Proactiveness, Innovativeness and Risk-Taking Propensity: Its Implications on Sales Growth Performance of Micro-Businesses

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ABSTRACT
The rising number of micro-businesses has, in one way or another, created an impact on the Philippine economy. However, the sustainability of these micro-businesses seems to be in question, for they do not last long in the industry. Hence, the entrepreneurial orientation of micro-businesses was investigated, and its impact on the business’s sales growth performance. Using the Resource-based View (RBV), entrepreneurial orientation was classified as a resource that is crucial in having a competitive advantage. Frequency, weighted mean, multiple regression, and analysis of variance were used to investigate variable relationships. According to these statistical approaches, there is a significant relationship between entrepreneurial-oriented traits and sales growth. The study identified several implications for increasing entrepreneurial orientation in micro-business sales growth.

KEYWORDS
Proactiveness, innovativeness, risk-taking propensity, sales growth performance, microbusinesses

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1. Introduction
The majority of firms in the Philippines are classed as micro-businesses, with seven percent (7%) of them based in the National Capital Region. Micro-business firms are defined as a business with fewer than nine employees and fewer than three million total assets, according to Republic Act No. 6977, often known as the “Magna Carta for micro, small, and medium enterprises.” Similarly, in an article by Carter (2021) in Entrepreneur, 20% of micro-businesses fail during the first two years of operations due to diminishing profits and a highly competitive industry. Micro-businesses are typically owned by low-income families who lack resources such as working capital and training, leaving them to rely solely on their income and talents. As a result, owners’ understanding of running a business is limited, making it challenging to keep up with the global rise of micro-businesses.

Performance is continually developed to achieve growth, such as sales performance, which displays a company’s increase in sales. Previous research has highlighted the importance of entrepreneurial orientation (EO) on performance to expand the company’s entire activities. As a result, entrepreneurial orientation aspects are significant predictors of business growth, including proactive behavior, innovativeness, and the ability to take risks (Freiling & Schelhowe, 2018). According to Darwis (2017), Entrepreneurial orientation is one of the essential criteria for combining, building, and aligning external and internal competencies while prospering in the fast-changing environment of SMEs. The researchers want to know about micro-business owners’ proactive, inventive, and risk-taking actions and how these factors affect sales to understand better the aspects that influence their performance. The majority of research focuses on employee engagement’s impact on overall business performance. As a result, the study links the gap by focusing entirely on the effects of EO on sales growth. The research aims to propose ideas to assist owners in becoming

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more entrepreneurial and improving the financial performance of microbusinesses by increasing sales. According to the report, a new method for microbusiness owners and low-income households to earn more is also vital.

Thus, figure 1 shows the model used in this study:

![Conceptual Research Model](image)

Using sales growth as an indicator illustrates the effects of Entrepreneurial Orientation in terms of pro-activeness, innovativeness, and risk-taking propensity to micro-business performance. The theory of resource-based view (RBV) helps the study examine the relationship between entrepreneurial orientation and micro-business performance. The RBV states that instead of looking and exerting effort to find opportunities outside the business, the enterprise should make new opportunities with the resources that it already has. Resources must be valuable, which allows a company to meet the goals critical to success, rare, inimitable, and substitutable. EO is classified as the human capital resources in achieving a competitive advantage (Duarte Alonso, 2016). However, resources are not sufficient for the firm to attain a competitive advantage; it needs entrepreneurial skills. With that, the dimensions of EO and its influence on the sales performance of micro-business are supported by RBV. Initially, EO had five dimensions (Beattie, 2016), but most researchers acknowledged pro-activeness, innovativeness, and risk-taking propensity as three of the most important of the five dimensions developed by Miller (1983). Similarly, Entrepreneurial orientation is the exhibition of an innovative attitude and proactive and risk-taking strategic posture of an organization that would differentiate the business from its rivals (Wales, 2016; Hossain & Asheq, 2019). However, according to Hartelina (2016), business units should strengthen all dimensions of entrepreneurial orientation for all sizes of EO are essential and can positively impact the business' performance.

Proactiveness is the ability of a business to identify new opportunities by monitoring the trends, potential needs of customers, expected changes in demand, and new opportunities in problems that create a competitive advantage in making competitors respond (Hartelina, 2016). RBV includes attaining a competitive advantage through unique resources, such as finding opportunities before competitors. Studies found that pro-activeness has a positive impact on improving an enterprise's customer satisfaction, growth and profitability, and social performance (Wambugu et al., 2015; Onyema & Hamilton, 2020). Additionally, a well-organized marketing effort led customers to respond, which improved sales and customer satisfaction of SMEs and the high retention rate of old and new customers. Entrepreneurial pro-activeness helps to identify cost drivers and enhance the growth of the business, as well as the awareness of market signals. (Adesoga et al., 2018), EO also includes applying new or improved products and services, production processes, organizational methods, or marketing to add value that pertains to innovation (Albert et al., 2017). Moreover, EO enables small businesses to make innovative initiatives and improves the firm’s resources in an underdeveloped environment as it opens more opportunities and improves performance (Roxas et al., 2016; Ayepa et al., 2019; Liu & Atuhaene-Gima, 2018). However, previous studies found that innovation harms the growth of the business and could also lead to adverse outcomes with
a lack of knowledge management, which can negatively affect a micro business’s financial performance (Karabulut, 2015; Games & Rendi, 2019).

On the other hand, an increase in financial capital gives the enterprise more access to innovative ideas positively (Kijkasiwat & Phuensame 2020). In this study, risk-taking refers to a firm’s tendency to boldly engage in high-risk projects and managerial preferences instead of being cautious in achieving firm objectives. It involves the willingness to use significant resources for the opportunity with a fair share of failure and success where the entrepreneur’s attitude toward business failure has a positive effect on the future of SMEs and the use of business resources to venture into uncertain and unfamiliar environments that could increase returns and market share (Kitigin, 2017). However, risk-taking has an insignificant relationship with SMEs’ financial and non-financial performance (Cho & Lee, 2018). Performance measurement is critical for effective management, for it serves as the primary provider of the perceptual and organizational abilities of the business. The main goal of RBV theory is to make sure that the company can achieve a competitive advantage and define performance from multiple perspectives. The outcome of its competitive advantage paves the way to better performance and meeting strategic goals (Sameera, 2018). According to Ghozali et al. (2018), sales growth is usually impacted by internal and external factors that internal factor that comes within the control of the business. EO can be classified as one of the internal factors of the increase in sales of an enterprise. Consequently, Odalo et al. (2016) stated that sales growth positively affects the return on assets, and focusing on sales growth opportunities will significantly increase financial performance.

1.1 Problem Statement
Hence, with all the related literature stated above, the proponents aim to answer the following questions:

1. What is the demographic profile of the respondents in terms of position, business size, business age, total business assets, average annual income, and sector?
2. Is there a significant relationship between proactiveness, innovativeness, risk-taking propensity, and sales growth?
3. Is there a significant difference between micro-business performance when grouped according to demographic profile?
4. Based on the study results, what recommendations may be proposed to help micro-businesses improve their entrepreneurial orientation and business performance?

2. Method
This study adopted a quantitative research design to investigate the relationship between entrepreneurial orientation dimensions and business performance, using sales growth as an indicator. The collected quantitative data through a survey questionnaire were used to measure micro-business proactiveness, innovativeness, and risk-taking propensity. The proponents chose 100 micro-business to participate in the study using random sampling. Questionnaires were created and formed using simple words so that respondents could understand the questions clearly and were validated using Cronbach’s alpha with a pre-testing of 30 respondents. The questionnaire was composed of five-part; the first part was the “demographic profile,” consisting of questions regarding business characteristics based on Roxas et al. (2016). The second part was on a 4-point Likert scale (from “strongly disagree” to “strongly agree”) that intended to assess the entrepreneurial orientation of the respondents. Items that measured pro-activeness were taken from Lumpkin and Dess (2001), Wang (2008), and Bolton and Lane (2012). At the same time, articles that measured innovativeness were adopted from the studies of Keh et al. (2007), Wang (2008), and Bolton and Lane (2012). To measure risk-taking propensity, Keh et al. (2007) and Bolton and Lane (2012). Lastly, to measure the growth in sales, questions were obtained from Nyello and Kulufya (2021). The statistical treatment used for the demographic profile was frequency count and percentage. Multiple regression was used to assess respondents’ entrepreneurial orientation, measuring the relationship between entrepreneurial orientation and micro-business performance. Moreover, analysis of variance (ANOVA) was used to test the significant difference in micro-business performance when grouped according to demographic profile.

3. Results
In validating the questionnaire, Cronbach’s alpha was used, which revealed a 0.915 reliability from the twenty items questions. Using the data from 100 respondents, the following results were statistically treated to answer the following questions that the researchers aimed to find that was also backed up by similar studies.
As shown in Table 1, most of the respondents are owners with 1-3 employees and classified their business as a 1-2 years old microbusiness. Moreover, fifty-six percent (56%) of the respondents categorized their micro-business as a service; the majority of the microbusinesses have total business assets total of PHP 250,000-500,000 and claimed that they earned PHP 50,000-100,000 annually.

Table 2
Weighted Mean scores among respondents’ assessment

<table>
<thead>
<tr>
<th>Variables</th>
<th>WX</th>
<th>DR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proactiveness</td>
<td>3.22</td>
<td>Agree</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>3.10</td>
<td>Agree</td>
</tr>
<tr>
<td>Risk-taking Propensity</td>
<td>2.98</td>
<td>Agree</td>
</tr>
<tr>
<td>Sales Growth</td>
<td>2.94</td>
<td>Agree</td>
</tr>
</tbody>
</table>

As shown in Table 2 above, in proactiveness, microenterprises agree that they want to be involved and hands-on in every operation of their business, and they anticipate future changes in the demand and needs of the customers. This was in agreement with the study of Kozubikova et al. (2017), where they found that only 65% of entrepreneurs took the initiative to overhead the completion, which implied not all entrepreneurs are into competing with other businesses.

In innovativeness, respondents agree with having the willingness to try new things and think-out-of-the-box solutions. According to Mamun et al. (2017), exploring and promoting innovation has a positive effect on business and helps the economy of the country. In addition, findings revealed that to execute well, microentrepreneurs must be aligned with absorptive capacity and use innovation to achieve a beneficial effect in performance through creating new ideas, knowledge, and skills. Microentrepreneurs have the risk-taking ability as long as it is profitable in the future. However, a higher degree of risk is more applicable to companies that operate in industries with higher growth rates (Andries et al., 2020). Further, the study of Mamun and Fazal (2018) revealed that the risk-taking propensity has a positive effect on the business but showed an irrelevant conclusion due to statistics. It states that eagerness to take risks is not crucial compared to competency development. Finally, with the COVID-19 pandemic, microenterprises have difficulty earning revenues and income due to pandemic restrictions, which is in conformity with the study of Flaminiano et al. (2021), that 70.6% of MSMEs in the Philippines decreased their sales and 60% reported zero income.
Table 3
Multiple Regression results between Entrepreneurial Orientation and Sales Growth

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.666a</td>
<td>.443</td>
<td>.426</td>
<td>.469</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Risk-Taking Propensity Mean, Proactive Mean, Innovativeness Mean

ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>16.764</td>
<td>3</td>
<td>5.588</td>
<td>25.454</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>21.076</td>
<td>96</td>
<td>.220</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>37.840</td>
<td>99</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Sales in Growth Mean
b. Predictors: (Constant), Risk-Taking Propensity Mean, Proactive Mean, Innovativeness Mean

Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td></td>
<td>.663</td>
<td>.275</td>
<td>2.413</td>
</tr>
<tr>
<td>Proactive Mean</td>
<td></td>
<td>.085</td>
<td>.093</td>
<td>.090</td>
</tr>
<tr>
<td>Innovativeness Mean</td>
<td></td>
<td>.301</td>
<td>.098</td>
<td>.311</td>
</tr>
<tr>
<td>Risk-Taking Propensity Mean</td>
<td>.368</td>
<td>.095</td>
<td>.374</td>
<td>3.864</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Sales in Growth Mean

As presented in table 3, a multiple regression was calculated to predict sales growth based on proactive, innovativeness, and risk-taking propensity. A significant equation was found ($F(3,96) = 25.454, p < .005$), with an $R^2$ of .443. As predicted, there is a significant relationship among the entrepreneurial orientation dimensions.

Table 4
ANOVA results of micro-business performance in terms of Sales Growth according to the demographic profile of the respondents.

<table>
<thead>
<tr>
<th>Position</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
<th>Interpretation</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>.057</td>
<td>3</td>
<td>.019</td>
<td>.110</td>
<td>.954</td>
<td>Not Significant</td>
<td>Accept the Null Hypothesis</td>
</tr>
<tr>
<td>Within Groups</td>
<td>16.533</td>
<td>96</td>
<td>.172</td>
<td></td>
<td></td>
<td>Not Significant</td>
<td>Accept the Null Hypothesis</td>
</tr>
<tr>
<td>Total</td>
<td>16.590</td>
<td>99</td>
<td></td>
<td></td>
<td></td>
<td>Not Significant</td>
<td>Accept the Null Hypothesis</td>
</tr>
<tr>
<td>Business Size</td>
<td>Between Groups</td>
<td>.338</td>
<td>3</td>
<td>.113</td>
<td>.247</td>
<td>Not Significant</td>
<td>Accept the Null Hypothesis</td>
</tr>
<tr>
<td>Within Groups</td>
<td>43.662</td>
<td>96</td>
<td>.455</td>
<td></td>
<td></td>
<td>Not Significant</td>
<td>Accept the Null Hypothesis</td>
</tr>
</tbody>
</table>
Table 4 presents a one-way ANOVA comparing the other demographic profile of microbusinesses in terms of sales growth. A significant difference was only found in the total business assets among the other items \( F(3,96) = 3.366, p < .005 \).

### 4. Conclusion and Recommendations

In conducting this study, the researcher’s objective was to determine how the micro-business entrepreneurs describe their entrepreneurial orientation, the relationship of entrepreneurial orientation with sales growth of micro-enterprises, and when they grew up according to their demographic profile.

Moreover, it provides possible strategies for improving sales growth through entrepreneurial orientation. To achieve these objectives, the relationship between the three independent variables, namely: Pro-activeness, innovativeness, and risk-taking propensity, and one independent variable, sales growth, were examined.

Predicated on the results and findings above, the researchers found out that the micro-business owners agreed that they practice entrepreneurial orientation, but this only affects their sales growth moderately. Additionally, owners preferred to focus on their business than compete with other companies. The study shows that micro-businesses are primarily proactive.

Based on the conclusion, it is recommended that the owners focus on being competitive by using their resources efficiently. Given that risk-taking affects sales growth more than the other variables, the enhanced risk-taking propensity of owners would benefit sales more.

It is recommended as well that the Department of Trade and Industry (DTI) execute various seminars about identifying profitable risks, how to compute for a possible return on investment, and risk management.

Determining whether to take risks or not would be beneficial for those who are young in the industry, for they are the ones who are eager to earn more profits; they take risks more than those older in business age.

Moreover, the study showed a significant relationship between total assets and pro-activeness, innovativeness, and risk-taking. This suggests that offering loans to microbusiness owners to increase their capital would not encourage them to be more
innovative and risk-takers, for they do not want to take risks when they have more debt to pay, thus, constraining them from being proactive and creative too.

It was also found that micro-businesses do not last long in the industry. Through the LGU, a conference or a website can be created where the sellers can post their products to encourage resellers or franchisers, which aims to expand and widen the market channel of the micro-business. In this program, there will also be financial aid for those who want to resell but do not have enough capital. Instead of introducing the interested resellers to the general businesses, there will be an event that will feature most of the micro-businesses open for resellers and franchisers.

The results, findings, and recommendations stated in the study will help micro-business entrepreneurs and future entrepreneurs know what entrepreneurial dimension they are lacking and what EO they should enhance more to achieve growth in sales.

Given that the government is continuously improving the MSME sector of the Philippines, this study will be significant in creating plans and policies to achieve goals to boost the MSME sector further, particularly the micro-businesses. This study opened more opportunities and angles to research.

It was only limited to the effect of pro-activeness, innovativeness, and risk-taking on the increase in micro-business sales and did not entirely include the relationship of available resources micro-business in the application of entrepreneurial orientation knowledge. Therefore, future studies can focus on the effects of resources and entrepreneurial orientation on business performance.

Lastly, the researchers suggest that since assets are significant in the success of the business, business owners should develop a relationship with assets sources, whether family or financial intermediaries, so assets will be available when needed. Likewise, government agencies that provide business owners assets proved to be very helpful and thus used this study to support their undertakings. Likewise, Propensity to take risks, Proactiveness and Innovativeness only account for 44% (coefficient of determination) of sales can be explained by the factors. Further research should be sought to account for the other factors.

Additionally, entrepreneurial orientation perception during a pandemic can also improve this study to understand further if the pandemic affects sales growth and even how owners were being proactive, innovative, and risk-taker in those times.

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