

# Entrepreneurial Orientation of Mexican Small Business Managers

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## Abstract

In small businesses, management skills, entrepreneurial orientation, social responsibility and closely related issues are very important. In this paper, the results of a study of the relationship between management skills, social responsibility and entrepreneurial orientation of small Mexican entrepreneurs are presented. The study was carried out using quantitative methods and included the design of a survey applied to 140 small entrepreneurs in the central region of Mexico. Findings reveal that there is a positive and significant relationship between these three variables, considering the mediation of demographic variables. A model evaluated through regression analysis models is also presented, which proves to be significant and explains these relationships in all their dimensions.

**Keywords:** small businesses, entrepreneurial orientation, managerial skills, social responsibility, Mexico

## 1. Introduction

Actually, there is an academic debate on the relationship between entrepreneurship as a solution to poverty (Bruton, Ketchen & Ireland, 2013; Bruton, Ahlstrom & Si, 2015). However, in the last decades, many countries have promoted the creation of small and medium-sized (SMEs) businesses as a means to reduce unemployment and to improve their level of development. In a globalized world, the importance of the small and medium-sized business sector for economic growth in many countries has been fully evidenced (OECD, 2011). OECD (1997) studies showed that the creation of employment in SME companies has been favored in OECD countries, as they play an important role in their economies, making up over 95 per cent of enterprises and accounting for 60 to 70 per cent of jobs.

The entrepreneur phenomena are such an important issue for countries, that there are studies that monitor de entrepreneurial activity and uncover the factors that lead to an appropriate level of entrepreneurship; the Global Entrepreneurship Monitor (GEM) has been a constant effort in this sense. These features make SME businesses very helpful to support the economy of developed, developing and countries in transition, which have given enormous support to the SME sector, mainly for their capacity to create jobs. In Mexico, according to the National Institute of Statistics and Geography (INEGI for its Spanish acronym)<sup>1</sup>, in 2009 there were 5,144,056 enterprises that provided employment to 27,727,406 persons. Of these, 4.8 million (95.2%) were micro enterprises, 221,194 (4.3%) were small, 15,432 (0.3%) were medium and 10,288 (0.2%) were large firms. In relation to job creation, 45.6% of all workers were hired by micro enterprises, 23.8% by small businesses and 21.5% were employed in large firms. In relation to the economic sector, 47.1% of businesses in Mexico are in the service sector, 26% in the commerce sector, 26% are manufacturing industries and 8.9% in other sectors.

The OECD (2006) considers good entrepreneurship skills and direct foreign investments as the driving forces that change the countries' economies through job creation. Companies in Mexico are classified according to the number of people they employ (DOF, 2009). Enterprises that have between 11 and 250 employees and annual income of 4.01 to 250 million of Mexican pesos, are classified as small and medium enterprises (PYMES for the Spanish acronym), considered as small businesses in Canada and the United States.

The creation of new businesses whether SME or large firms, commonly known as entrepreneurship, is a

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<sup>1</sup>Last census available

phenomenon that has attracted the attention of academics, governments and entrepreneurs, given the impact that this type of economic alternatives may have on the technological, social and economic development of a country. The objective of this research is to explore the relationship between some critical variables of the operation of a small business and their influence on entrepreneurial orientation. To address this goal, the concept of entrepreneurship is first analyzed and then a closer look to the critical organizational factors for the small entrepreneur is also given and commented.

## 2. Theoretical Framework and Hypotheses

This study identifies to what extent the entrepreneurial orientation of a small entrepreneur in Mexico is related to his or her management skills and to social responsibility. These variables are key elements in the actual entrepreneurship world to reach the best levels of management performance. According with Castellacci (2015), in emerging economies, companies arise to fulfill deficiencies or gaps of inefficient institutions. However, the literature on entrepreneurial activity in Latin America is almost nonexistent (Aboal & Veneri, 2016).

The consequences of entrepreneurial orientation have been widely studied in the Latin American context by Fernandez and Santos (2008), where the relationship of this variable with organizational learning, market performance and entrepreneurial performance has been explained. De Clercq and Belaustequigoitia-Rius (2007) have also examined the relationship between entrepreneurial commitment, the entrepreneurial environment and entrepreneurial orientation in a Mexican context. In this project, a model showing the relationship between managerial skills, entrepreneurial orientation and corporate social responsibility is presented in Figure 1.

### 2.1 Management Skills

Management skills are necessary to stimulate action and administrate the resources of an organization. The management skills portfolio of a small business manager usually involves the evaluation of risk taking, strategic reasoning, self-confidence, creation of a relational networking, motivation, leadership and other skills among others. Many times entrepreneurs lack the ability to address and undertake a number of activities that are necessary for the small business to achieve an appropriate stage of development to ensure its sustainability. According with Agbim (2013) management skills of small business are 1) *acquiring, discovering, creating and promoting ideas*; 2) *sharing ideas internally in the enterprise* and 3) *detecting and correcting problems that may lead to failures* (p. 9). The third group of abilities allow the performance of the firm.

The activity performed by the small business manager has a lot of aspects to be taken into account, given the number of tasks that have to be done to ensure an optimum operation of the organization, which range from sales, purchasing, production, etc., to the monitoring of organizational goals. In general, many of the activities required in the organization are usually undertaken by the manager, and as the organization grows the functionality is given according to their own organizational needs.

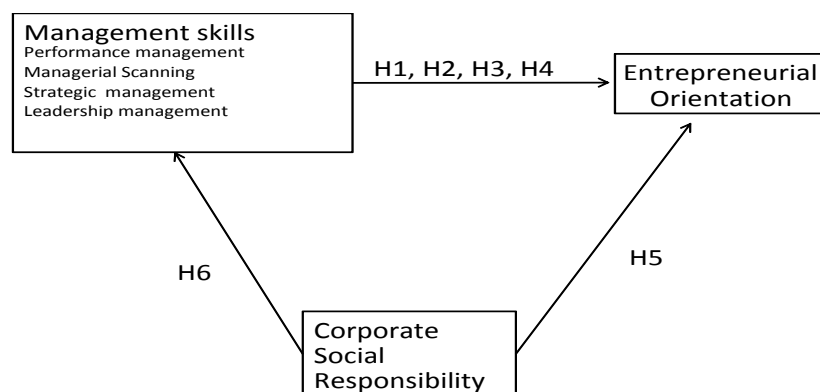


Figure 1. Entrepreneurial Orientation, Management Skills and Social Responsibility Model

As it can be observed in Figure 1, management skills involve performance management, scanning management, strategic management and leadership. In order to help small businesses' managers to achieve these, various attempts have been made to provide them with the necessary tools. For example, at the end of the 80s, the Management Charter Initiative (MCI) was launched by the Council for Management Education and Development (CMED) in England. This is a business-led Initiative to give support in management education and development to small businesses and their managers (Banham, 1989). The MCI (1991) proposed a number of management standards required to promote and achieve managerial development. The MCI defined its standards

not only as occupational standards of tasks and activities, but as a description of future needs that go beyond minimum requirements. In general, the MCI standards were an effort of the British government to propose performance standards for small businesses as an alternative to help them to become successful and to consolidate their success. To this end, small businesses' managers need to accumulate and exploit a wide array of core competencies. Prahalad & Hamel (1990) defined core competencies as the collective learning in the organization, especially how to coordinate diverse production skills and integrate various streams of technologies. Moreover, they considered the need for businesses to rethink the concept of the corporation itself, which means they will have to include other areas such as education and the occupational ones if they want to make growth possible and to remain competitive.

Mansfield (2004) proposes a model for the development of standards where competencies are first identified, work roles are generated and eventually standards are developed to facilitate the function to be performed. Lawler (1994) suggests that there are a number of reasons for adopting a competency-based approach, for it creates a competitive advantage that leads an organization to perform better. He suggests that the best competitive advantage in global markets is the ability of the organization to yield. Thompson and Harrison (2000) conducted an assessment of the management competencies using the MCI in the field of higher education with limited success. This proves that standards can be used in a wide range of activities as reported by Howard (2006) in his study in Scotland. In the Latin American context, Calderón-Hernández (2006) made a proposal on the organizational skills of small businesses based on a human approach. In a wide study, Morris, Webb, Fu & Singhal (2013) identified 13 basic competencies for entrepreneurship.

As mentioned above, four basic management skills will be analyzed in this study: performance management, scanning management, strategic management and leadership management. These basic management skills were selected from critical studies as Ates, Garengo, Cocca & Bitice (2013)

**Performance Management** The relationship between business planning and performance in small businesses is an association well studied by Brinckmann, Grichnik and Kapsa (2010) in a meta-analysis study with contextual factors; but basically organizational performance management is the monitoring of the basic business indicators for sustainability. It comprises the use of financial indicators, the measurement of organizational goals and the monitoring of the overall organizational effectiveness (Fuentes-Fuentes & Torres Hurtado, 2002). In a small organization, this activity is central to the administrative and financial control as it allows the continuous operation of the business. There are other approaches for monitoring performance management such as the integral control (balance score card) proposed by Kaplan & Norton (1992). Administrative control is one of the classic elements of management and it is a function of any manager, so the first hypothesis proposed is the following (see Figure 1):

H1. The competence of performance management is positively related to entrepreneurial orientation

**Managerial Scanning** The strategic planning introduced by Michael Porter in 1979 includes analysis of strengths and weaknesses of the environment in which the organization is immersed, to generate a competitive advantage. The organizational competencies necessary to undertake national or international ventures are based on the knowledge of the business environment. This provides the basis for the strategy that small businesses should perform, although the concept is applicable to both large and small companies. Beal (2000) suggests that this scan, or knowledge of the environment, facilitates the alignment of the competitive strategies of the organization and its environment. The environmental scanning allows the company to learn about its environment and to identify the threats that the organization faces when assessing the competition (Bierly & Daly, 2007). This process is also based on the internal knowledge of the organization. Thus a clear understanding of the organization and its environment can be seen as the basis of the management behavior of the entrepreneur through his or her administrative practice (Sadler-Smith, Hampson, Chaston & Badger, 2003) which leads to decision making regarding the management of performance, process, stakeholders or public involved, the environment, the organizational culture, the organizational strategic vision and development.

A study by Knight (1994), found that knowledge of the market, potential viability and risk assessment are the main factors that Canadian small entrepreneurs evaluate before engaging in a new business proposal. These management skills depend on the variety of cultural backgrounds of executive coaches, as they may have different administrative values involving administrative and ideals and rules they unconsciously use to develop their management skills, which determine their administrative practice (Trompenaars & Hampden-Turner, 2004). Recently, Weinzimmer & Nystrom (2015) purposed a model for detecting opportunities of small business in the environment; they identified that this is an important criterion in a small business owner's intention because it can lead to organizational growth. So we hypostatize that:

H2. The competence of scanning the environment management is positively related to entrepreneurial orientation

**Strategic Management** Strategic management is associated to identifying the required elements that contribute to the development of a competitive advantage. Baird, Lyles and Burdeane Orris (1994) suggested that small firms should: a) define the elements of the planning system; b) measure the formality of these elements; c) formally define a scale; and d) categorize the firm based on the indicators of the formality scale. Other authors like Ramanujan, Venkatraman and Camillus (1986) found that formal planning promotes awareness on specific elements of the performance process and in decision making. A strategy business model is not the only one that a small business management could use in the company, Morris, Schindenhutte, Richardson & Allen (2006) differentiated three models according with the hierarchy of perspectives for attending the goals of the business. There is sufficient literature relating strategic management, small business and performance (Wiklund & Shepherd 2005; Chittithaworn, Islam, Keawchana & Yusuf, 2011; Lin & Wu, 2014, etc.). In Lechner & Gudmundsson (2014) a clear relationship between strategy, entrepreneurial orientation and performance of small business was stated. Therefore, for our study a third hypothesis is proposed:

H3: There is a positive relationship between strategic management and entrepreneurial orientation of the small business entrepreneur.

**Management Leadership** Leadership is one of the most studied phenomena in the field of organizational behavior by its impact on administrative practice. House and Aditya (1997) conducted a summary of the scientific study of leadership and its prevailing theories, starting in the 30s of the last century, and suggested that future research on each of these topics will continue, as leadership will remain as a phenomenon of interest to scholars and practitioners. Ireland, Hitt and Sirmon (2003) defined entrepreneurial leadership as the ability to influence others in managing organizational resources strategically, emphasizing simultaneous opportunity-seeking and advantage-seeking behaviors that promote opportunities and advantages and result in superior firm performance. They considered that small entrepreneurial ventures are effective in identifying opportunities, but are less successful in developing competitive advantages needed to appropriate value from them. They also argued that strategic entrepreneurship is a unique, distinctive construct through which firms may create wealth. Covin and Slevin (2002) identified the following as essential to leadership of the entrepreneur: a) the protection of innovation that threatens the current business model, b) taking opportunities that make sense for the organization, c) the ability to challenge traditional logic and take nothing for granted, and d) establishing linkages between entrepreneurship and business strategy.

The stage of development of a small business influences the type of leadership that an entrepreneur can display. Antonakis and Autio (2006) designed the situational leadership model according to the stage of the entrepreneur's business, i.e. conception, creation or consolidation. The conception stage is when an organization is in its design phase; the creation stage comprises the company starting point of its operation up to its structuring phase, and finally the consolidation stage, when a company acquires distinctive or legitimate features. During the development of these three stages, the relationship with the associated environmental contexts interacts with the leadership behaviors developed by the entrepreneur according to the stages of transition of the organization. In the consolidation stage, which is the one usually displayed by small exporting businesses, environmental monitoring and implementation strategy are proposed as the core axes of instrumental leadership and transformational leadership (Bass, 1999; Avolio, 1999; Puga and de la Garza, 2006), where the leader's behavior towards its staff is based on an idealized influence, the use of symbolic communication and an effective communication of the business's vision. Recently, Renko, Tarabishy, Carsrud & Brännback (2015) developed the concept of "Entrepreneurial leadership" that entails the behavior of influencing and directing the performance of the group through recognizing and exploiting entrepreneurial opportunities; this concept would be useful in describing entrepreneur's leadership activities. In sum, the leadership of the small business entrepreneur should be seen as a study variable to identify favorable behavior to benefit entrepreneurial activity. In this regard, the fourth hypothesis assumed is:

H4: The managerial competence of management leadership is positively related to entrepreneurial orientation of small business entrepreneurs.

## 2.2 Entrepreneurial Orientation

Although the activity of entrepreneurial orientation can be observed in all aspects of organizational activity, at any organizational level and in all types of organizations, as well as in productive organizations, in educational organizations or in non-profit organizations, there are also specific studies of this phenomenon related to entrepreneurs (Mintzberg, 1973; Miller & Friesen, 1982; Lumpkin and Dess, 1996; Covin and Slevin, 1989). That is, entrepreneurial orientation is present in executives of large organizations as it is in educational

administrators, but this study will focus on the study of the leader of the small productive organization. According to Kreiser, Marino & Weaver (2002), the trend toward risk-taking, innovation and proactiveness, show the main activities that an entrepreneur should consider to qualify as a management coach.

Rauch and Frese (2007) concluded that “there are small to moderate relationships between personality (high need for achievement, risk propensity, passion, innovativeness, autonomy, locus of control, and self-efficacy) and successful entrepreneurship” (Rauch and Frese, 2007) but within an organization, entrepreneurial orientation can be described in terms of orientation towards innovation, proactiveness of the entrepreneur, and risk taking. In the following paragraphs each of these characteristics will be defined.

**Innovation** Innovation in an entrepreneurial context can be defined as “the willingness to support creativity and experimentation in introducing new products and services, and novelty, technological leadership, and research and development in developing new processes” (Lumpkin and Dess, 1996). In recognition of the importance of innovation, Jennings and Young (1990) defined corporate entrepreneurship as “the process of developing new products or new markets”. Therefore, they consider an entrepreneurial organization as one that develops a higher than average numbers of new products and new markets Zahra (1993) argued that there is a growing need for innovation in small businesses, especially when it comes to technological development, which is undoubtedly one of the main areas of opportunity to be taken into account by small businesses entrepreneurs because of their potential to trigger regional and national economic development.

**Risk Taking** In an organizational context, uncertainty is an element present in risk taking. By taking risks the entrepreneur faces uncertainty, just as he does in decision making. However, the level of risk can range from moderate to high depending on the factors involved in the decision making process and the compromised resources. Risks can be of various kinds depending on whether they are motivated by a highly competitive external environment or whether they are motivated by internal environment where risks can be taken in a more calculated way. Entrepreneurship by definition involves risk-taking (McClelland, 1960). The entrepreneur tends to see situations more favorably than non- entrepreneurs (Busenitz, 1999). Therefore, risk taking is a feature of the entrepreneur profile, and without this factor innovation cannot take place.

**Proactiveness** Two main attributes can be given to proactiveness: aggressive behavior directed at rival firms, and the organizational pursuit of favorable business opportunities (Knight, 1997; Lumpkin & Dess, 2001). It is a question of who takes the leadership in the development of new products, aggressive promotion campaigns, introduction and development of new technologies, new markets, and so on over other enterprises. Stevenson & Jarillo (1990) defined proactiveness as “the organizational pursuit of business opportunities that were deemed by the firm to be positive of favorable”, while Lumpkin & Dess (2001) visualized it as the firm opportunity to seek new ventures that involved introduction of new products or services ahead of the competition and acting in anticipation of future demand to create change and shape the environment.

As it can be observed, the entrepreneurial orientation combines the strategic process with innovation, proactivity and risk taking, and the basis for decisions and actions (Lumpkin and Dess, 1996). Thus, entrepreneurship is not only associated with the creation of new companies, but also with the action of continually starting something new. It is a process conducive to the formation of new companies, which also include innovation and entrepreneurial behavior in organizations (Cromie, 2000). Entrepreneurs are important for the development of the organization for they provide a vision and the imagination required for its expansion, which is expected to positively affect the organization’s competitiveness in the long run.

### 2.3 Corporate Social Responsibility

Recently, there has been an increasing pressure on organizations from society to demonstrate that companies are involved in activities of Corporate Social Responsibility (CSR). In general, CSR has been mainly associated with large business ventures, but there have been some initiatives in small businesses too (Fuller & Tian, 2006). CSR is a philosophy of action and management with a new approach, which takes into consideration how the actions of the stakeholders or parties involved in an organization, will, in the medium term, impact society as a whole. CSR refers mainly to how social and environmental considerations can be fairly integrated into business decisions and operations. Etzion (2007) identified four organizational attributes that are linked to improve environmental performance in organizations: innovation, the cognitive inclinations of employees, integration of perceptions and concerns of multiple stakeholders and the flow of information. In small businesses, the relationship between stakeholders and the small organization can be intuitive and personal, while in large companies it is more planned and formal (Jenkins, 2006). The Ethos Institute in Brazil has developed a set of guidelines for such organizations. In adopting the CRS practices in developing countries de-Oliveira & Jabbour (2015) argue that are related to legal obligations, chain-supply practices or voluntary adoption. As a result of this

analysis, the following hypothesis is proposed:

H5. CSR practices influence entrepreneurial orientation of small businesses entrepreneurs.

Finally, as the objective of this study is to relate managerial skills and social responsibility with entrepreneurial orientation of the Mexican small businessman, the following hypothesis is proposed:

H6. There is a positive relationship between entrepreneurial orientation, managerial skills and CSR practices of small business entrepreneurs.

### 3. Methodology

#### 3.1 Selection of the Sample and Data Collection

The sample selection was drawn in a first step from the Mexican System of Entrepreneurial Information (SIEM for its Spanish acronym, 2012), which is a database that provides information about the main features and contact details of Mexican firms registered in the system. This information of the database is organized by state, economic sector and size of firms. Initially, questionnaires were sent via e-mail to the selected sample. However, this strategy did not produce many results, except for a very few answers which were not representative. This happened because of the prevailing current atmosphere of mistrust, mainly due to the plagiarism of data and the fear of giving general information of the organization that could become available to extortionists. Subsequently, contact was made with the entrepreneur associations through the Ministry of Economy and the SME Fair yearly organized in Mexico City, which reassured their associates this was an academic research exercise and allayed fears of responding to the survey. Also for gathering a bigger sample the questionnaire was promoted with local small business associations in Guanajuato and Queretaro.

For the purpose of this study, we considered those companies with a number of employees between 10 to 50 or medium sized business. According with the SIEM, as for October 1<sup>st</sup>, 2013, there were approximately 39,000 business this size in Mexico, out of which there are 7,500 in Mexico City, 1,500 in the State of Queretaro and 1,650 in the State of Guanajuato. We determinate a sample number of 133 considering an error of 8.5% and an alpha of 95%. Due to the security conditions of the country, many small business owners refused to participate. Because of this, it took us over more than two years collecting the data. Finally, 140 companies with a number of employees ranking between 10 and 50 with an average of 21 agreed to answer the questionnaire. In this way, of the total number of participants, 20% were from the commerce sector, 17% of the food and agriculture sector, 15% of the textile sector and the remaining 48% were from other sectors such as construction, paper products, services, etc. It is also worth mentioning that 27% of the entrepreneurs were female and 73% were male. The age of entrepreneurs ranged from 21 to 65 years old, with an average age of 40 years. The education level of respondents ranged from third year of primary school to postgraduate degrees (masters and doctorates), of which 18% completed high school, 33% obtained a bachelor degree and 15% have a masters 'degree.

#### 3.2 Measurements

**Entrepreneurial Orientation (EO)** As several authors have confirmed (Rauch, Wiklund, Lumpkin & Frese 2009, Wiklund and Shepherd 2005), the entrepreneurial orientation of firms has been identified as a factor of influence on organizational performance. In this study, measurements of Covin and Slevin (1989) were used; and the questionnaire was analyzed in several countries including Mexico (Kreiser et al. 2002). Entrepreneurs were asked to respond to 11 questions, with responses on a scale of 1 to 5, where 1 meant there was not a full commitment to entrepreneurship and 5 indicated there was a total commitment.

As far as data analysis is concerned, first an exploratory factor analysis (EFA) of the questionnaire as a whole was performed, using varimax rotation and the factor loadings of items were higher than 0.60 with a Cronbach's alpha of 0.84. This procedure helped to assess the overall entrepreneurial orientation of the small business entrepreneur.

**Managerial Skills** The MCI questionnaire was taken to evaluate managerial skills of the small business entrepreneur, as reported by Sadler-Smith et al. (2003). The MCI questionnaire consists of 34 items with 7 indicators, but not all of them were included in this research. For this study, only questions that referred specifically to the following four indicators were selected: strategic management, performance management, leadership management and managerial scanning. A Likert scale of one to five was used to assess the questionnaire items, where number one should be used to indicate that the activity was not important and the number five to show if an activity was relevant. Some examples of the questions asked for each of the indicators were:

**Strategic Management** Have you established mission statements and organizational vision for your business?

Have you set up appropriate goals and a strategic direction for the organization?

**Performance Management** Have you selected key financial indicators and other indicators to evaluate and monitor programs, projects and plans? Have you developed measures and criteria for assessing progress related to accomplish mission, objectives and policies, etc.?

**Management Leadership** Have values and policies for the development of an appropriate organizational culture been defined? Have responsibility and authority for key areas in the organization been delegated?

**Managerial Scanning** Has the firm assessed and appropriately responded to changes in the political, legal and regulatory environments? Has the firm identified and evaluated competitors and potential collaborators?

Responses to the questions were also analyzed through EFA, using the method of varimax rotation. Findings revealed factor loadings of more than 0.55 for each of the indicators, and the Cronbach's alpha for this instrument was 0.95. The levels of both indicators are acceptable in this kind of studies.

**Corporate Social Responsibility** Two questions were asked to evaluate entrepreneurs' involvement in corporate social responsibility: 1) Has our record of environmental protection been substantially better? and 2) Has our record on corporate social responsibility been substantially better? These questions were evaluated according to a Likert scale from one to seven, where number one indicated "strongly disagree" and number seven "strongly agree". As in previous cases, an EFA was carried out where the factor loadings were higher than 0.8 and the Cronbach's alpha was 0.95.

### 3.3 Data Analysis Methods

Before explaining the methods used to carry out this study, it is important to mention that in order to avoid reliability problems associated with self-administered data (Podsakoff, MacKenzie, Lee & Podsakoff, 2003), names of respondents were not asked. This helped to ensure anonymity and confidentiality of the research. Then, a data matrix to undertake appropriate statistical tests was used to analyze collected data. First, a bivariate correlation matrix (Table 1) was made to investigate in the first instance, the relationship of the different variables under study, which might be relevant for the study.

Table 1. Bivariate correlation matrix results

Variables	Mean	Std.Dev.	1	2	3	4	5	6	7	8	9	10
1. Gender	1.73	0.44										
2. Age	39.8	10.44	.20*									
3. Education level	14.91	3.44	-.11	-.15								
4. Industry sector	8.28	5.96	-0.2	-0.6	.13							
5. Number of staff	21.20	20.44	.16	-0.2	.30**	.05						
6. Management performance	4.02	0.80	-0.08	.08	-.05	.16	.14					
7. Managerial scanning	4.17	0.67	-.02	-.10	-.14	.03	.03	.51**				
8. Leadership management	4.06	0.73	-.10	-.06	-.07	.14	.08	.62**	.66**			
9. Strategic management	4.05	0.75	-.13	.04	-.15	.15	.03	.69**	.67**	.76**		
10. CSR	5.13	1.45	-.03	-.11	-.08	-.20*	-.05	.12	.19*	.22*	.20*	
11. EO	2.95	0.90	.02	-.16	.10	-.09	.29*	.14	.32**	.38**	.30**	.30**

(\*) Correlation is significant at 0.05, (\*\*) Correlation significant at 0.01. Gender (1 female, 2 male). Education level was assessed according to years of study. 20 options were considered for Industry sector.

The first step to test hypothesis 1 (H1) was to carry out a multiple linear regression analysis to determine the relationship between entrepreneurial orientation and demographic data that included age, education, gender, industry sector and number of staff, as covariates, and performance management as the independent variable. The standardized  $\beta$  coefficients for all regression models are reported in Table 3. This procedure was undertaken to assess the variables 'environment management', 'strategic management', 'leadership management' and CSR, to test hypotheses 2 to 5 (H2 to H5). The mathematical models were developed to test hypotheses 2 to 5 (H2 to H5) as shown in Table 2.

According to this table, step two consisted of a regression analysis taking into account the five independent variables resulting from the variable 'managerial competencies', the described covariates and the CSR variable; and 'entrepreneurial orientation' as dependent variable to test hypothesis 6 (H6). Multicollinearity was measured using the variance inflation factor (VIF) where measurements were generally less than 4, assuring the independence of the variables.

Table 2. Standardized  $\beta$  coefficients for studied regression models

	1	2	3	4	5	6
1. Gender	.07	.04	.09	.09	.05	.08
2. Age	-.16 <sup>†</sup>	-.10	-.17*	-.14 <sup>†</sup>	-.11	-.10
3. Education level	.054	.89	.11	.10	.07	.12
4. Industry sector	-1.89 <sup>†</sup>	-.16 <sup>†</sup>	-.20*	-.20*	-.07	-.14
5. Number of staff	1.84 <sup>†</sup>	.18*	.17 <sup>†</sup>	.15 <sup>†</sup>	.21*	.18*
6. Management. performance	1.83 <sup>†</sup>					-.19 <sup>†</sup>
7. Managerial scanning		0.33**				.08
8. Leadership performance			.36**			.19
9. Strategic performance				.40**		.27**
10. CSR					.28**	.19**
R <sup>2</sup>	0.11	0.19	0.20	0.23	0.16	.29
$\Delta R^2$		0.08	0.01	0.03	-.05	.13
F	2.50	4.66	5.10	6.05	3.78	4.75

<sup>†</sup>  $p \leq .10$ , \* $\leq .05$ , \*\* $\leq .01$

#### 4. Results

Results are derived from Table 1, where means, standard deviations and correlations of the study variables are presented, and from Table 3 which summarizes the results of the regression analysis undertaken to test the hypotheses. It can be observed that the demographic covariates play an important role in entrepreneurial orientation in all regressions made, especially in the number of employees and the industry sector. In the case of the entrepreneur's age, this has a weak negative relationship in some of the proposed models. In the case of hypothesis 1 (H1) (model one), there is a significant weak relationship with performance management and entrepreneurial orientation, and therefore the hypothesis is accepted. In relation to hypothesis two (H2) (model two), the study demonstrates there is a strong positive relationship between entrepreneurial orientation and environmental management. In hypothesis three (H3) (model three), a positive relationship between strategic management and entrepreneurial orientation was observed, as well as between the variables of leadership management and corporate social responsibility (models four and five for H4 and H5). Finally, to test hypothesis six (H6) (model 6) the study showed that there is a strong positive relationship between social responsibility, leadership management and the number of employees, and a negative weak relationship in performance management. Table 3 summarizes the results of the tested hypotheses in relation to the analyzed models.

Table 3. Results of hypotheses and the models analyzed

Hypotheses	Type of relationship with the dependent variable	Result
1	Positive weak (age, industry sector, number of employees and performance management)	Accepted
2	Positive strong (number of employees and environment performance) Positive weak (industry sector)	Accepted
3	Positive strong (industry sector, strategic management) Positive weak (number of employees)	Accepted
4	Positive strong (industry sector, leadership management) Positive weak (number of employees)	Accepted
5	Positive strong (number of employees and corporate social responsibility)	Accepted
6	Positive strong (number of employees, leadership management and corporate social responsibility) Negative weak (performance management)	Accepted

#### 5. Conclusions

According to the results, there is an interest from the small business entrepreneurs surveyed to engage in proactive, innovative and risk-taking actions for the organization, to face the changing environment. In general, decision-making is based on the management competencies of the entrepreneur. However, two variables were found affecting this phenomenon: the industry sector in which the small entrepreneur works and the number of employees. In relation to the reported results, it is observed that the larger the company the greater the entrepreneurial orientation.

In most countries, the business environment is changing according to the demands of consumers and of stakeholders (customers, government, society, employees, etc.). Facing these changes in small businesses largely depends on the ability of the leader of the organization. As it was demonstrated by the results of this study, one of the critical factors of performance management is leadership. Furthermore, the entrepreneurial orientation of the entrepreneur to make changes that may influence organizational performance is also of paramount importance. In this way, the combination of these factors requires the ability of the entrepreneur to develop



innovation, to be proactive and to take risks to improve performance of the organization.

The study reveals the importance of the ability of entrepreneurs in identifying opportunities in the surrounding environment that may help them to introduce innovation within the organization. Innovation does not only imply technological development or process improvements, but also any type of organizational improvement that may lead to better performance, including improvements in work processes, distribution, administration, etc.

Finally, it has been acknowledged that corporate social responsibility is a force that impacts the entrepreneurial orientation of the small business entrepreneur, given the importance of the social role of the organization's leader to take action to generate benefits to society and to improve the stakeholders' relationship with the community. It is therefore important to identify in future studies which actions entrepreneurs should undertake in this regard that will help to better describe the features of the profile of the Mexican small business managers.

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