

# Capabilities and Entrepreneurial Behaviour of Employees in Nigerian Beverage Industry

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## Abstract

*The relationship between capabilities and the entrepreneurial behaviour of employees in the Nigeria beverage industry was examined to determine if individual are at the heart of corporate entrepreneurship in the beverage industry. Eight hypothesis were advanced in the study to capture the relationship between each identified capabilities and the innovative and risk taking attitudes of entrepreneurial behaviour of the employees. Structural equation model was deployed to analyse the data collected for the study because of its ability to validate propounded theory and show the multiple relationship among construct following their reliability and validation. The confirmatory factor analysis model displayed good fit following the assessment by three indices - absolute, incremental, parsimony. The result confirmed the test that individual are at the heart of corporate entrepreneurship in the beverage industry and all capabilities are found to have influenced the entrepreneurial behaviour of firms while learning and networking capabilities recorded the highest influence on entrepreneurial behaviour. Managers were therefore recommended to identify and promote capabilities that can stimulate entrepreneurial behaviour of employees. Risk taking behaviour of employees should also be properly managed to avoid demoralization of employees.*

**Keywords:** Capabilities, Entrepreneurial Behaviour, Relationship.

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## INTRODUCTION

The development of entrepreneurial capability is central to the survival and sustainability of firm's competitive position in modern day business environment. The survival of firms in today's fiercely contested business environment characterised by innovative product development, process modification, shorter technology life cycle and speed of market entry is anchored on firm's entrepreneurial prowess. The generation of new business activities (Schumpeter, 1934) alone does not constitute entrepreneurship. The development of innovative, proactive and risk

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taking behavioural (Covlin and Slevin, 1991; Miller, 1983) culture motivated towards the use of resources beyond individual control (Kirzner, 1973; Stevenson and Jarillo, 1990) constitute the major skills needed to sustain competitive advantage. This view was based on the generally accepted entrepreneurship theory that opportunities are recognised by individuals not firms (Aldrich and Zimmer, 1986; Ozgen and Baron, 2007; Singh, 2000; Venkataraman 1997). Existing firm's capabilities could shape or influence the development and sustainability of entrepreneurship needed to stimulate creativity and innovation. The development of entrepreneurial behaviour among workforce will help widen the search scope for opportunities and subsequently its exploitation for the immediate and future growth of firms. This is particularly important in modern day businesses driven by knowledge and opportunity especially for fast and first entry firms considering the challenges of shorter product lifecycle. A firm with abundant entrepreneurial cultured employees is most likely to sustain or surpass its competitive position in the industry. While noting that an ecosystem to promote such entrepreneurial behaviour is necessary, successful entrepreneurial skill can stimulate the renewal or development of capabilities in firms. Conversely, existing firm's capabilities could enhance the success of entrepreneurial skills among employees. It is therefore imperative for managers to acknowledge and understand the capabilities of employee's entrepreneurial skills and their effect on firms existing capabilities this was based on the perception that successful entrepreneurial skills might be the game changer for such firms. On the other hand, extant literatures in the past two decades have highlighted various dimensions (Zhang *et al.*, 2009; Alegre and Chiva 2009; Wang, 2008; Dimitratos and Liouka; Winter 2002) of capabilities such as managerial, adaptive, absorptive, innovative, marketing,

networking, technical, financial, operational and dynamic capabilities. Several studies (Aldrich and Zimmer, 1986; Conviello and Munro, 1997; Johnson and Mattson, 1988; Loane and Bell, 2006; Meyer and skak, 2002; Mort and Weerawardena, 2006) affirmed the influence of business and social networks on opportunity recognition. Related study by Alegra and Chiva (2009) confirmed the significant role played by learning capability in determining the effect of entrepreneurial orientation on innovation performance. Tampkin (2007) concurred that management capability makes a difference on individual performance. More recently, Morgan *et al.*, (2009) concluded that market orientation and market capability are complementary assets that contribute to superior firm performance. The question then is how these capabilities (managerial, learning, networking and marketing) influence entrepreneurial behaviour (innovativeness, pro-activeness and risk seeking) of employees in Nigeria beverage industry. Arising from this, the study examined the relationship between entrepreneurial behaviour of employees and firm's capability deployed to create an ecosystem that facilitates the development of the entrepreneurial traits.

## LITERATURE REVIEW

Sustaining competitive advantage in today's dynamic market of rapid and unpredictable changes has been a major challenge to firms and entrepreneurs who run businesses. The response of organizations to changing environment giving the available resources is crucial in determining their chances of survival and growth (Eisenhardt and Martins, 2000). The resource based view (RBV) of the firm conceptualizes the firm as a bundle of resources; the resources include all assets, capabilities, organizational processes, firm's attributes, information and knowledge (Barney, 1991). Patricof (2009)

noted that RBV is grounded on the perspective that a firm's internal environment in terms of its resources and capabilities is critical to the determination of strategic action. He added that the firm's unique resources and capabilities provide basis for its strategy and survival. Resource based view explained that all firm sustainable competitive advantage is reached by virtue of unique resources that are rare, valuable, inimitable, non-tradable, non-substitutable and firm specific. (Barney, 1991 and Makadok, 2001). This suggests that entrepreneurs must acquire unique resources and capabilities to sustain its competitive position. Affirming these views (Henderson, 1994; Henderson and Cockburn, 1994; Zander and Kogut, 1995) concluded that capabilities are the fundamental drivers of creation, evolution, and recombination of other resources to provide new sources of growth.

Sustaining competitive advantage via capability enhancement however requires entrepreneurship. Entrepreneurship is a field of business that seeks to understand how opportunities are discovered or created by individuals who used various means to exploit or develop them and to produce a range of outcomes (De Carolis *et al.*, 2009). This suggest such individual possess entrepreneurial qualities of innovativeness, pro-activeness and risk seeking behaviour geared towards the discovery, identification, enactment, evaluation and exploitation of opportunities. Such characteristics are associated with capability development, resource reconfiguration and entrepreneurship. Thus the development of entrepreneurial culture within firm is a necessary catalyst for opportunity identification and exploitation.

### **Entrepreneurship and Capabilities**

Capabilities are what an organisation requires to fulfil its business objective, it represent the organizational processes by

which resources are assimilated and productively deployed. These organizational processes are firm specific and are developed over substantial time periods through complex interactions among the firm's resources (Amit and Schoemaker, 1993). Grant (1996) perceives organizational capabilities as the firm's ability to perform repeatedly a productive task which relates either directly or indirectly to a firm's capacity for creating value through effecting the transformation of inputs into outputs. Nelson and Winter (1982) noted that capabilities are high-level routines that provide an organization's management a set of decision options for producing an array of outputs. This implies that capabilities are firm's capacity to deploy resources, usually in combination and encapsulate both explicit processes and tacit elements (such as know-how and leadership) embedded in the processes. Firms' capabilities could enhance its opportunity recognition and exploitation abilities, which is central to entrepreneurship. Entrepreneurial behaviours within and among individuals in the firms could also be triggered or enhanced through learning, network, technical and managerial capabilities. Danneels 2002 argued that it is essential for RBV to have a dynamic perspective so as to understand how firms evolve over time through their deployment and acquisition of resources because firms must continuously renew and reconfigure themselves (Zahra *et al.*, 2006) as new opportunity are identified and exploited. Furthermore, existing capabilities can stimulate corporate entrepreneurship and entrepreneurship can also develop new capabilities needed to sustain firm's competitive position. Therefore the management of capabilities is critical in gaining organisation performance (Zahra *et al.*, 2006).

Drawing from studies (Aldrich and Zimmer, 1986; Conviello and Munro, 1997; Johnson and Mattson, 1988; Loane and Bell, 2006; Meyer and skak, 2002; Mort and

Weerawardena, 2006; Zahra *et al.*, 2006 Zhang *et al.*, 2009) on literature review we argue that domestic entrepreneurs also demonstrate managerial, networking, technical, marketing and learning capabilities in their quest to seeking sustained competitive position for their businesses. The firm's exhibit entrepreneurial behaviour of opportunity identification and exploitation using these set of developed capabilities to access new market, develop new product, attract more customer, build new capabilities and reconfigure their processes. The study therefore seeks to examine the influence of these capabilities on entrepreneurial behaviour of beverage firms in Nigeria. This was based on the perception that opportunity identification and exploitation is central to entrepreneurship which is inevitable for the survival of firms in modern day dynamic and highly competitive market. The specific aim is to examine how the capabilities interdependently influences the innovativeness, pro-activeness and risk seeking behaviours of the employees and firms towards the discovery, enactment, evaluation and exploitation of opportunity. Following the specified objectives the under listed hypothesis were put forward.

- H<sub>0</sub>1: Employees' innovative attitude is enhanced by the firms' learning capability.
- H<sub>0</sub>2: Employees' innovative attitude is enhanced by the firms marketing capability.
- H<sub>0</sub>3: Employees' innovative attitude is enhanced by the firms' managerial capability.
- H<sub>0</sub>4: Employees' innovative attitude is enhanced by the firms' networking capability.
- H<sub>0</sub>5: Employees' risk-taking attitude is enhanced by the firms' learning capability.
- H<sub>0</sub>6: Employees' risk-taking attitude is enhanced by the firms' marketing capability.

H<sub>0</sub>7: Employees' risk-taking attitude is enhanced by the firms' networking capability.

H<sub>0</sub>8: Employees' risk-taking attitude is enhanced by the firms' managerial capability.

## RESEARCH METHODS

### Area of Study

The study was done in selected firms in the Nigeria beverage industry. The management of the firm however preferred the study to be anonymous about their firm's name; as such anonymous names such as Budder, Slice, Afrik and Drake were used as proxy for the selected firms. The choice of the firms was because of the number of years they have been in active operations in the industry. This was based on the perception that they must have been entrepreneurial in their approach to succeed in doing business over the years considering the competitive nature of the industry.

### Sample and Data Collection

The data for the sample was gathered with the aid of structured questionnaires. A set of multiple-item reflecting a 5 point Likert scales was used to measure each variable in each construct. A total of 200 questionnaires (Budder- 50, Slice-50, Afrik - 50 and Drake 50) were administered across the four firms. Respondents for the study comprise management staff, heads of functional units and other employees. The questionnaires were administered across functional units. This is ensuring that each functional unit participated in the survey. A simple random technique was used in each functional unit to make sure the employees have equal chances of being selected. A total of 189 questionnaires were retrieved from the field amounting to a 95% response rate. Following the data screening and evaluation, 178 (89%) cases finally constituted the data used for analysis

## Measures

Entrepreneurial behaviour and capabilities was considered as a latent multidimensional scale. The concept entrepreneurship has two constructs (Innovation and Risk taking) each having three factor loadings while capabilities have four construct having three loadings each. The use multiple measures are consistent with extant literatures (Mc Doughall and Oviatt 2000; Covin and Slevin, 1989; Wang, 2008) aim at reducing measurement error and improving the statistical estimate of the relationship between the concept understudy (Hair *et al.*, 2010). A total of six latent construct comprising 18 factor loadings was use for the analysis.

### Entrepreneurial Behaviour

Entrepreneurial behaviour was conceived as a latent multidimensional constructs comprising innovation, and risk taking attitudes of employees in the firms. This was consistent with the views of Miller (1983) who noted that entrepreneurial activities are embedded in the innovative and risk seeking practices of individuals. Thus respondent shall be ask to tick their choice on a 5 point Likert scale on statements relating to innovativeness and risk taking behaviour of employees.

### Innovativeness

Innovativeness was viewed as employee's tendency to engage in support of new ideas, novelty, experimentation and creative processes that may result in new product processes or technology. This is consistent with the works of Wang (2008) and Miller (1983). Statement such as:

- i. Employees actively responds to the adoption of new ways of doing things as encouraged by management or competitors.
- ii. Employees are willing to try new ways of doing things and seek unusual novel solutions.

- iii. Employees are encouraged to think and behave in original and novel way shall be put forward to capture employees' level of innovativeness.

### Risk Taking

The study perceived risk taking as the extent to which employees will be willing to stick necks and take risk for the firm future performance. Statement such as:

- i. Employees in my organisation have a strong propensity for high risk project and commitment with chances of high returns.
- ii. Employees in my organisation are willing to initially commit personal resources to support the organisation in their effort at identifying, discovery and exploiting opportunity.
- iii. A change in the environment or shift in the firm's position was as a result of firms and employees response to exploring risky and unknown alternatives leading to renewing capabilities.

Shall be put forward to ascertain the extent to which employees take risk on behalf of the organisation. This approach is also consistent the study by Wang (2008).

## CAPABILITIES

### Networking

Networking capabilities was viewed as set of connected actors (individuals or firms) and the relationship between that tie them to customers suppliers government agencies and service providers (Zhang *et al.*, 2009). Respondent shall be asked to rate on a 5 point Likert-scale, statements relating to their views on the form, care and use of relationship with partners for the exploitation of opportunities. This is consistent with the practices in extant literature measures (Walter *et al.*, 2006 and Zhang *et al.*, 2009).

## Learning

Learning is viewed as a process by which repetition and experimentation enable task to be performed better and quicker, it is a process through which organisation change or modify their mental models, rules, processes or knowledge to sustain or improve their performances (Chiva and Alegre 2009) Changes in the environment or shift in the firm's position must be responded to innovatively by exploring unknown alternatives and renewing capabilities.

## Marketing

The study perceived marketing capabilities as the extent to which firm uses marketing tools to differentiate its product from competitors as well as anticipate future needs by seeking new opportunities through the introduction of new products and brands. This approach is in line with studies by Miller and Friesen (1978), Lumpkin and Dess (1996) and Wang (2008). Respondent were asked

to tick their opinions on statement rated on a 5 point Likert-scale ranging from strongly disagree to strongly agree. Statements relating to firms ability to use marketing tools to differentiate its product from competitors, market a large variety of new lines of product or services while eliminating operations at the decline or mature stages of lifecycle was raised.

## Managerial Capabilities

Managerial capability is the ability of managers to create a strong workplace and culture which facilitates the employees to grow, engage and the same time achieve business goals. It includes leadership qualities, collaborative decision making, and the nurturing of creativity and innovation (Tampkin *et al.*, 2012). Respondent were asked to tick their opinions on statement rated on a 5 point Likert-scale ranging from strongly disagree to strongly agree. Statements relating to managers capability to create a workplace culture that facilitates employees growth, stimulate collaborative

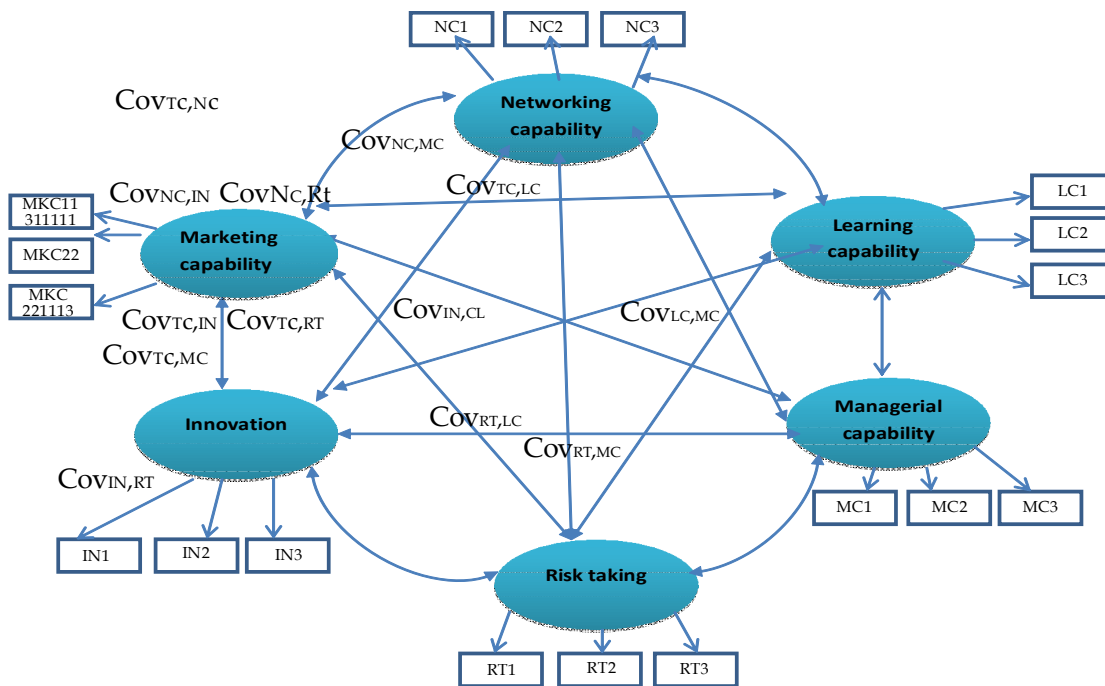


Figure 1

decision making and the promotion of creativity and innovation in work place was ask to capture the managerial prowess of the firms.

### Model Specification

Following the construct specification the measurement theory model to be tested was developed as indicated in figure 1 below.

The model displayed six latent construct with 18 measured indicators. The construct were allowed to correlate with all other construct. The constructs were reflective in nature since they are based on the idea that the latent construct caused the measured variables and that error resulted to the inability to fully explain the measured variables (Hair *et al.*, 2010). The measured items were allowed to load on only one construct. This is consistent with rules of unidimensional measures that a set of measured variables (indicators) can only be explained by one underlying construct (Ping 2004). The error terms are not also allowed to relate with any other measured variables. The measurement model is congeneric and all construct are indicated by three major measured items suggesting a just identified measurement model.

### Reliability and Validity

The study attempted to minimize measurement errors and bias by embarking on construct validity which requires the identification of a group of measurement items which were deemed to represent the construct in the study. Construct validity seeks to establish the extent to which the indicators actually measure the construct. Series of test to measure the properties of the indicators (Unidimensional, Reliability and Validity) were tested using confirmatory factors analysis. Reliability was assessed using Cronbach alpha. All construct measures (managerial, learning, networking, marketing, innovation and risk taking) met the recommended level of 0.70 and are therefore specified as sufficient in their representative of the construct.

**Table 1: Reliability Statistics**

Construct	Number of Indicators	Reliability
NC	3	0.73
MC	3	0.77
MKC	3	0.84
LC	3	0.80
IN	3	0.85
RT	3	0.70

Notes: NC-Networking; MC-Managerial; MKC = Marketing; LC = Learning; IN- Innovativeness; RT-Risktaking.

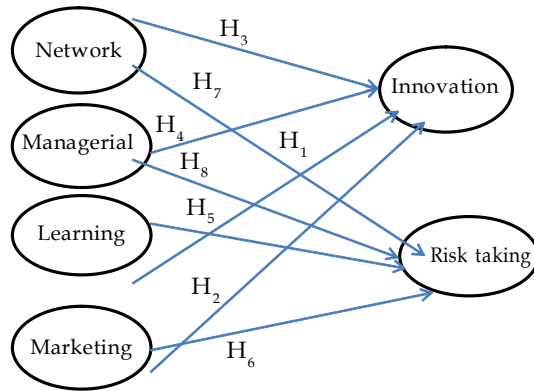
## ANALYSIS AND RESULT

Following the specification of the model, confirmatory factor analysis (CFA) was performed to compare the theory with the data in other to ascertain the fit. The fit of the model was assessed based on three estimated fit indices - absolute fit, parsimony fit and incremental fit. The measurement model fit index accounted for chi-square ( $\chi^2$ ) of 214,  $df = 120$ ,  $p = 0.000$ ,  $\frac{\chi^2}{df} = 1.783$ , RMSEA = 0.06, GFI = 0.972.

The result indicates an adequate fit accepted on the aforementioned criteria.

Based on the resulted fit, the structural path was specified in line with the hypothesized relationships while others are constrained to be zero. Attention was placed on the estimated parameters. The structural path as hypothesized was shown in figure (2)

The fit of the structural model in figure 2 was also assessed using the absolute fit, parsimony fit and incremental fit indices. The fit resulted to a measures of chi-square ( $\chi^2$ ) of 236,  $df = 126$ ,  $p = 0.000$ ,  $\frac{\chi^2}{df} = 1.873$ , RMSEA = 0.06, GFI = 0.972. The chi square statistics is significant but other relevant indices indicate a good overall fit (Tippins and Sohi, 2003).



**Figure 2: Structural Equation Model**

Note: (1) Correlation Coefficient are reported in the upper diagonal half of the matrix and are significant at  $p < 0.001$ . (2) Shared variances are reported in the lower diagonal half of the matrix.

Based on the outcome of the result as shown in Table (2) the hypothesis specified for the study were tested.

Hypothesis one which seeks to examine the relationship between the firms learning capability and its influence on the innovativeness of employees in the organisation exhibited a strong positive relationship of 0.632 and this was significant at 0.01 level of significant. The result ascertain the fact that employees' adoption of new ways of doing things in the firm is strongly influence by the firms learning capability which is key to the firms attaining a competitive position in the industry. The result further suggest

**Table 2: Correlation Coefficient and Shared Variances**

Measures	Mean	Standard Deviation	1	2	3	4	5	6
Capability	4.843	0.894						
1 Managerial	4.384	1.436	1.000	0.4731	0.503	0.536	0.258	0.532
2 Marketing	4.531	1.365	0.1182	1.000	0.483	0.507	0.461	0.541
3 Learning	3.894	1.215	0.104	0.122	1.000	0.512	0.384	0.632
4 Networking Entrepreneurial Behaviour	4.185	1.963	0.134	0.278	0.281	1.000	0.408	0.615
5 Risk taking	4.134	1.372	0.066	0.115	0.098	0.106	1.000	0.426
6 Innovativeness	4.923	1.158	0.135	0.325	0.350	0.330	0.107	1.000

Note: (1) Correlation Coefficient are reported in the upper diagonal half of the matrix and are significant at  $p < 0.001$ . (2) Shared variances are reported in the lower diagonal half of the matrix.

the firm sensed learning as an investment not an expense and this has resulted in a great boost at stimulating the innovativeness of employees in the firm. The results supported the views of Zahra and George (2002) that learning capability enhances existing resources. This affirmed the fact that individual are the heart of entrepreneurship as perceived in the innovativeness of employees in the firms.

A test of the relationship between the marketing capabilities put in place by the firms and innovative attitude employees indicates a positive relationship of 0.541 and significant at 0.01. This suggest that the innovativeness of firms' employees demonstrated at trying new ways of doing things are reflective in the marketing tool strategy developed to differentiate their product from that of their competitors. The

**Table 3: Result of Hypothesis Testing**

Hypothesis	Parameter	Supported?
H <sub>1</sub> : LC → INV	0.632	Yes
H <sub>2</sub> : MKC → INV	0.541	Yes
H <sub>3</sub> : MC → INV	0.532	Yes
H <sub>4</sub> : NC → INV	0.615	Yes
H <sub>5</sub> : LC → RT	0.384	No
H <sub>6</sub> : MKC → RT	0.461	Yes
H <sub>7</sub> : NC → RT	0.408	Yes
H <sub>8</sub> : MC → RT	0.258	No

innovativeness of the employees was also displayed in their ability to support the elimination of mature product from the life cycle. The marketing capability has aided the employee’s innovativeness by giving them a sense of direction to innovate. This also confirmed the influence of marketing capability on entrepreneurial prowess of individual in the firm.

A look at the relationship between managerial capability of firms and the innovative behaviour of employees pinpointed the fact that managerial capability has a positive relationship with the innovative behaviour of employees in the industry. This was noted in the 0.532 correlation recorded in table 1. The result gives an indication that management generally create a work place environment that stimulates and nurture innovative behaviour of employees. The perception of the result also noted that, though employees are encouraged to behave original and in novel ways by trying new things but their attitude or behaviour are technically screened through the collaborative decision making process put in place by the management. This also affirmed the fact that individual promote corporate entrepreneurship in firms as

encouraged by management but measures are put in place to screen their innovativeness in other to ensure that they align with the organisational goals.

The relationship between the firm networking capability and the innovative attitude of employees has a positive effect with the record of 0.615 and a p- value of 0.01. From the result, it was discovered that networking capability of the firms through their relationship with customers, suppliers and other entrepreneurial collaborations with external partners strongly aided the innovative behaviours of employees by giving them the confidence needed to be original in their quest to trying new ways of doing things knowing fully well that their collaborative partners have are equally forthcoming in other ways. The speed of entry in to the development of processes, product and tactics ahead of competitors has no doubt driven the innovativeness of employees in firms since they now know that it is no longer business as usual. Thus individual innovative tendencies in employees are a sine qua non for organisational survival in modern day business.

Learning capability influence on the risk taking behaviour of employees was noted to have a weak correlation of 0.384 and significant at 0.01 level of significant. Though learning was seen as a key commodity necessary to guarantee organisation survival firms are sceptical about the training of employees and losing them to competitors. Also critical is firm response to exploring risky and unknown alternatives leading to renewing capabilities bearing in mind the cost of his failure.

The examination of the relationship between firms’ marketing capability and employees’ risk- taking attitude revealed a positive correlation 0.461 at 0.01 significant levels. The correlation is low suggesting that the development of new

products and the elimination of mature products are always addressed with caution in the industry. The applications of marketing tool to differentiate do yielded positive result but such decisions are taken with caution thus the reflection of a lower correlation was imminent. It was also noted that employee's personal resources are committed initially to high risk project with chances of high returns but all this are done with caution.

A test of relationship between firms' networking capability and the risk-taking attitude of employees observed a low correlation of 0.408 and significant at 0.01 level of significant. This suggest that firms recognised the importance of strong and weak ties in the development of corporate entrepreneurship however not all ties are beneficial to the growth and survival of firms. Employees are thus expected to identify and screen ties to determine their benefit to corporate entrepreneurship before committing their resources to building and exploiting such ties for the firm survival. Thus a partial correlation of 0.408 is a reflection of this practice that left employees to be sceptical necessitating the screening of formal and informal as well as strong and weak ties.

Hypothesis 8 examined the firms' managerial capability and risk-taking attitude employees. A 0.258 correlation was observed at a significant level of 0.01. The outcome of the result suggest that management created a work place culture that facilitates employees' growth and encourage the commitment of personal resources to seeking opportunity where viable for the firm. This allows employees to be original, challenging them to develop new ways of doing things. Management however monitor this trend through collaborative decision with employees which in a way serve as a filtering process to reduce the risk level involve while selecting those worthwhile which may not go down well with some employees thus frustration and discouragement may set in.

## CONCLUSIONS AND RECOMMENDATIONS

Following the findings and discussion, the under listed conclusion were derived:

- i. Individual are at heart of corporate entrepreneurship in the Nigeria beverage industry.
- ii. Capabilities (networking, marketing, managerial, learning) influenced the entrepreneurial behaviour of employees in Nigeria beverage industry.
- iii. Employee's personal resources are committed initially to high risk project with chances of high returns but all this are done with caution.
- iv. Learning and networking capabilities have the greatest influenced on entrepreneurial behaviour of employees through their stimulation of the innovativeness of employees in the beverage industry.
- v. Managerial capabilities through collaborative decision with employees' serve as a filtering process to reduce the risk level embarked by upon by employees and the firm.

Based on the findings and conclusion the following recommendations were made:

- i. Management should further put in place capabilities that will sustain the entrepreneurial behaviour (innovativeness and risk-taking) of firms having noted their effect on the survival and growth of the firms in modern day businesses.
- ii. The exercise of risk-taking behaviour by employees and its management by managers should be done with caution to avoid demoralizing the employees rather a transparent process should be put in place for an

- in-depth understanding on why a risky venture identify by an employee would not be undertaken.
- iii. Managers should attempt to employ employees with entrepreneurial behaviour (innovativeness and risk-taking) from inception bearing in mind that an organisation blessed entrepreneurial employees have greater potentials for opportunity identification and exploitations as opposed to others that lack such entrepreneurial employees.

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