

# Entrepreneurial in small business enterprise

Business



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## I. Introduction to Small Business Enterprise

Any kind of business is important for a country's development. A business is significant to the country whether the scale is small, medium or big. The major concern that matters the most is its ability to generate income and improve the economy of the citizen and the country in general.

The blooming of interest towards business among Malaysian and also people around the world has contributed to an increase of small business enterprise. What is small business enterprise? A small business enterprise's definition is varied. According to the journal report titled, " Entrepreneurial Challenges Confronting Micro Enterprise of Malaysian Malays", small business enterprise is a vehicle for entrepreneurship (Abdul Jamak, Salled, Sivapalan, Abdullah, 2011). The small business enterprise not only offers employment, social and economy stability but also innovation and competitive force to be empowered.

The National Small Medium Enterprise Development Council of Malaysia's definition of the small business is mostly related to the income that the business is making or the annual sales turnover and the number of employees in the business. There are no definite definition as every agency has its criteria of judging on whether a business is considered as small business enterprise or not. The council approved any enterprise that meets the criteria of specified number of employees and annual sales turnover.

SME Corporation Malaysia defined small business enterprise or microenterprise as any business with annual sales turnover less than RM15, 000, 000 to RM300, 000 or full-time employees of five to fifteen. This definition is applicable to all sectors.

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Thurik and Wennekers (2004) defined small business enterprise as vehicle that change the industry by introducing new products and processes and also people who perform the business for the purpose of living. II. The Challenges of Small Business Enterprise

Being a small business enterprise, there are few issues or challenges that the owner needs to deal with. The highlighted issues here are financial management, resource limitations, and marketing aspect.

Any businesses need a very stable and good financial management. Financial aspect is the one that make or break the business. Small business enterprises are not able to have economies of scale. Hence, it only depending on the small market to survive and sustain. Financial constraints are caused by the start-up or existing small business enterprises having the problems when the availability of revenue and cash-on-hand is not sufficient for the utilities and such (Davidson, 2011)

The problem is even worse if the cash flow is not in a good situation. It means, the money spent by the enterprises is more than the money earned. The small business enterprises' earnings or money reserves are not as big as an established firm has. Hence, when crisis comes the enterprises may not be able to cope with it with the money that the business has. It may risk a failure for the business. Cash flow is a common issue for most businesses. Changes in the economy-including the 2014 Budget by the government-will have a significant effect on the financial aspect of the small business enterprise.

There are two cash flow that small business enterprises need to look at and manage; cash flow that deals with the past and the one that forecasted in the future (McCusker, 2013). First, the cash flow statement. A small business enterprise that unable to prepare a cash flow statement well will have a problem on acknowledging where the money came from and how it was spent for the business. McCusker also highlighted the second one as the cash flow that reporting on several questions that affecting the financial condition of the business in the future; how much money the small business enterprise need to earn to pay the expenses next month and such? This way, the business able to forecast the amount of money needed for short term or long term of the small business enterprise. The economy is unpredictable; hence, any small business enterprise should be ready and equipped themselves with necessary financial management skills.

Some small business enterprise also fails to adjust its budget by using it for what necessary and spent it recklessly. This is as being told by Anita F. Brattina in her *Diary of a Small Business Owner* book. She had the issue of hiring employee who she taught could bring in money for her business but the opposite happened. She wasted a lot of her money for salary of a very unproductive worker. It caused her monthly liability to rise and becoming a burden to her and the business. She suggests giving some priority to important parts of the business in order for the operation to continue without any hiccup. It may include utility bills, daily business expenses and salaries.

Marketing aspect is also part of the challenges experienced by small business enterprise. Being a small business enterprise, the market size for

the business is relatively small. The small business enterprise may face problem in the business market and also the consumer market.

According to Philip Kotler (1997) in his book titled, " Marketing Management; Analysis, Planning, Implementation, and Control", business market refers to the organizations that acquire goods and services used in the production of the end product. The item is sold, rented, or supplied to the business that required it. Being a small business enterprise, supplier tends to give the best of its service towards the larger firm compared to the smaller one. Hence, small business enterprise has less power in the market and being the second option for supplier. This will affect the supply for the production and increase in cost of production. The market that small business enterprise involves is not in economies of scale. It does not have the advantage of buying and purchasing power in the business market.

The challenge is even major in the consumer market because the business is in a complete competition with the larger name in the industry. BusinessDictionary. com defined consumer market as the market dominated by products and services that is created for the consumer. It is the end product of a production. It is typically divided into four categories; consumer product, food and beverages products, retail products, and transportation products. Consumer are constantly changing in terms of loyalty and certainty towards a product a services as they always look for the best and worth the money spent. Consumer market also defined as the market that attends to buyers for private consumption. The preferences from one to another are different for certain product and it may be affected by various reason such as demographic, geographic and consumer behavior (Suttle, 2013).

Based on the definition, in relation to the small business enterprise, the challenge mostly cause by the competition from the established name in the industry. Both are trying to fulfill customer need but due to popularity and reputation of firm with larger name, the small business enterprise may sink in the market. The domination of product and services of larger firm in the market such as in comparison of SlimWorld and the local slimming centre, business selling homemade cookies and Famous Amos and many more will show us that the small business enterprise are losing to the larger firms. It is not necessarily because of the larger firm producing better product but it is as simple as the larger firm is seen as more 'reliable', reputable and safe. This is contributed by a big sum of money the firm had invest for marketing; printadvertisement, television commercial and major campaign.

The small business enterprise are not having the advantage of "media buys" because of the economies of scale factor; hence, the advertising of its product and services is very limited (Bygrave & Zacharis, 2008). This will cause the brand awareness is low and it is hard for the small business enterprise to get the market attention.

The small business enterprise need to step up and try to innovate more to have a very distinguish product and services that could attract the consumer. This will help them to strengthen its place in the market and build a better brand loyalty even when the enterprising facing competition with any other firm.

Resource limitation is common for small business enterprise. The business may not use resources in large quantity but to get the quantity that they need for production is not easy either. A small business could a very good

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start-up business for everyone who has the interest on developing a business. However, small business also needs some capital. The capital are utilize to purchase, lease or rent necessary items for the business. There are not much of banks and financial institution that will easily loan money to small business enterprise. The enterprise has to struggle to gain the money needed for the start-up or to run the business.

As stated earlier, the small business enterprise has a small power in the business market. Hence, the business would also face some issue in getting necessary resources. The resources may be there but the pricing is not right for the scale of the business causing the enterprise failed to obtain it. III. How Entrepreneurial Orientation and Marketing Orientation Influence the Firm Performance? A small business performance could be improved by implementing necessary and suitable marketing and entrepreneurial approach to the business. Entrepreneurial and marketing orientation is needed in any business because it brings influence to the firm's performance.

Entrepreneurial orientation is essential in any business because it helps in building a business that is more sustainable, conducted with a clear vision and great leadership. It is in line with the entrepreneurial value itself. An entrepreneur is someone who perceives an opportunity and creates an organization to pursue it (Bygrave & Zacharis, 2008). A small business owner is the initiator of the business and the one who start up the business to grab opportunity. It is not just enough for him the only one who have the entrepreneurial attitude and it need to be channeled and implemented by

the member of the firm too. The implementation helps in pushing the performance of the firm to a greater height.

Entrepreneurial Orientation (EO) as being mentioned by Seongbae Lim in his journal writing titled " Entrepreneurial Orientation and The Performance of Service Business", is best represented by Danny Miller in 1983 definition and further developed by Jefferey G. Covin and Dennis Patrick Slevin in 1989. The EO model is based on measuring entrepreneurship on its proactiveness, innovativeness, risk-taking, competitive aggressiveness and autonomy. However, only 3 dimensions are seen more important for small business enterprise and its performance. The other is relevant however not as important as the chosen three. The dimensions are proactiveness, innovativeness, and risk-taking.

Proactiveness could be referred to as the initiatives of taking part in grabbing opportunities and involve in emerging markets and demand (Schillo, 2011). Proactive company is a leader rather than a follower. The small business need to be proactive by getting ahead of their competitors. This will set them to be the initiator of the product and services line which will give the business advantage of market niche. The performance of the firm will increase as the EO's proactiveness dimension being implemented in the business. The importance of having proactiveness dimension was decreasing once a firm was established (Kusumawardhani, McCarthy, & Perera, 2009). This shows that proactiveness is needed for small business enterprise because it help the firm to grow and speed up the growth by anticipating in upcoming opportunities in the market and pursuing it for the benefit of the firm.



As an example of proactiveness implementation in a firm is found in Apple Incorporation (Apple Inc.). The company was founded by Steve Jobs, Steve Wozniak and Ronald Wayne in 1976 in the garage as a small business enterprise. The first project is assembling a personal computer prototype. They had foreseen the future of digital world and grab the opportunities by introducing new technologies and computer models. The performance of the firm booming and now has become one of the successful digital companies in the world.

Next is innovativeness that is related to the product and services introduced by the firm to the market (Schillo, 2011). It also emphasizes on the importance of technological leadership to the company and any changes made to the product produced by the firm. Small business enterprises need to distinguish the product and services to ensure that the firm leaves a better mark on the market. In order to be innovative, the firms need to hire employee with skills and creativity that works on research and development for the product and services. A constant effort of innovativeness in the small business enterprise will help the business to grow and have a better placement in the market. Innovation not just helps the firm to come out with new product line and increase the revenue but also reducing the cost. This may due to the advancement in technological process of production in the firm. A sample of small business with innovativeness dimension is

Last but not least is risk-taking. It is a dimension where companies decided to commit to any big commitment with an unknown return or uncertain outcomes. It is a concept that normally implemented by individual now has been spread to organizational level. Risk-taking is also considered to be one

of the key in becoming a successful entrepreneur. A small business enterprise must learn to be a risk-taker because without it, the enterprise would not be able to move forward and do not dare to pursue the opportunities that the business has. The small business enterprise needs to be high in regularity of taking risk with some precaution and view on the calculated risk. One of the Malaysian entrepreneurs with a risk-taker attitude is Datuk Tony Fernandes that bought the troubled AirAsia from DRB-Hicom and turn it to be a multi-million dollar company today. If he do not dare to take the risk, he may be still be an average joe working day and night for his boss. The concept is same to small business enterprise, it will remain the same without improvement if the business is not a risk-taker.

All in all for the EO, proactiveness, innovativeness and risk-taking could lead the firm to have a better performance and sustain more in the market since the entrepreneurial value are implemented in the business.

As for the marketing orientation, the purpose of business is to gain profit. However, profit will not be gain if the placement of product and services in the market did not grab the consumer attention. Hence, marketing orientation really does influence the firm performance.

Marketing orientation refers to the culture that the organization or business is committed in continuously creating and improving the value for the customers (Narver, Slater, & Tietje). It is also a way of building competitive advantage (Hurley & Hult, 1998). Each of the member in the business need to understand and work in the environment that they are creating superior value for the customer. In order for the marketing orientation could be implemented in the business, the small enterprise should acknowledge the <https://assignbuster.com/entrepreneurial-in-small-business-enterprise/>

customers' needs and wants. The business should be able to cater to it and ready to come out with product and services that provide satisfactory product and services for the customer. If the firm able to do it, the performance would be better since it help the firm to build brand loyalty and inviting more customer to the business. The advantage of small business enterprise is that it is closer to the end user, so, any feedback and request could be listen to and respond in short time. The enterprise is able to innovate based on the customers' demand.

Nowadays, customer is seen to have their interest on personalization. Hence, the business with market oriented will respond to this by introducing product and services that are able to be personalized. This will help them to gain more customers and be a leader in the market.

In order to have the best market orientation that improves the firm, the employees need to come out with strategies based on the information they receive from the consumer market. it is important for the firm to have employees that is also market oriented and understand the company is working

based on market orientation. As an example, Harley-Davidson promotes "Harley-ness" among its employee to ensure they are also having the enthusiasm of Harley-Davidson user. The worker need to culturally fit in the business to help the performance to improve because they are also customer that have their demand, needs, and wants on the product and services they are using.

Marketing orientation does not only come with benefit. There are some disadvantage that could affect the firm's performance. This may include

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misinterpreting customer's demand, the challenge of rapidly changes market, and the underestimation of customer and market needs and wants.

#### IV. Conclusion

Small business enterprise is a business with a good potential and easy start-up but it comes with challenges that should not be forgotten. Those who already in the business and those who just about to start need to accept the challenge and ready with some solution that could resolve it for the benefit of their own business. There are influences of marketing orientation and entrepreneurial orientation on the performance of the firm. Any business should consider of implementing the dimension included in both orientation to be adapted in the business.

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