

Chapter 7

Contributions of Entrepreneurial Orientation to Competitive Advantage: The Portuguese Experience of the Textile SMEs

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ABSTRACT

The main objective of this chapter is to analyze the relationship between entrepreneurial orientation and competitive advantage on Portuguese exporting textiles small and medium enterprises (SMEs). Therefore, a quantitative methodological approach was used, conducting a descriptive, exploratory, and transversal empirical study, having applied a questionnaire to a sample of Portuguese SMEs, associated of the Portuguese textile association (ATP). The structural equations model was used for this purpose, using the partial least squares (PLS). Based on survey data from 247 firms, the empirical results indicate that 1) innovation have a positive and significant impact on differentiation, 2) proactivity and risk-taking does not have a positive and significant impact on differentiation, and 3) innovation, proactivity, and risk-taking does not have a positive and significant impact on cost leadership. This study shows that Portuguese textile SMEs seek to support and stimulate new ideas, experimentation, and creativity that surely result in new products, services, and processes.

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INTRODUCTION

Developments in this global economy have changed the traditional balance between customer and supplier. New communications and computing technology, and the reasonably open global trading systems, mean that customers have more choices and supply alternatives are more transparent. Firms need therefore to be more customer-centric, especially since technology provide low cost information and customer solutions, and constantly re-evaluate their value propositions (Teece, 2010).

Firm survival is lowest when firms are small; thus, the development of effective strategies is critical for the continuity of business (Thornhill, & Amit, 2003). According to the extant literature, increasing business competitive position, particularly SMEs, is of pivotal importance for the development and renewal of national economies (O'Cass, & Sok, 2014). At present, although SMEs are recognised as important contributors to modern economies, our understanding of how they thrive in an increasingly competitive environment and achieve growth is limited (Anderson, & Eshima, 2013). Thus, it is urgent to understand the drivers of SME performance.

Miller (1983) argues that entrepreneurial strategies are likely to be more successful when addressing customers that value innovation and unique services. This is consistent with a dynamic environment. In these environments, where demand is unpredictable, firms that are oriented to pursue new markets, opportunities are abundant and performance is higher because they have a good fit between their strategic orientation and the environment. In other words, we would expect the alignment between Entrepreneurial Orientation (EO) and a dynamic environment to have positive performance implications (Wiklund, & Shepherd, 2005).

Our study is responsive to the call of Sousa, Martínez-López and Coelho (2008) which suggests that, in the context of international markets, firms' survival and expansion, and consequent economic growth of many countries, is strongly dependent on a better understanding of the determinants that influence export performance. In fact, the factors that set off SME growth (including exporting) are still in need of research (Stouraitis et al., 2017). So, the purpose of this paper is to broad the boundaries of entrepreneurship and strategic management literature and test the following hypotheses — *Does entrepreneurial orientation positively influence small business competitive advantage?*

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