchers depict that risk-taking is a primary prerequisite for generating innovative concepts and discovering novel linkages among diverse ideas and perspectives (Slater & Narver, 1995) and thus, lead to competitive advantage. Nystrom, (1990) suggested an increase in organizational innovativeness when risk taking is promoted within an organization. Similarly, Shalley & Gilson, (2004) argued that risk taking fosters creativity. Firms with higher risk-taker are able to create more innovative product and lead to firm's competitive advantage. Based on these premise, we develop our third hypothesis:

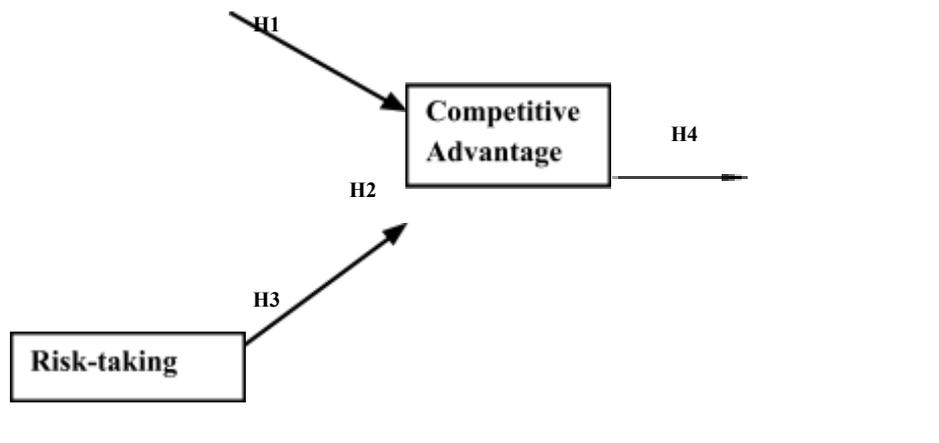
H3: Risk-taking has a positive and significant impact on competitive advantage.

Competitive advantage plays an important role in the market-place that leads a firm to outperform its rivals (Porter, 1985). Zhou, Brown, & Dev, (2009) analyzed that firm's innovation differentiation and market differentiation advantages are positively related to market performance. In industries business performance and success depend critically on the interaction between employees and customers (Anderson, Fornell, & Rust, 1997), making service quality and customer satisfaction a key link between competitive advantage and business performance. Thus, differentiation advantage enhances business performance indirectly through fostering market performance. Recently, Alalak & Tarabieh, (2011) generalized that innovation and market differentiation have significant and direct influence on the organizational performance. It leads to the setting up of the following hypothesis:

H4: Competitive Advantage has significant positive impact on Firm's Performance.

Figure 1: Proposed Conceptual Model





RESEARCH METHODOLOGY

Sample

The research design employed in this study is descriptive in nature. Data were obtained personally from the owners/managers of SSIs located in Industrial Area ‘A’ and ‘B’ of Ludhiana city of Punjab (Industrial Hub of Northern India). For contacting the respondents, a list of industries was procured from the District Industrial Centre (DIC) Ludhiana. As majority of the old industries are located in Industrial Area ‘A’ and ‘B’ of Ludhiana, we decided to confine our study population to these two areas only. There were 41,385 SSIs as on 31st March 2012 in Ludhiana and out of these; there are approximately 3,000 SSIs located in Industrial Area ‘A’ and ‘B’. Initially we conducted pilot survey by contacting ten SSIs each from these two areas purely on convenience basis. After obtaining descriptive statistics, we applied the formula given by Malhotra, (2007, p. 364) and determined the sample size. Considering 5% level of confidence, the sample size arrived at 211. We obtained a list of industries in Industrial Area ‘A’ and ‘B’ from DIC Ludhiana and arranged them in an alphabetical order. We employed systematic sampling technique to contact the respondents. First respondent was blindly selected and there after leaving 15 SSIs in between, we contacted every 16th SSIs. Out of 211 owners/managers of these SSIs, 204 owners/managers of SSIs gave complete information pertaining to the questionnaire. These contacted industries were textile and hosiery (31.25%), auto and cycle parts (27.08%), agriculture equipments and oil expeller (21.88%), casting (6.25%), iron and steel (7.29%) and sewing machine (6.25%) (Table 1).

Table 1: Profile of Sampled Firms

Manufacturing Industries	No. of Firms	Percentage	
1. Agriculture equipments and oil expeller	42	21.88%	2. Auto and cycle parts
52	27.08%	3. Casting	
12	6.25%	4. Hosiery and Textile	
60	31.25%		
5. Iron and steel	14	7.29%	6. Sewing machine
12	6.25%		
Total	192	100	

Measures

Relevant literature has been reviewed extensively to generate items pertaining to different dimensions of entrepreneurial orientation, competitive advantage and business performance. A well structured questionnaire was developed to gather required information.

Entrepreneurial Orientation: In order to investigate the level of entrepreneurial orientation, the study utilized a widely used instrument developed by Covin & Slevin, (1989). The study used three dimensions of entrepreneurial orientation, i.e., innovativeness, proactiveness and risk-taking, which consisted of nine items, three each for innovativeness, proactiveness and risk-taking. In numerous studies, example, Kreiser, Marino, & Weaver, (2002); Barringer & Bluedorn, (1999) & Knight, (1997), innovativeness, proactiveness and risk-taking dimensions have been reported as possessing adequate levels of reliability and validity. The study used second-order construct to capture entrepreneurial orientation. This second-order construct comprised of three reflective first-order constructs of innovativeness, proactiveness and risk-taking.

Competitive Advantage: It comprised of six self-developed items and used first-order reflective construct to confirm these items.

Business Performance: Business performance of SSIs consisting of twelve items adapted from Moorman & Rust, (1999). First-order construct was used to capture business performance.

The instrument comprised of total 48 items, out of which 12 pertained to organizational demographics, 9 to personal demographics and remaining items belonged to three major

constructs of the study. A 7-point Likert scale was employed ranging from “strongly disagree” (1) to “strongly agree” (7) for entrepreneurial orientation, “not at all” (1) to “really high” (7) for competitive advantage; and “worst” (1) to “best” (7) for business performance.

Analytical procedure

Before applying any multi-variate research technique, data have to be screened and normalcy has to be verified. Outliers were checked item-wise through box plots (Grubbs, 1969). There were 204 subjects out of whom we observed 12 outliers, finally deleted from the data set and thus, the usable sample arrived at 192. After outliers normality was checked through histogram, Box plot and Q-Q plot (Park, 2008) and we also used Skewness and Kurtosis to check the normality of the data (Mardia, 1970) and the data are normal when its Skewness and Kurtosis have value between -1 and +1 or closer to zero (Gao, Mokhtarian, and Johnston, 2008). Through SPSS (17.0 version) Skewness and Kurtosis values were observed and the value of Skewness was -.31 and Kurtosis was -.10 respectively. Thus, the data were found to be normally distributed.

Confirmatory Factor Analysis (CFA) was performed to assess fitness, reliability and validity of latent constructs. Reliability of the data has been evaluated through Cronbach’s alpha. In order to improve scale consistency, item-to-item correlation has been computed to determine whether each item of a scale predominately correlates positively with other items (Kennedy, Lassk, & Goolsby, 2002) (**Table 2**). Alternative way of testing reliability is through composite reliability and in the present study, the value of composite reliability of all the latent constructs is above .90, which indicates internal consistency of the data. The dimension-wise composite reliability is shown in **Table 2 and 3**. On the other hand, validity of scale has been established through construct validity, which include convergent validity (Lim & Ployhart, 2006) and content, convergent, and discriminant validity (Fornell & Larcker, 1981). Convergent validity has been established through factor loading and average variance extracted and in the present study convergent validity gets established as majority of factor loading and average variance extracted are either closer to or above .50 (**Table 2 and 3**). Discriminant validity analysis is estimated to examine the degree to which a variable is distinct from other variables (Hair et al., 2009). **Table 4** shows that each explained variance estimate on the diagonal is greater than the corresponding inter-factor squared correlation estimates below the diagonal (Malhotra, 2007). Thus, discriminant validity gets established, there by implying that major constructs are unique.

Table 2: Descriptive Statistics of Measurement Models

CONSTRUCT	MEAN	S.D	F.L	C. R	C. A	AVE
ENTREPRENEURIAL ORIENTATION						
EOI1: Emphasis on the marketing of tried and true products and services, R & D, technological leadership, and innovations.	3.23	2.2 5	.33	.57	.61	.48
EOI2: Marketed very many new product lines or services.	4.62	1.7 1	.65			
EOI3: Changes in product or service lines have been quite dramatic	3.70	2.4 5	.72			
EOP1: Initiate action which the competition then responds.	3.52	2.7 9	.65	.92	.86	.69
EOP2: Strong tendency to “follow the leader” in introducing new products or ideas	4.81	1.1 9	.94			
EOP3: First business to introduce new products/services, administrative techniques and operating technologies	3.64	1.8 6	.87			
EOR1: Strong proclivity for high risk projects	4.51	1.9 7	.53	.89	.84	.68
EOR2: Explore the environment gradually via careful, incremental behaviour	3.07	2.1 4	.96			
EOR3: Wait-and-see posture in order to minimize the probability of making costly decisions.	3.01	2.1 6	.91			
COMPETITIVE ADVANTAGE						
CA1: Competitive advantage in marketing and sales.	4.07	0.8 2	.77	.93	.75	.48
CA2: Competitive advantage in supply chain.	3.33	1.5 4	.42			
CA3: competitive advantage in introduction of new products and service.	4.22	0.9 1	.78			
CA4: competitive advantage in production and distribution of products.	4.17	0.8 8	.89			
CA5: competitive advantage in human resource.	4.59	1.2 1	.57			
BUSINESS PERFORMANCE						
BP1: Revenue growth in last three years	4.54	.71	.72	.99	.89	.63
BP2: Market share growth in last three years	4.62	.70	.75			

BP3: Net profits in last three years	4.41	.66	.88			
BP4: Return on Assets (ROA) in last three years	4.25	.62	.78			
BP5: Profit to revenue ratio in last three years	4.42	.67	.80			
S.D- Standard Deviation; F.L- Factor Loading; CR-Composite Reliability; CA- Cronbach's Alpha and AVE- Average Variance Explained.						

Table 3: Reliability and Validity of Latent Constructs

Constructs	AVE	Composite Reliability	Cronbach's Alpha
Entrepreneurial Orientation	.64	.93	.79
Competitive Advantage	.48	.93	.75
Business Performance	.63	.99	.89
AVE= Average Variance Explained			

Table 4: Discriminant Validity of Latent Constructs

AVE	Entrepreneurial Orientation	Competitive Advantage	Business Performance
Entrepreneurial Orientation	(.64)		
Competitive Advantage	0.10	(0.48)	
Business Performance	0.07	0.01	(0.63)
AVE= Average Variance Explained			

The results of measurement models reveal that goodness-of-fit (GFI), adjusted goodness-of-fit (AGFI), normed fit index (NFI), Tucker-Lewis index (TLI) and comparative fit index (CFI) exceeded the recommended value of .90 and Chi-square statistics is less than recommended 5.0 level (Inman, Sale, & Green, 2009; Hoe, 2008) (**Table 5 and 6**).

Table 5: Results of CFA Fit Indices

CONSTRUCT	CMIN/DF	GFI	AGFI	CFI	NFI	TLI	RMSEA
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Entrepreneurial Orientation	1.44	.97	.94	.99	.97	.98	.04
Competitive Advantage	1.28	.99	.96	.99	.99	.99	.03
Business Performance	2.46	.98	.92	.99	.98	.97	.08

Table 6: Multi-modelling Approach

Models	CMIN/df	GFI	AGFI	NFI	TLI	CFI	RMSEA
Alternative Models							
INNOV→CA→BP	1.48	.93	.95	.95	.93	.94	.05
PROV→CA→BP	1.13	.98	.99	.99	.98	.97	.02
RSKT→CA→BP	3.12	.90	.91	.93	.91	.92	.08
Proposed Model/ Structural Model							
PROV/RSKT/INNOV→CA →BP	1.34	.99	.95	.96	.96	.98	.04
INNOV- Innovativeness; PROV- Proactiveness; RSKT- Risk-taking; CA- Competitive Advantage and BP- Business Performance							

After applying CFA, Structural Equation Modeling (SEM) was conducted by using AMOS 17.0 to assess fitness of the structural model (**Table 6**). With the help of SEM, the data were analyzed and hypotheses were tested.

RESULTS

The entrepreneurial orientation construct under the study has been analyzed as reflective and multi-dimensional. After applying CFA, one item of competitive advantage and seven items of subjective performance got deleted, as the standardized regression weight (SRW) was below the acceptable criterion of .50. These models have been found to be valid and reliable after deleting insignificant items and reliability also gets confirmed through Cronbach's alpha and composite reliability (**Table 2**). The remaining indicators predict a good fit model in terms of CMIN/df, GFI, AGFI, NFI, TLI, CFI and RMSEA (**Table 5 and 6**).

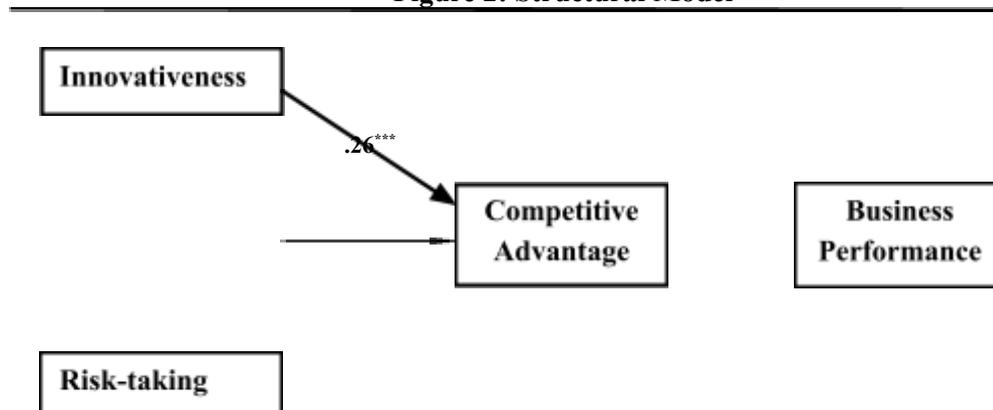
On the basis of SEM, the framed hypotheses (**Figure 1**) have been tested. It becomes evident from the SEM results that the three dimensions of entrepreneurial orientation, viz., innovativeness, proactiveness and risk-taking have significant impact on competitive advantage and further, competitive advantage significantly lead to business performance (**Figure 2**).

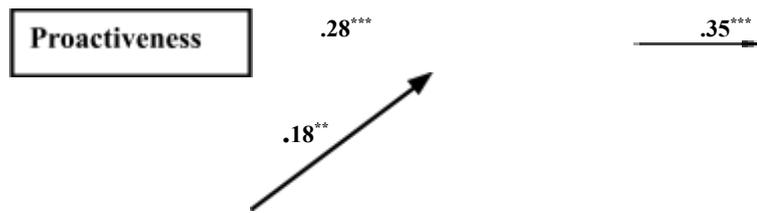
The data indicate that innovativeness, proactiveness and risk-taking play an important role in leading the enterprises effectively. Among the three dimensions of entrepreneurial orientation, proactiveness is greatly influenced on competitive advantage than innovativeness and risk-taking. In this regard, Tang et al., (2009) also observed the same results, i.e., the more proactive the firm, the more likely it is to perceive higher levels of environmental opportunities. Fang, Yuli, & Hongzhi, (2009) also reported the same finding and indicated that innovativeness dimension is uncertain in formal organizations while proactiveness plays an important and significant role in formal organizations. On the contrary, Hult, Hurley, & Knight, (2004); Helen & Lioukas, (2003); Avlonitis & Salavou, (2007); Baker & Sinkula, (2009) and Atuahene-Gima & Ko, (2001) found out that innovativeness has greater prediction for entrepreneurial orientation. The probable reasons could be different environmental conditions, state of the economy (developed countries, different sectors/context) and even different types of industries.

Competitive advantage in production and distribution of products and introduction of new products and services significantly contribute toward building sustainable competitive edge over rivals. SSIs were found to have paid more attention toward the introduction of new products and their distribution to increase market share by attracting potential customers and retaining existing customers through delivering greater value constantly. In building competitive advantage, supply chain also plays a pivotal role but in the present study competitive advantage is least influenced by supply chain, as its SRW falls below the expectable limit of .50 (i.e., .42). Still the study retained this manifest variable because it helps in creating competitive advantage through ensuring regular interaction with immediate customers.

Structural model depicts that net profit and profit to revenue ratio significantly influence business performance. In addition, return on assets (ROA), market share growth and revenue growth also have significant and positive impact on business performance of firms, as their SRWs are above .70. However, as compared to net profit and profit to revenue ratio, the contribution of remaining three indicators toward business performance is low.

Figure 2: Structural Model





Hypotheses Testing

The proposed model (**Figure 1**) reveals that the three dimensions of entrepreneurial orientation, i.e., innovativeness, proactiveness and risk-taking have positively and significantly related to competitive advantage, i.e., ($\beta=.26$, $p<.05$; $\beta.28$, $p<.05$ and $\beta=.18$, $p<.05$) respectively. Thus, supported H1, H2 and H3. Further, it depicts that the competitive advantage has also significant impact on firm's performance. Thus, supported H4(**figure 2**).

MANAGERIAL IMPLICATIONS

SSIs in India seem to be contended with the daily routines of manufacturing their products and with the help of limited market information; these firms innovate or introduce new products, processes and technology. These firms do not follow the leader in order to introduce new products or ideas. Even they do not intend to be the leader in the market by introducing new products or ideas for the first time. In order to become innovative, these SSIs should try for substantial modifications and improvements in their market offerings at regular intervals to search for and exploit untapped potential market. Hence, these SSIs should conduct market surveys on continuous basis so as to extract information regarding the changes likely to take place in the customers' needs pertaining to the firm's offering. This market information shall help the SSIs in introducing new products, processes and technologies to fulfil latent needs of the market. Even Rauch et al., (2009) stated that proactiveness, which is an opportunity-seeking perspective, results in the introduction of new offerings ahead of the competition. SSIs should lay more emphasis on proactiveness. In order to be more proactive, SSIs should give greater emphasis on forward-thinking strategic planning, anticipate the future problems, needs and changes.

Gaining competitive advantage has been one of the prime focuses of all the entrepreneurs since time immemorial and is emerging as a tool to survive and grow in today's highly competitive market scenario. SSIs in Ludhiana are found to have competitive advantage in launching new products and services, distribution of product and also in human resources. However, they are lacking in marketing and sales areas and further they do not have strong supply chain management. Therefore, SSIs ought to build competency in marketing and sales of products and services. Moreover, they should try to establish efficient and strong bond

with concerned suppliers, which eventually go a long way in carving an edge over competitors.

CONCLUSION

Previous literature in context to SMEs has either examined the effect of entrepreneurial orientation on firm's performance or analyzed the effect of entrepreneurial orientation on organizational learning. There is dearth of research work exploring the role of entrepreneurial orientation on business performance through competitive advantage. Also, most of the research work focusing on entrepreneurial orientation and business performance has been conducted in the developed nations, where the economic growth, institutional environment, market turbulence and technological advancement have significant impact on the firm's performance. Hence, there is a dire need to explore entrepreneurial orientation and competitive advantage on business performance in context to emerging markets where economic development and prevalent environment is not stable in terms of market turbulence, competitive intensity and technology turbulence. *First*, which dimension of entrepreneurial orientation has greater influence on competitive advantage? The study found that proactiveness has greater prediction for competitive advantage as compared to innovativeness and risk-taking in context to SSIs. *Second*, whether all the dimension of entrepreneurial orientation significantly predicts competitive advantage? The study depicts that all the three dimension of entrepreneurial orientation significantly leads to competitive advantage. *Third*, whether competitive advantage has significant impact on business performance? The findings reveal that competitive advantage has significant impact on business performance. Thus, the three components of entrepreneurial orientation play a significant role in firm's success.

LIMITATIONS AND FUTURE AGENDA

All the possible efforts have been made to maintain objectivity, validity and reliability of the study, yet certain limitations have emerged, which restrict its applicability. First, other strategic orientations like market orientation, technology orientation, production orientation, selling orientation etc have not been included in the present study. Second, few other constructs having significant relationship with entrepreneurial orientation and competitive advantage like market orientation, organizational capabilities and social context have also not been considered. Third, the present study is confined to small scale industries (SSIs) located in Ludhiana city of Punjab, India. Fourth, being industry sector-specific, it did not cover other

sectors, which also play vital role in the economic development like services sector. Fifth, the study contacted only managers/owners of SSIs. Therefore, future research can examine other strategic orientations like market orientation, technology orientation, production orientation and selling orientation and their effect on firm's performance can also be considered for future studies. Beside these, the employees and industrial customers can also be contacted to measure competitive advantage.

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