

# Chapter 14

## Entrepreneurship and Innovation: Evidence in Colombian SMEs

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### ABSTRACT

*In the current economic landscape, the importance of innovation for the competitiveness of companies is increasingly recognized. The literature points to entrepreneurship as an important source of innovation. Although it is considered that the entrepreneurial orientation affects the results of the innovation, the empirical evidence in a country like Colombia, which today has as policy priority to stimulate both entrepreneurship and innovation, is practically null. In this chapter, the authors study this relationship in the context of a sample of SMEs through a linear regression analysis. The results indicate, as predicted, that to the extent that there is greater innovation, proactivity, and risk orientation, the better the results of innovation.*

### INTRODUCTION

The capacity of organizations to innovate has become a key factor in business performance, in terms of profitability, growth, participation in the market, and improvement of competitive advantages (Keupp, Palmié & Gassmann, 2012; García, 2016). This relationship between innovation and business perfor-

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mance is evident in the specialized literature, and carries special significance for SMEs (Wang, 2014; Lecerf, 2012; Arshad, 2016).

Despite the importance that innovation represents for companies and countries, in Colombia, innovation is still an underutilized strategy, in comparison to other countries (Gómez & Mitchell, 2014). Data from the “*Encuesta de Desarrollo Tecnológico e Innovación EDIT<sup>1</sup>VII*”, which was carried out by the DANE<sup>2</sup> (2014) support this statement with their conclusion that 58% of Colombian companies are considered not to be innovative. It should be emphasized that the results of Córdoba-Vega & Naranjo-Valencia (2017), based on EDIT (2017) data, derived from study of the relationship between innovation investment and innovative results, reveal that the only significant relationship found was in the case of medium-size companies.

One of the determining factors of innovative capacity in businesses is entrepreneurship (Ejdys, 2016; Zaho, 2005; Hult, Hurley & Knight, 2004). Schumpeter (1934) recognizes the important role of the entrepreneur in the economy, and lists them as the principal motor of economic development, assigning them the function of changing the economic equilibrium through innovations introduced into the market, thus permitting economic movement. Trujillo-Henao (2015), in keeping with Brem (2011) and Pereira (2012), notes that there is an inextricable link between the entrepreneurship and innovation concepts. On one side, there are those who believe that all innovation necessitates entrepreneurship in uncharted terrain, encouraged by opportunities, but restricted by risks. Others consider that constant innovation is the distinctive quality of the entrepreneur.

Although, in Colombia in general, there are few studies regarding entrepreneurship activity and the socioeconomic dynamic (Álvarez & Burbano, 2011; Aparicio, Urbano & Gómez, 2016), results of studies performed in this context highlight the importance of innovation and entrepreneurship for economic growth and long-term national development (Ács, Autio & Szerb, 2014; Aparicio, Ramírez Hassan & Gómez Sánchez, 2013; Aparicio, Urbano & Audretsch, 2016; Urbano & Aparicio, 2016). Specifically, Aparicio, Urbano y Gómez (2016) suggest that the best scenario for long-term Colombian economic growth is through a growing number of innovative businesspeople.

There are various approaches to the understanding of entrepreneurship. One perspective is considered from the individual point of view, (Reynolds, Hay & Camp, 1999), and is accepted by the Global Entrepreneurship Monitor (GEM)<sup>3</sup>, which defines it as “any attempt at new business or new venture creation, such as self-employment, a new business organization, or the expansion of an existing business, by an individual, a team of individuals, or an established business.”

Another perspective is corporate entrepreneurship, or intrapreneurship, which is carried out within an existing organization, and is described by Kraus & Kauranen (2009) as follows: Corporate entrepreneurship stands for a new management philosophy, which promotes strategic agility, flexibility, and continuous creativity to change administrative-oriented employees into intrapreneurs.

The focus of this study is the second perspective, corporate entrepreneurship, also called entrepreneurial orientation, and its relationship with innovation. Kreiser, Marino, Kuratko and Weaver (2013) & Wales (2016) indicate that this construct has been accepted theoretically in the literature because entrepreneurship is considered to be more than an action or singular activity—just as the launch of a new innovation—a strategic global position.

The literature has found a strong link between entrepreneurial orientation and innovation (Atuahene-Gima & Ko, 2001; Hult et al, 2004). However, empirical evidence in developing countries is practically nonexistent, with the exception of Jiménez, Cegarra, Gattermann & Sampaio's (2014) investigation, performed in Brazil. In Colombia, there is no reference for studies which address this relationship.

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