

Are Managerial Competencies a Blessing to the Performance of Innovative SMEs in Malaysia?

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ABSTRACT

Innovativeness has been empirically recognized as one of the entrepreneurial orientation (EO) characteristics mandatory for improving the organizational performance of SMEs. Managerial competencies are the business functional skills that have been playing an increasingly important role in the development of successful small and medium business firms. Whether integration exists between innovativeness and managerial competencies to influence SME performance in Malaysia remains controversial. This study attempts to examine the moderating effect of managerial competencies on the relationship between innovativeness and SME performance in Malaysia. Drawing a sample of 258 SMEs across industries in the country revealed that managerial competencies do not impact on the relationship between innovativeness and SME performance. The findings provide managerial implications and strategic recommendations to entrepreneurs, owner-managers, and policy makers in the SME sectors.

Keywords: Innovativeness, entrepreneurial orientation, managerial competencies, SME performance, Malaysia

INTRODUCTION

Attempts to understand, predict, and explain performance for SMEs are an important but challenging endeavor. It requires a multidimensional approach (Westhead, Wright, and Ucbasaran, 2001; Kalleberg and Leicht 1991; Birley and Westhead, 1990) to conceptualizing its meaning and content before a more

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refined definition of performance for SMEs could be constructed. Nevertheless, complexity in small venture characteristics such as uncertainty and limited resources is the reason behind different schools of thought on what and how the dimensions of performance can be drawn up. Such diversity in the paradigms of SME performance has been long recognized by a body of research in the field of small business management.

In 1998, Keats and Bracker formulated a conceptual framework of small firm performance postulating the interrelationships among entrepreneurial intensity, environmental influences, and performance. Their studies contended that performance is more subjective to small firms than to large enterprises. There are imprecise interpretations of the meanings of performance despite the fact that this dependent variable is typically perceived as financial or monetary aspect of business undertakings by a majority of SME owner-managers.

The taxonomy of performance for SMEs has been depicted by different schools of thought through scholarly studies, consultations, and business practices. The distinction between the paradigmatic definitions of performance is distinguished by the stages of development in researching and planning the small business management. It is the interplay of experience and conceptualization along this learning threshold that drives the evolution of the term 'performance' as a measurement, management, or assessment (Folan, Browne, and Jagdev, 2007).

As a whole, there is no lack of empirical studies on performance as the measurement of organizational accomplishment. The spectrum of research activities have been classified into numerous theoretical streams characterizing individual proposition of performance measures. Some researchers advocate it to be of either single dimensional, subjective, or short-term whereas others campaign for a multiple dimensional, objective, or long-term performance measure.

Innovativeness

Studies on the concept of innovativeness have been well documented by Salavou (2004). There are vast and varied conceptualizations of innovation and innovativeness suggested by scholars of different disciplines. Some have distinguished innovation from innovativeness while others have argued for the interchangeable perspective of these two terms (Damanpour, 1991). Nevertheless, innovation is characterized by the organizational actions of adopting and executing "newness" in arbitrary manner, whereas innovativeness reflects the degree of an organization's propensity for doing innovation. The terminological difference is whether "innovation" to be considered as attitudinal or behavioral. This distinction has been somewhat composite by the feedback-loop relationship between innovativeness and innovation in which the former provides attitudinal support to facilitate the latter's action in turning creative process into innovation results (Lumpkin and Dess, 1996). The complementary

role of these two paradigms suggests that both are increasingly and equally contributory to the studies of entrepreneurial firms and SMEs performance (Salavou, 2004; Miller and Friesen, 1982).

Two research streams have been found to be of interest to the scholars of innovativeness. The organizational innovativeness research camp addresses both the unidimensional (Wilson, Ramamurthy and Nystrom, 1999) and multidimensional (Subramanian and Nilakanta, 1996) nature of innovativeness. There are three distinctive, independent determinants of innovativeness within the organizational settings namely technology-based, behavioral-based and product-based innovativeness. Technology-related innovativeness demonstrates the willingness of firms in accommodating technological changes as business opportunities (Kimberly, 1981; Kitchell, 1995). Behavioral-related innovativeness models a more dynamic organization behavior in generating or accepting new ideas faster than others (Rogers, 1983). Product-related innovativeness prompts an organization's proclivity to try new products and services (Foxall, 1984). A truly innovative firm ensures materialization of innovation outputs through one of these three conceptual approaches. By applying the frequencies of innovation adoption in terms of number, time and consistency as multi-attribute for each unidimensional construct, organizations would be able to uncover the magnitude of innovativeness orientation for further assessment of their organizational performance (Salavou, 2004).

The theory of organizational innovativeness has been criticized for its inability to allow specificity in the measurement of firm's tendency to innovate (Marquis, 1969; Davidson, 1976). The use of technology, organization behavior, and product as unidimensional definition of organizational innovativeness leads to inconsistency and incompatible among these innovativeness determinants. It is rather difficult to ascertain if a technologically innovative firm is more novel than its behaviorally innovative counterpart and vice versa. It is also unlikely that marketing-oriented firms will focus on product innovativeness without referring to technological and behavioral innovativeness within its organization. Moreover, consideration of number, time, and consistency of innovation adoption as multidimensional measure of organization performance would result in unrealistic analysis of research findings. A firm may be persistent in encouraging more innovation adoptions ahead of the rivals and still not to be considered innovative. This is because the focus of persistence, the degree of innovativeness (Da Rocha, Christensen and Paim, 1990), and the reliability of timing the innovation are further uncontrollable factors which affect a firm's proclivity to organizational innovativeness (Avlonitis, Kouremenos and Tzokas, 1994).

Another research camp supports the innovativeness studies by offering an alternative perspective to tradeoff the paradox of organizational innovativeness theory. Salavou (2004) argued that product innovativeness concept serves as a better methodological approach to describing the novel characteristics

of firms, which is more specific, more focused, and more indicative of company's tendency towards innovation. Much attention of the literature has been drawn to the definition and categorization of product innovativeness concept over a wide spectrum of definitions. Based on Ansoff's typology (1957), product innovativeness conceptualizes incrementally new products; moderately innovative products; and genuinely new products. His assertion is further reinforced by Cooper (1979) who contends that product innovativeness is associated with newness to the firm; product uniqueness; and product superiority. To realize the newness of product, a firm would pursue innovative imitation of competitors' products, new product invention, and improvement or modification of the existing products (Brouwer and Kleinknecht, 1996; Cooper, 1979). In addition, product innovativeness also requires acknowledgement of newness from customers. The customer perspective of newness necessitates a change in consumer behavior to accommodate new product usage conditions (Atuahene-Gima, 1995). On the other hand, the uniqueness/superiority aspects of product innovativeness suggest that firms operationalize incompatible differentiation in product attributes so as to develop competitive advantage difficult to copy by competitors (De Brentani, 2001).

Managerial Competencies

In the literature of strategic management, the importance of managerial competencies and management practices in small firm success has been studied with mixed conclusions. Managerial competencies refer to personal-oriented and task-oriented skills that are associated with effective management and leadership (Martin and Staines, 1994) whereas management practices relate to the use of formalized methodologies and practices to ensure effective functioning of company operations (Caglino and Spina, 2002). It is argued that the role of managerial competencies in firm performance is contingent upon the growth of organizational development (Whitley, 1989). As firm size expands and becomes more complex, the need for advanced management practices tends to materialize increasingly. Such contingency also suggests an insignificant relationship between managerial activities and small firm success as the owner-managers of small, entrepreneurial firms rely more on their traditional skills and intuitiveness, rather than the managerial approaches, to deal with the daily operational problems (Jennings and Beaver, 1997).

This paper involves a basic research examining the impact of managerial competencies on the relationship between innovativeness and performance of small and medium-sized enterprises (SMEs) in Malaysia. The proposed research topic is conceptualized by an integrative study of the entrepreneurship and small business management literature in the field of strategic management. There are numerous researches on factors that contribute to a small firm's success or

failure. More specifically, the empirical studies of innovativeness and managerial behavior as success factors to small firm performance have been concluded with mixed results. Some researchers reported significant relationship between innovativeness and small firm performance whereas others rejected it. Likewise, there were arguments for and against the association between management practices and small firm success.

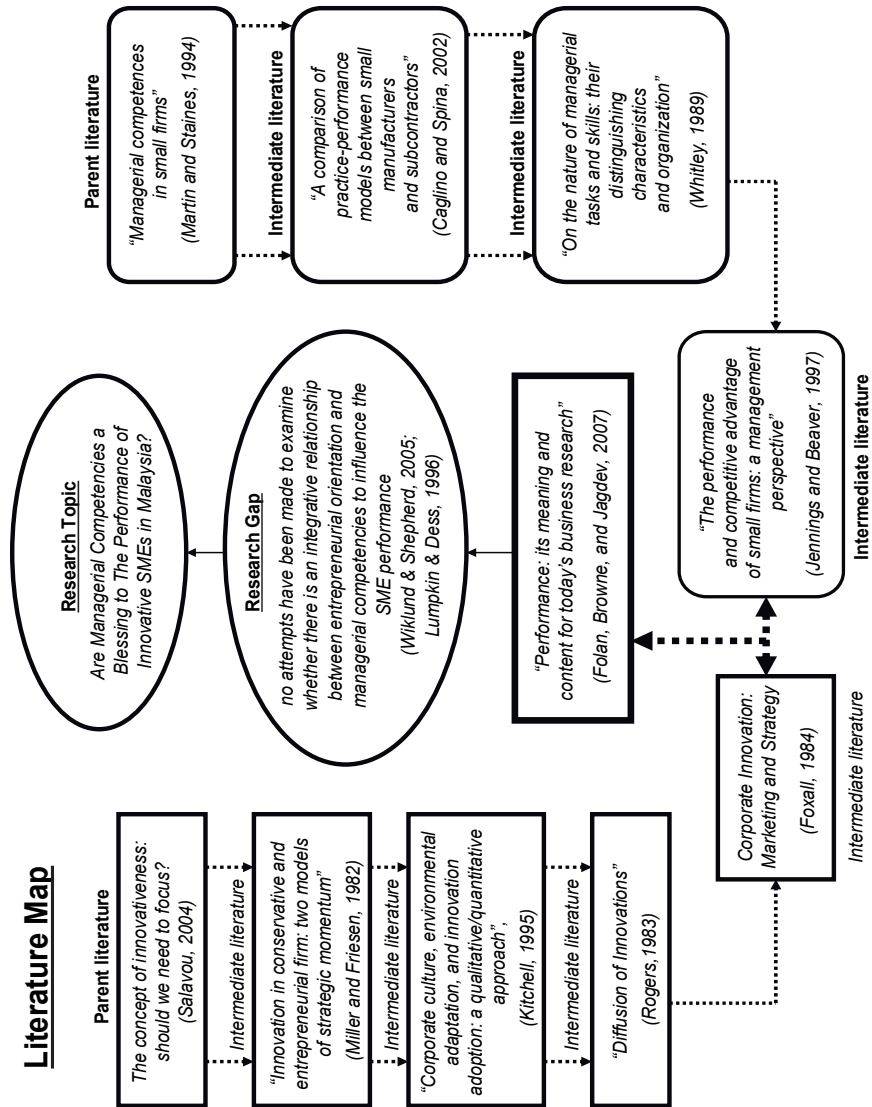
Controversies as to whether innovativeness and managerial factors correlate to small business performance emerge as a phenomenon of interest worthy of investigation, particularly in the Malaysian SME sector. Given the nature of small size and less formality, Malaysian SMEs tend to be more flexible, emergent, and adaptive than larger firms in the highly uncertain, complex environment (Wyer, Smallbone & Johl 2000). These attributes can effectively enhance their competitiveness in sensing economic upheavals (Schaper & Volery 2004), exploring new business opportunities (Dollinger 2003), and diversifying risk endeavors. As a result, most Malaysian SMEs, if not all, survived and sustained from the 1997 economic turmoil and their painful experience provided a platform for upgrading the business skills, integrating the MNC-SME ties, equally distributing the national income, and restructuring the economic system (Abdullah 2000).

RESEARCH GAP

The literature review of this research provides a paradigmatic perspective for identifying the research gap that underpins the studies of contemporary controversies among the entrepreneurship and SME management scholars. Reviewing the works of different camps of researchers suggests that while every effort has been made to empirically validate the theoretical frameworks of their research variables, no attempt has been made to synchronize the differences between these specialized concepts namely innovativeness and managerial competencies. In this regard, a literature map that follows is drawn up to demonstrate how the research gap emerges through synchronization of the two streams of variables in a pragmatic manner.

The concept of innovativeness as contended by Salavou (2004) is the parent literature that provides a basis on which the role of innovativeness in the entrepreneurial success is understood. This study have been further supported by certain selective intermediate literature postulating the relationship between innovation and firm types (Miller and Friesen, 1982), the qualitative and quantitative approach to innovation adoption (Kitchell, 1995), the diffusion of innovations (Rogers, 1983), and strategic marketing innovation (Foxall, 1984). While argumentation has been surrounded on the issues of innovativeness and innovation as well as their importance to the performance of entrepreneurial and SME firms, there was a lack of debate in these literature to critically examine the

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interrelated impact of innovativeness and other entrepreneurial dimensions on SME performance in Malaysia.

Likewise, major discussion on the nature of managerial competences in small firms has been initiated by Martin and Staines (1994) as the parent literature for this research project. An assessment to managerial models (Caglino and Spina, 2002), managerial characteristics (Whitley, 1989), and managerial approach to competitive advantage (Jennings and Beaver, 1997) found in the supporting literature further explain the causal relationship between managerial competencies and SME performance. Nonetheless, the discussion did not suggest if managerial competencies would play the alternative role or could impose indirect impact on the success of SMEs in Malaysia.

The emergence of research gap is the methodological logic of synthesizing the distinguished concepts of opposing variables namely innovativeness and managerial competencies. Such synthesis is based on the integrative and comprehensive approach to the studies of entrepreneurial orientation in the context of SME performance measurement (Wiklund and Shepherd, 2005; Lumpkin and Dess, 1996). It allows a cross examination of two distinctive variables and measure the effect of their integration relationship on the Malaysian SME performance. As such, it is envisaged that the research gap facilitates the formation of research question addressing the extent to which the managerial competencies have contingent effect on the relationship between innovativeness and SME performance. This leads to the determination of research topic as “Are Managerial Competencies a Blessing to the Performance of Innovative SMEs in Malaysia?”

CONCEPTUAL FRAMEWORK

Keats and Bracker (1988) have developed a conceptual model of small firm performance based on existing theory in strategy, entrepreneurship, and organization behavior. Their framework suggests that the level of small firm performance depends on both the mediating and moderating effects of entrepreneurial intensity, strategic sophistication, and environmental forces. Their research has been supported by Lumpkin and Dess (1996) who empirically suggest alternate contingency models of the EO-performance relationship. The contingency variables that can influence the relationship between EO and firm performance are organization structure (Slevin and Covin, 1990), strategy (Woo and Cooper, 1981), firm resources (Ostgaard and Birley, 1994), culture (Stuart and Abetti, 1987), top management team characteristics (Eisenhardt and Schoonhoven, 1990), environment (Zahra and Colvin, 1995), and industry characteristics (Sandberg and Hofer, 1987). However, Wiklund and Shepherd (2005) have found that the contingency model that depicts two-way interactions between variables were inadequate in explaining the EO-performance relationship.

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They suggest a configurational approach or three-way interaction model for the study of variance in performance. Such configurational analysis requires a joint and simultaneous study of EO, financial resources, and environment dynamism to ensure complementarity's among various variables.

In this paper, consideration has been given to the contingency model and the configurational model, respectively, in terms of their relevancy to the nature of this research study. The former provides a simpler, main-effect-only analysis to understand the two-way relationship of two independent variables whereas the latter offers a more complex but insightful knowledge on the interactive and integrative mechanisms among three or more independent variables. Careful evaluation of these approaches in the context of Malaysian environment suggests that the contingency model is a better choice due to the fact that it fits particularly well to the multiple socio-cultural requirements of Malaysians. The use of managerial competencies as a single dimension to test its moderating effect on the innovativeness-performance relationship suggests that this model allows less sophisticated questionnaire to answer by local respondents consist of three races, i.e. Malay, Chinese, and Indian. Diversity in languages and perceptions among different ethnic groups necessitates a straightforward, simple, and easy question phasing thus enhancing their understanding level to answer the survey questions more willingly.

The moderating-effect model (see Figure 1) is borrowed from the alternate contingency models suggested by Lumpkin and Dess (1996). Discussion on the research gap that precedes clearly suggests that there is a lack of understanding on the relationship among innovativeness, managerial competencies, and SME performance despite numerous studies have been undertaken to examine the independent effect of innovativeness and other EM dimensions (such as proactivity and risk taking) on small firm performance. This research gap facilitates the use of moderating-effect model to address the research question phased as follows:

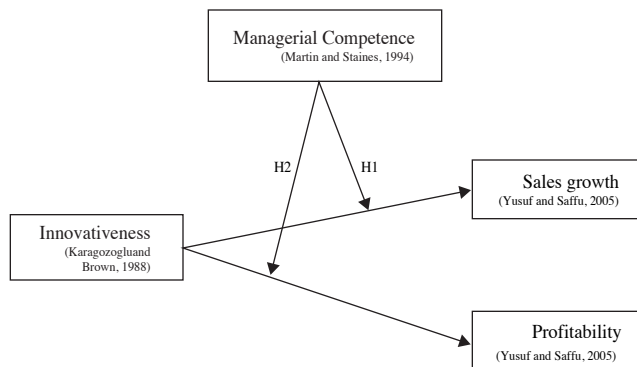


Figure 1 Conceptual Framework

“To what extent can the relationship between innovativeness and the SME performance in Malaysia be moderated by managerial competencies?”

The conceptual framework has been constructed in accordance to the research question generalized for this study. Two hypotheses are developed to address the specific issues underpinning the research question as follows:

- H1:** The relationship between innovativeness and sales growth is moderated by managerial competencies
- H2:** The relationship between innovativeness and profitability is moderated by managerial competence

The conceptual framework depicts the moderating-effect model based on the contingency model of EO-performance relationship posited by Lumpkin and Dess (1996). For this research project, only innovativeness, which is one of the three dimensions constituting the construct of entrepreneurial orientation (EO), is studied as a single independent variable with an attempt to examine its impact on the Malaysian SME performance. The concept of performance as a dependent variable is measured by two financial indicators namely sales growth and profitability that characterizes single, specific, and short-term measure of SME performance in Malaysia. Proponents of this single dimension approach to performance measures lend their supports to the theory of goal setting (Haber and Reichel, 2005) which provides one of the most established management theories to explain the goal-performance relationship in the experimental settings (Latham and Locke, 2006). The research results suggest that goals which are specific and difficult yield better performance results than ambiguous, easy goals. The effects of goal specificity and difficulty on performance suggest that single measure of performance is more feasible than multiple measures in setting a difficult but achievable goal for organizational improvement. The theme of the goal setting theory is congruence to the characteristics of Malaysian SMEs or entrepreneurial ventures that requires a single, specific and challenging business goal such as profit, sales growth or number of employees to focus on particularly during the initial stage of firm development.

It is envisaged that managerial competencies is an important moderator to effect the relationship between innovativeness and SME performance in terms of sales growth and profitability as postulated by Hypothesis 1 and Hypothesis 2, respectively. However, whether managerial competencies can integrate or moderate the change of relationship between two causal variables is yet to confirm by the research findings of this study. The conceptualization of managerial competencies as moderating variables on innovativeness-performance relationship has been drawn from the works of Cagliano and Spina (2002) who

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advocate the use of formalized methodologies and practices to ensure effective functioning of company operations.

RESEARCH METHODOLOGY

Sample

A total of 1000 respondents were selected from firms engaging a cross-sectional survey of their company founders, owner-managers, and professional managers in the Malaysian SMEs sector. This is a cross-sectional study and therefore purposive sampling with mail questionnaire had been used to approach such participants as company founders, owner-managers, and professional managers. The use of purposive sampling was justified by the fact that this study was constrained by time, manpower, and cost resources. As the respondents were geographically dispersed, the survey questionnaires were sent to the respondents through mailing methods. A total of 315 questionnaires were received over the three-month period. Due to returns that were out of the targeted population or incompleteness, only 258 responses were deemed to be suitable for the present study, representing a response rate of approximately 28.0%, which suffice for a mail survey where a low response rate is usually received (Sekaran, 2003).

The demographic profile of the responses is as follows. 46% of 258 questionnaire data being accepted for analysis came from three popular industries namely Textile, Garments & Fashion (17.8%), Machine and Equipment (16.3%), and Food & Beverages (12%). Moderate amount of responses was found in the Electrical & Electronic industry, the Rubber & Plastic industry, and the Publishing, Printing & Recordings industry, that generated 20 (7.8%), 11 (4.3%), 9 (3.5%) valid questionnaire data, respectively. In contrast, the lowest number of responses came from industries as Wood & Furniture (1.6%), Transportation Accessories (1.6%), Petroleum & Chemicals (2.3%), and Paper & Stationeries (2.3%), respectively. Notably, there were 79 or 30.6% of questionnaires collected from the 'other' industries that accounted for the highest return of responses for a single category. This pattern of uneven frequency distributions suggests that the questionnaires had been well answered by a high diversity of business type across industries making the data more representative and exploratory in understanding the phenomenon of interest.

Measurement

In general, the measures employed in this study were modified from previous researches with the modifications necessary to reflect local conditions. The five-point Likert scale was developed to measure innovativeness and managerial competence, respectively whereas the five-point itemized scale was designed

to measure two dimensions of small firm performance, i.e. sales growth and profitability. Both the Likert scale and the itemized scale were interval-scale instruments appropriate for measuring continuous variables.

Miller's (1988) eight-item original scale was used to measure the dimensions of innovativeness (Miller, 1983). The Cronbach's alpha for innovativeness was .58, providing insufficient evidence of reliability. A further assessment to individual item reveals that removal of item 7 from the scale may significantly increase the Cronbach's alpha to 0.70 which is acknowledged as an acceptable level of reliability coefficient. Subsequently the average score was used to aggregate these three items to indicate the level of innovativeness. Measure for managerial competencies was based on the scale that consists of 11 items developed by Cagliano and Spina (2002). Its Cronbach's alpha was .84, providing evidence of reliability. Subsequently the average score was used to aggregate these 11 items to indicate the level of managerial competence. Measures of small business performance for sales growth and profitability were standardized and combined by Wiklund and Shepherd's (2005) study. There are only two items for each of the measured performance and the Cronbach's alpha of .74 for sales growth and .81 for profitability, respectively, indicating both the performance measures were in the good range of reliability

RESULTS

Table 1 presents the scale means, standard deviation and correlations for the study variables. A scrutiny of the pair wise correlations among innovativeness and the two performance metrics provide an early support for significant direct relationships. It is also worthy to note that managerial competencies are correlated to sales growth and profitability.

The hypothesis positing the moderating influence of managerial competencies on the relationship between innovativeness and the performances of small business were tested using hierarchical regression analysis; the results are summarized in Table 2. On the whole, the F change values indicated that at the 5% significance level, managerial competencies did not interact with the innovativeness to modify the form of the relationship between innovativeness and

Table 1 Descriptive Statistics and Correlations

Variables	M	SD	1	2	3	4
1. Innovativeness	3.66	0.60		0.28*	0.16	0.16
2. Managerial Competencies	3.86	0.51	0.28*		0.41*	0.43*
3. Sales Growth	3.43	0.86	0.16	0.41*		0.82*
4. Profitability	3.37	0.93	0.16	0.43*	0.82*	

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Table 2 Hierarchical Regression Results of the Moderating Influence of Managerial Competencies

Dependent Variables	Moderator: Managerial Competencies	
	Sales Growth Beta (β) ⁺	Profitability Beta (β) ⁺
Innovativeness	.30	-.03
Managerial Competencies	.65	.40
Innovativeness x Managerial Competencies	-.39	.03
R ²	.17	.17
R ² change [#]	.00	.00
Sig. F change [#]	.52	.96

⁺ standardized coefficients in the third model of the hierarchical regression

[#] refers to the change in R2 upon inclusion of the interaction terms

* p-value < .1; ** p-value < .05; *** p-value < .01

the performance metrics, namely sales growth and profitability. Since there was no presence of a moderator effect, further analysis was not performed to reveal its nature of moderator effect.

DISCUSSION & IMPLICATIONS

The fact that managerial competencies do not impose moderation or interaction effect on the relationship between innovativeness and SME performance can provide useful implications for the studies of entrepreneurship and SME management in Malaysia. This finding reveals that the influence of innovativeness on SME sales growth and profitability cannot be monitored by the managerial factors inherent in an organization. In this respect, managerial skills such as planning, organizing, leading, and controlling do not help expedite the process of innovation for improving sales growth and profitability among Malaysian SMEs. Innovativeness may need to be reinforced by other entrepreneurial characteristics such as proactivity and risk taking (Lumpkin and Dess, 1996) in order to exert its greater impact on SME performance. Any attempts to interact managerial competences and innovativeness for the purpose of accomplishing better sales growth and profitability would deem to be wasteful of the firm's human resources leading to disappointing performance. This assertion is particularly true when SME owner-managers shift their focus from being more innovative in attitude to being more managerially competent in action. By requiring highly innovative employees, such as product designer and R&D engineer, to become simultaneously competent in their managerial skills would not trigger their innovativeness to gear up company performance. Likewise, SMEs that lack innovativeness is unlikely to try new ideas ahead of competitors despite their competencies in product management and marketing planning.

It is recommended that SME owner-managers should not expect individual employees to be competent in both managerial skills and innovativeness. Indeed, efforts should be attempted to identify and differentiate the employees who are managerially savvy from those who are innovatively oriented. They should be segregated by departmentalization to explore full potential of their respective expertise, i.e. management and innovativeness. Managerially competent managers are planners, organizers, administrators, and communicators who can enhance their organization performance better, whereas innovatively competent managers are designers, forward thinkers, inspirers, and leaders capable of creating a better organization. Whilst coordination between these two departments is important to ensure robust functionality within organizations, efforts should not be made to integrate the two distinctive roles into one common mission since no synergetic performance will result from the interaction between managerial competencies and innovativeness. It is argued that separation between entrepreneurial innovativeness and managerial behaviors can prevent the SMEs with simple structure being jeopardized by managerial process (Mintzberg and Waters, 1985).

The recommendation is also offered to business consultants and policy makers for designing their training and development programs. Any training courses pertaining to entrepreneurship or new business startup should place greater emphasis on the exploration of entrepreneurial proclivity such as innovativeness, proactivity, and risk-taking. Less focus should be given to the syllabus of management development skills such as administration, procurement, and human resource management. This advice is supported by Smith, Whittaker, Clark, and Boocock (1999) who contend that the value of competence based management training and development remains questionable to both the provider and the SME recipient. As such, state agencies in Malaysia are encouraged to initiate more entrepreneurship development programs in cultivating the sense of innovativeness among Malaysians irrespective of age, race, and religion. It is this diffusion of innovation adoption, rather than managerial influence, which incubates entrepreneurial growth as the important source of SME development and economic prosperity to Malaysia.

LIMITATION & FUTURE RESEARCH

This research has been constrained by certain methodological drawbacks. The use of five-point Likert scale to measure the respondents' proclivity of innovativeness restricted the freedom in providing qualitative data about their beliefs, attitudes, behavior toward innovativeness. It was inadequate to probe the experience and insight of SME respondents from different business backgrounds via quantitative research, which is criticized as being too structural, abstract, and mechanistic that produces 'surface' evidence with superficial meaning to the study (Bryman,

1984). The input-output style of quantitative analysis only allows limited view of understanding the phenomenon which is indeed more sophisticated than what the researchers would expect (Brown, 1975). The deductive nature of argumentation inherent quantitative research tends to make the investigation process more result-oriented than process-oriented (Rao, 1980). Also, the principles of objectivity and rigidity underlying quantitative research require the researchers devote their time to consistently testify similarities rather than to explore differences in the pursuit of epistemological studies. These claims add weight to the previous criticism that argued for the incongruity nature of organizational innovativeness research (Salavou, 2004).

Moreover, the mailed survey questionnaire was unable to confirm the responses as accurate and reliable (Sekeran, 2003). The self-administered nature of this survey method cannot ensure that all questions answered were from the true, targeted respondents, i.e. entrepreneurs, owner-managers, and professional managers instead of their assistants, subordinates, or family members who are less qualified than the intended respondents for this empirical study (Ticehurst and Veal, 2000). To ensure objectivity of this research project, the respondents were assured of their sovereignty in either participating or rejecting the survey. No contacts have been made with the respondents through whatever means to influence their decisions on what and how to respond to the questionnaire. Insufficient follow-up assistance from the researcher has added the problems of ambiguity and confusion to the understanding of questionnaire by the respondents. Such ethical concern over the right of respondent has become an obstacle to the researcher in gathering quality data with high accuracy.

This research provides a conceptual framework in which the role of managerial competencies in the relationship between innovativeness and SME performance is examined. The test result determines if managerial elements can strengthen or weaken SMEs innovativeness proclivity in relation to their quantitative accomplishment. The analysis is however unable to explain whether such managerial factors can drive SMEs to be more entrepreneurial rather than merely innovative for better performance achievement. It is envisaged that future research would extend the innovativeness studies of this type into entrepreneurship studies. The other two entrepreneurial orientation dimensions, proactivity and risk-taking, will be tested together with innovativeness as independent variables to determine their correlation and relationship with SME performance. To provide a better insight of whether SME entrepreneurs need to be highly managerially competent or whether SME managers ought to be more entrepreneurial inclined in order to improve their organizational performance, it will be in the interest of scholars, business consultants, and policy makers to explain the interactive roles of management functions, entrepreneurial characteristics, and organizational performance simultaneously in their future research.

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