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The Contribution of Entrepreneurial Orientation to Improve the Competitiveness of Small and Medium-sized Enterprises (SMEs): Agricultural SMEs in the Fes-Meknes Region as a Case Study

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Abstract

Objectives: Our research aim is to determine the relations between the different dimensions of the entrepreneurial orientation and the competitiveness. Its main purpose is to establish a conceptual framework for EO closely related to competitiveness, and then test our model. **Methods/Statistical Analysis**: Its main purpose is to establish a conceptual framework for EO closely related to competitiveness, and then test our model. A sample of 130 agricultural SMEs (farmers, agribusinesses, agricultural equipment companies and agricultural furniture) was formed. We were able to access these companies thanks to the list provided by the Regional Directorate (DRA). To describe the behavior of our variables, we used SPSS (25). To answer our problematic and to test our research hypothesis, we carried out a descriptive analysis to describe our sample, and then we continued the univariate analysis and principal component analysis (PCA). **Findings:** The results indicate that the dimensions of EO are positively correlated with the competitiveness of agricultural SMEs in the region. **Practical /implications**: An important consequence of this research is that the interesting results allow management consultants to focus on improving their entrepreneurial orientations agricultural SMEs in FES-Meknes region, in their training, in order to improve their competitiveness.

Keywords: Competitive Advantages, Competitiveness; Entrepreneurial Orientation, Innovation, Risk-Taking and Pro-Activity

1. Introduction

Research in Small and Medium-sized Enterprises (SMEs) has grown over the past decade because of their fundamental contributions to the overall performance of the economy. Indeed, SMEs play an increasingly important role in the stability, job creation and economic development of a country. In Morocco, SMEs represent 95% of the total number of enterprises (78.1% are concentrated in the service sector), 21% of employment, 40% of GDP and 31% of exports.

Morocco puts a set of reforms and actions to support SMEs and entrepreneurship such as: sectoral strategies, institutional reforms, improvement of the business climate, opening of the economy, public-private partnership ... which allowed to improve its position in the world ranking according to the report of doing business 2019, occupies the 60th place instead of 69 a year ago.
However, despite this set of measures, the number of bankrupt firms is increasing. In 2017, out of 70,000 active SMEs, those that went bankrupt accounted for 11.5%. Between 2009 and 2015, the bankruptcy rate increased by 16%. This trend, compared to other countries, is likely to continue in 2018 and in the coming years[1].

Considering the high failure rate of small businesses, it is necessary to identify strategies that can improve their

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performance and competitiveness. There are suggestions evident that implementing entrepreneurial strategies will lead to business success.

SMEs need to focus on an entrepreneurial Orientation (OE) to stand out. In other words, they must be innovative, proactive, and aggressive and take risks[2].

Our research aims to determine the relations between the different dimensions of the entrepreneurial orientation on the one hand and with the competitiveness on the other hand. Its main purpose is to establish a conceptual framework for EO closely related to competitiveness, and then test our model.

A sample of 130 agricultural SMEs (farmers, agribusinesses, agricultural equipment companies and agricultural furniture) was formed. We were able to access these companies thanks to the list provided by the Regional Directorate (DRA).

To describe the behavior of our variables, we used SPSS (25). To answer our problematic and to test our research hypothesis, we carried out a descriptive analysis to describe our sample, and then we continued the univariate analysis and Principal Component Analysis (PCA).

2. Conceptual Framework of the Study

The purpose of section is to explain the relationship between EO and the competitiveness of SMEs through the development of a theoretical and conceptual model that summarizes this relationship.

2.1 Entrepreneurial Orientation

In this section, we discuss the complexity of the concept of OE and the diversity of its dimensions and its different theoretical approaches

2.1.1 Definitions

Although there is semantic diversity in the different theoretical approaches used to conceptualize EO, it is most often defined as a strategy, a posture, a resource, ability, a practice management, an organizational culture or a launching process in a new activity[3] entrepreneurial orientation refers to a process of developing innovative projects, adopting a proactive attitude within the market and undertaking investments with a percentage of risk[4].

Reading its main definitions as identified by[5] the EO, since its emergence, has either been defined as a set of processes and practices, or as being only a state of mind to be adopted by the company and rarely both. Indeed, EO is defined as an entrepreneurial management style[6] define it as a behavior or posture that the company adopts: the EO is a set of behaviors that demonstrate within a company how much the leader is inclined to take risks in business to foster change and innovation to gain competitive advantage and compete aggressively with rival firms believe that it is a set of processes, practices and entrepreneurial activities.

2.1.2 Dimensions of the OE

Miller identified three dimensions of EO: innovation, risk-taking and pro-activity[7,8] emphasized the three dimensions of economic obsolescence; a popular model suggests that five dimensions add autonomy and aggressiveness to Miller's conceptualization[9]. As part of this research, we retain the 3 dimensions of that are verified in several empirical studies[10-13].

Indicators for measuring the dimensions of the EO: In this part, we illustrates different measurement indicators for each dimensions as based on the conceptualization of that has been used by a significant number of researchers[14-17]:

Dimensions	Measurement Indicators
Innovation	Research and development (R & D), technological change and innovation The company introduces several new product lines or services The company radically changes its products or services
Risk taking	The company is more interested in risky projects with a high probability of high incomes. By the nature of the environment, radical measures are sometimes necessary to achieve the objectives of our company. In situations of uncertainty, I do not fear risk taking to exploit new opportunities
Pro-activity	The company undertakes actions to which competitors respond The company is often the first to introduce new products, services, new techniques or technologies, production methods, etc. The company adopts a very competitive position aimed at reducing competition

Lomberg, Carina, DiemoUrbig, Christoph Stöckmann, Louis D. Marino, et Pat H. Dickson. « Entrepreneurial Orientation: The Dimensions' Shared Effects in Explaining Firm Performance ». Entrepreneurship Theory and Practice 41, no 6 (November 2017): 973-98.

2.2 Competitiveness

2.3 Definition

In[18] defines competitiveness as: "the ability of a firm to compete effectively in a given economic environment enterprise-level competitiveness can be defined as: 'the ability of the enterprise to design, produce, and market better products than those offered by competitors'".

2.3.1 Competitive Advantage

A competitive advantage can be obtained either through a cost control strategy, which allows to offer with a correct margin of cheaper product than the market norm, or by a differentiation strategy, allowing increasing the propensity to be paid by the customer, which offers richer or original features, or a higher level of quality and sophistication.

Porter time and again has insisted that many companies have struggled to make this strategic choice on their competitive advantage and remain trapped in an intermediate position, according to him unfavorable (stuck in the middle)[19]. Significantly, the germs of a competitive advantage are evident in each of the aforementioned forms of business creation. There are several fundamental bases for a competitive advantage have clarified the logic of overall cost management and differentiation as the basis for competitive advantage. More recently, strategic management experts have recognized the importance of rapidity or reactivity, that is, a pre-competitive market offer was a distinctive foundation for a competitive advantage[20].

2.3.2 Indicators for Measuring Competitive Advantage

For the measure of the competitiveness variable, we have retained the measure of[21,22]:

Over the past three years your competitive strategy has allowed your firm to:

C1 exploit all market opportunities that have been presented to your industry

C2 fully exploit the market opportunities that have been presented to your industry

C3 neutralize all competitive threats from rival firms in your industry

C4 fully neutralize the competitive threats from rival firms in your industry

C5: full neutralization of all competitive threats

C6: neutralization of more competitive threats than competitors

C7: reduction of total expenses at a higher rate than competitors

C8: reduction of operating expenses Ata higher rate than competitors

C9: reduction of total expenses divided by revenue to a higher extent than competitors

C10: reduction of operating expenses divided by revenue to a higher extent than competitors

2.3.2.1 Relations between the EO, through the Different Dimensions, and Competitiveness

EO is seen as more beneficial because technology or customer preferences change rapidly and dramatically and can still vary depending on the impact of the environment on the availability of resources and information needed for entrepreneurial strategies. This notion of contextual dependence underlies the notion that EO allows firms to respond appropriately to harsh environmental conditions, such as those present in high-tech industries, by innovating, adopting proactive behaviors and taking risks to gain competitive advantages.

2.4 Relationship Between Innovation and Competitiveness

Organizations are interested in innovation for a number of reasons but the most important is the development and reinforcement of their competitive advantage. In[23] confirm that the innovative strategy is a key factor in being competitive in the current market. Creative ideas help reduce costs by developing new products, and they create a situation that can create products and concrete processes to generate new revenue and improve growth[24].

Innovation allows companies to strengthen their competitive position in the markets. Innovation allows companies to increase productivity, improve the quality of their products or services25, and develop key skills. Innovation allows businesses to improve their non-price

competitiveness. Porter stresses that innovation is the key to business competitiveness because it conditions their ability to maintain sustainable competitive advantages in evolving markets[26].

2.5 Relationship Between Risk Taking and Competitiveness

Companies with risk-taking behavior make large resource commitments in order to obtain high earnings 5, Risk taking involves taking bold steps in embarking on the unknown, borrowing heavily and/or committing significant resources in uncertain environments (Martin, Javalgi, 2016). Small and medium-sized enterprises are taking risks in order to more effectively utilize innovative and proactive capabilities and thereby generate better international performance (Brouthers et al., 2015).

2.6 Relationship Between Proactivity and Competitiveness

Proactivity allows companies to introduce new products / services to the market before their competitors, which also gives them a competitive advantage suggest that the effect of economic obsolescence on performance is long-term rather than short-term in nature. Proactive companies can introduce new goods and services ahead of their competitors. As pioneers, they can control market access by dominating distribution channels. In addition, by introducing their products or services before their competitors, companies can, if successful, establish industry standards. These actions should help pioneers achieve sustainable, rather than temporary, high performance[24-28]. Proactivity is an inherent feature of market-oriented firms, fostering an innovative response to changing environments. Market-oriented companies have the resources and capabilities to proactively collect and evaluate information about current and future customer requirements and needs, competitor capabilities and changes in the foreign environment[29].

3. Research Methodology and Interpretation of Results

3.1 Research Methodology

We have positioned our research in the positivist current. Positivism justifies the construction of a hypothetico-deductive system before confronting it with supposedly representative empirical situations. We then followed a hypothetico-deductive approach, which consists in testing previously selected hypotheses that will be tested on a representative sample of the study population. The use of a quantitative methodology in the case of our research is therefore appropriate.

3.2 Interpretation of Results

After a review of the literature that allowed us to identify the concepts of research, their dimensions and scale of measurement, we have formulated the following hypotheses (Figure 1):

H1: innovation is leveraging the competitiveness of SMEs

H2: risk taking promotes the competitiveness of SMEs

H3: the pro-active increases the competitiveness of SMEs

That we have tested on our research field, the latter is determined by the following steps:

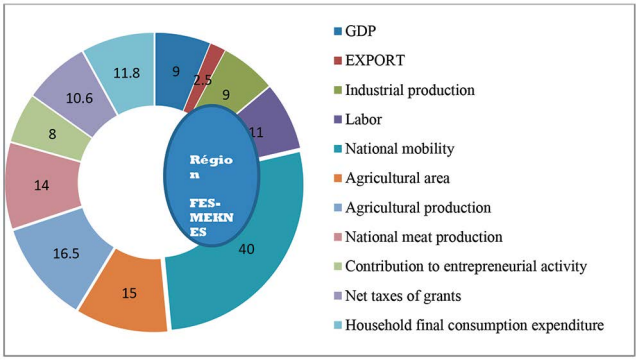
Firstly, the choice of sector is made on the basis of a study of the context of the study which consists in making a monograph of region to determine the state of the places of the economic sectors in the region

As a follow-up, to form a representative sample, we analyze the 2018 OMPIC data in order to delineate the characteristics of the entrepreneurial dynamics of the region; which is as follows:

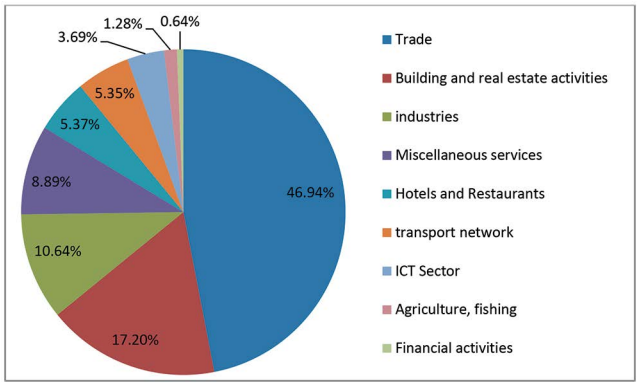
- Entrepreneurial dynamics in the Fez - Meknes region:
  Number of enterprises created up to 2018 is 37,760 legal entities and 94,135 enterprises of natural persons, distributed as follows (Figures 2-4):

We find that 80% of the companies are located in Fez (44.59%) and Meknes (35.35) and 71% are under the age of 10 years; which explains the effort made over the last few years to encourage the creation of companies.
Descriptive statistics of the demographic characteristics of agricultural SMEs in the region

- Characteristic of the sample:
  60% of the companies employ less than 50 employees, 58.5% have a legal form SARL, 83.8% of the companies studied are family businesses, 70% are under the age of 10 years and 60% are installed in the Fez cities and Meknes, as the motre the following Table 1:
  We checked the reliability of the measurement scales used for each variable, then we transformed the items into variables, this step is carried out using SPSS 25 software:



SOURCE: elaboration by the authors based on data from: MAPM, OMPIC, GME, monograph of the FM region, HCP, year 2017.
Figure 1. Key figures of the region in 2017.

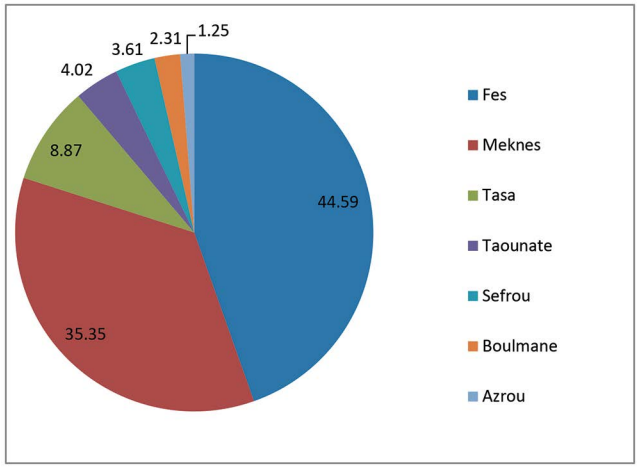


Source: 2018 OMPIC data and author development
Figure 2. Breakdown by sector.

- Purification of the entrepreneurial orientation scale:
  The KMO index is satisfactory since it is average () and that of Cronbach's Alpha is 0.622

- Purification of the competitiveness scale
  The KMO index is satisfactory since 0,875and that of Cronbach's Alpha is 0.941.
  Therefore the reliability of the dimensions of the entrepreneurial orientation scale and that of competitiveness are acceptable

After we created the competitiveness variable after 10 items of its measure and the entrepreneurial orientation variable, we then established the correlation



Source: 2018 OMPIC data and author development
Figure 3. Representation of companies by city of location.

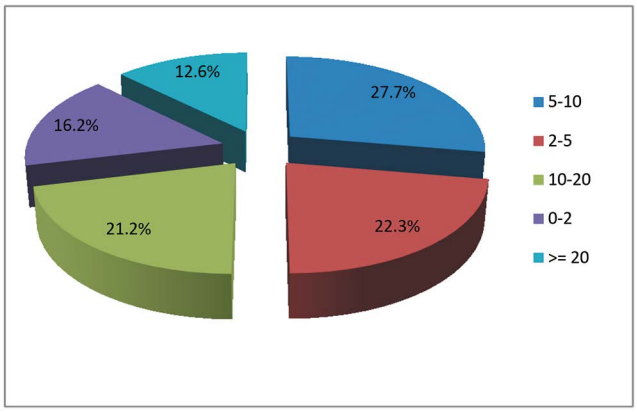


Figure 4. Representation of companies by age.

Table 1. Characteristic of the sample

City of implantation		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Fes Meknes Azrou	39 32 19	30,0 24,6 14,6	30,0 24,6 14,6	30,0 54,6 69,2
Age of the company		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Lessthan 3 years 4 - 6	23 38	17,7 29,2	17,7 29,2	17,7 46,9
The family business		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes no	109 20	83,8 15,4	84,5 15,5	84,5 100,0
Legal status		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SA SARL	32 76	24,6 58,5	24,6 58,5	24,6 83,1

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		,875
Bartlett's Test of Sphericity	Approx. Chi-Square	1163,662
	Df Sig.	45 ,000
ReliabilityStatistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
,941	,942	10

between the two variables according to the Pearson method, which shows a strong correlation of 0.89 with a signification 0,000.

4. Conclusion

We have sought here to determine the relation between the entrepreneurial orientation and the competitiveness of SMEs. After the determination of the basic concepts of research, we have determined the dimensions of each construct and its measurement indicators. Then to test our hypotheses, we conducted a survey with a sample of 130 agricultural enterprises in the Fez-Meknes region and analyzed the data using SPSS 25 software. The results indicate that the dimensions of EO are positively correlated with the competitiveness of agricultural SMEs in the region.

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