

ENTREPRENEURIAL ORIENTATION AS A CATALYST FOR INNOVATION IN ENHANCING THE PERFORMANCE OF SME IN F&B SECTOR

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Abstract: *This paper represents a conceptual framework that explores the relationship between entrepreneurial orientation on business performance of food and beverages small and medium enterprise (SME) in Malaysia. In adversely changing market of F&B, there is a need for an entrepreneur to have EO to foster innovation so that the business can sustain. This study examines the relationship between entrepreneurial orientation and product innovation and entrepreneurial orientation and business model innovation impact on business performance, thus, serves as framework foundation for both academic research and practical implication for the future researcher.*

Keywords: *Entrepreneurial orientation, product innovation, business model innovation.*

Introduction

Small and medium enterprise are well known as the backbone of a country's economy. SME has become the choice of residents to grow their business and achieve business success. In an industry like food and beverages, most of the entrepreneur will register their business under this classification due to its flexibility and low risk business startup (Simmons et al., 2023). The contribution of SME to country's growth and developments are proven can helps government to combat issue in unemployment rate and driving the innovativeness in the marketplace. In Malaysia, the contribution of SME to Malaysia's gross domestic product has recorded the value of 38% and are expected to increase to 45% by 2025. Besides, currently it is reported that SME in food and beverages sector in this country enhance the export and trade nearly to 20%. This highlight shows SME performance can fuel economic progress and support global trade activities with the helps from Malaysian government through effective funding activities, digital transformation programs, and policy incentives.

Entrepreneurial orientation plays a crucial role as a catalyst for innovation, driving SMEs to develop new products, adopt advanced technologies, and refine business models (Abu-Rumman et al., 2021). EO, characterized by innovativeness, proactiveness, and risk-taking, enables SMEs to seize market opportunities, respond to changing consumer preferences, and enhance overall business performance (Margaretha & Suryana, 2023). By fostering entrepreneurial orientation among managers in food and beverages sector, F&B sector can leverage innovation to improve efficiency and produce healthy sustainable products and services to consumer (Garavito Hernández & Rueda Galvis, 2021).

This paper explores how entrepreneurial orientation can improve the innovation among SME F&B and boost business performance. This study examines the relationship between EO on business performance, EO and product innovation and EO and business model innovation.

Literature Review

Entrepreneurial Orientation and Business Performance

In recent years, the needs for entrepreneurial orientation among businessman are indeed critically as the market undergo rapid digitalization (Pulka et al., 2021). Entrepreneurial orientation can be defined as company's strategic approach to innovate, risk taking and react to business opportunity available. According to Meekaewkunchorn et al. (2021), entrepreneurial orientation is a crucial elements in an organization to determine its growth and performance because the decision making by the managers reflects the firm's strategic posture towards entrepreneurship. A strong entrepreneurial orientation enables business to navigate uncertainty and drive superior performance (Ciampi et al., 2021). In a study measuring EO on social media mentioned that entrepreneurial orientation as the willingness of the firm to take action on new opportunity by introducing new products or services (Fan et al., 2021). It was found that a firm with strong EO takes social media as platform to identify new business opportunity, facilitate innovation and improve decision making agility. The entrepreneurial orientation within an individual normally influenced by the education received. Entrepreneurial education equip with motivation has the ability to stimulate the desirability of an individual to start a business and reflects to obstacles in the marketplace. Therefore, it was suggested that to enhance more the competitiveness in the local market by the new comers, the needs for entrepreneurial education is a must at universities level by incorporating practical experiences, role model and business incubation support (Hassan et al., 2021). In another concept of entrepreneurial orientation, it was understood that EO must be more on generating impact on society. For small and medium enterprise in a competitive

industry like food and beverage sector, leveraging on EO can enable SME to create unique value proposition, innovative business model and thus build greater business brand (Varga, 2021). In add, EO also known as a key concept of where executives crafting strategies and exploiting opportunity than their rivals. In the e-commerce business environment, entrepreneurial orientation can drive the enterprise to compete and seek solution to enhance uncertainty (Fan et al., 2021). Companies with strong EO has better performance and the ability to create more job creation to the residents, technological advancements and thus enhance economic development (Arabeche et al., 2022). This is because the elements in the EO itself lead the firm towards seizing and reconfiguring activity based on changes occurred in the market. As the skilled labour increases in an organization, it will lead to efficiency and effectiveness of the business, and therefore, generating more sales opportunity and growth. As a result, the consequences will benefit the local communities through employment. Taking advantage from research and development in technological advancement such as artificial intelligence (AI), blockchain, automation and big data analytics on the other hand, helps entrepreneur to develop more ability of the firm to serve better to their customers and operational efficiency (Kraus et al., 2023).

Entrepreneurial Orientation and Product Innovation

Entrepreneurial orientation can drive the innovative production of an organization. Product innovation is the development of new products and services either in terms of changes of design of established products, uses of the products and materials. Product innovation is indeed in rapidly changing environment as the consumers preferences change over time (Muangmee et al., 2021). In food and beverages industry, product innovation gets along with the trend occurred due to advancement of social medias and changing in the generation of people in a country (Muangmee et al., 2021). In a study on green product to match the needs of health-conscious consumers, a firm with strong EO among the labours can take the opportunity by exploring sustainable materials, eco-friendly production process and nutritional benefits (Wang & Ahmad, 2024). The elements in entrepreneurial orientation which consist of proactiveness could lead a firm to become first mover in doing product innovation (Vrontis et al., 2022).

Entrepreneurial Orientation and Business Model Innovation

Business model innovation can be driven by entrepreneurial orientation in an organization. EO leads BMI by its elements of being proactiveness, risk taking and innovative. Business model also known as profit making plan of a firm consists of outline on how to deliver, create, and capture values. For example, like Amazon, which had transformed from online bookstore to cloud computing giant (AWS). The achievement gained by Amazon could be the proof that entrepreneurial orientation in a firm may stimulate the growth of business by reconfiguring their business model and gain market share (Vrontis et al., 2022). Therefore, for SME to stay competitive and achieve long term sustainability, the labour must have entrepreneurial orientation (Mukhtar et al., 2021).

Conceptual Framework and Hypothesis Development

H1: Entrepreneurial orientation positively influences business performance of SME F&B sector.

H2: Entrepreneurial orientation positively influences product innovation of SME F&B sector.

H3: Entrepreneurial orientation positively influences business model innovation of SME F&B sector.

Conclusion

This conceptual paper highlights the critical role of EO in enhancing business performance, generating employment, and driving economic development within the F&B SME sector in Malaysia. By proposing a theoretical framework, this study sets the foundation for future empirical research. Future studies should test these hypotheses using quantitative methods, exploring the mediating and moderating effects of factors such as government policies, market dynamics, and digital transformation on the EO-performance relationship.

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