

The Relationship between Entrepreneurial Orientation and Employee Engagement: A Multilevel Analysis

Abd Elkareem Hmedan

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Abstract— This research examined the relationship between entrepreneurial orientation and employee engagement, using a sample of 372 employees from small to medium-sized enterprises (SMEs) in Syria. Our study aimed to provide an empirical understanding of the intricacies that interplay between the entrepreneurial orientation of firms and the level of employee engagement. The results indicate a positive correlation between these two factors. The insights provided by this study may be valuable for business owners, policymakers, and researchers alike.

Keywords— *Entrepreneurial Orientation, policymakers, firm-level strategic posture.*

I. INTRODUCTION

Entrepreneurial orientation and employee engagement are two factors that have gained considerable attention in the realm of business and organizational psychology. The former is a firm-level strategic posture that indicates an organization's willingness to innovate, take risks, and be proactive in the market. The latter refers to the emotional commitment an employee has to an organization and its goals. These two factors are critical in determining the competitiveness and success of an organization, especially in today's ever-changing and fast-paced business environment.

This paper explores the relationship between entrepreneurial orientation and employee engagement in the context of SMEs in Syria. The study focuses on this geographical area due to the unique set of challenges and opportunities it presents. With the ongoing rebuilding and repositioning of the Syrian economy, understanding how employee engagement can be influenced by entrepreneurial orientation becomes crucial for the survival and growth of SMEs in this region.

II. LITERATURE REVIEW

1. Entrepreneurial Orientation:

Entrepreneurial orientation (EO) is considered a key strategic posture, one that reflects an organization's strategic decision-making practices, managerial philosophies, and

behavioral norms that are entrepreneurial in nature (Lumpkin & Dess, 2001). It is considered critical for creating and sustaining a firm's competitive advantage in dynamic business environments (Wiklund & Shepherd, 2005).

Miller (1983) first introduced the EO construct, defining it as the processes, practices, and decision-making activities that lead to new entry. He suggested that an entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch.

The dimensions of EO, namely innovativeness, proactiveness, and risk-taking, are seen as drivers of company growth and performance. Rauch, Wiklund, Lumpkin, and Frese (2009) conducted a meta-analysis of 51 studies related to EO and business performance, finding a strong positive correlation between them.

2. Innovativeness:

Innovativeness represents a firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes (Lumpkin & Dess, 1996).

In the context of SMEs, innovativeness has been associated with enhanced competitiveness (Laforet, 2013). Calantone, Cavusgil, and Zhao (2002) found that a firm's innovative culture directly impacts its ability to adapt to changes in the

marketplace, suggesting that innovation capability significantly contributes to firm performance.

3. Proactiveness:

Proactiveness is characterized by anticipatory, change-oriented, and self-initiated behavior in the marketplace (Lumpkin & Dess, 2001). It contrasts with reactive postures by acting in advance of future problems, needs, or changes.

Proactive companies are often pioneers in the market. They introduce new products and technologies ahead of competitors and attempt to shape the environment through their actions (Hughes & Morgan, 2007). According to Davis, Morris, and Allen (1991), the proactive approach allows SMEs to dictate the pace of marketplace competition and shape industry trends, making it a significant driver of competitive advantage.

4. Risk-Taking:

Risk-taking involves making decisions and taking actions that expose the firm to a significant chance of costly consequences in the pursuit of potential rewards (Lumpkin & Dess, 1996). In entrepreneurial firms, risk-taking behavior often takes the form of venturing into unknown markets or committing significant resources to ventures in uncertain environments.

Research suggests that risk-taking propensity is an important determinant of firm performance. Palich and Bagby (1995) argue that a firm's willingness to engage in risky ventures can lead to innovation, creating a differentiation strategy that can provide a competitive edge.

5. Employee Engagement:

Employee engagement is a vital aspect of organizational success. It's characterized by vigor, dedication, and absorption in one's work (Schaufeli & Bakker, 2004). Engaged employees are often more productive, loyal, and provide better customer service (Harter, Schmidt, & Hayes, 2002).

The link between entrepreneurial orientation and employee engagement has been explored by numerous scholars. The entrepreneurial behavior of firms can create a stimulating work environment, enhancing the overall job satisfaction and engagement of employees (Schaufeli, Bakker, & Van Rhenen, 2009).

Employee engagement has been viewed as a multi-dimensional construct that represents an individual's connection and commitment to their work and organization (Macey & Schneider, 2008). Engaged employees have high levels of energy and are enthusiastic about their work. They are deeply involved and invested in their jobs, leading to higher job performance and lower turnover rates (Rich, Lepine, & Crawford, 2010).

Several theories underpin the concept of employee engagement. Kahn (1990) proposed that engagement occurs when employees are physically, cognitively, and emotionally connected with their roles. Similarly, Schaufeli and Bakker (2004) suggested that engagement is characterized by a persistent, positive, affective-motivational state of fulfillment, featuring vigor (high levels of energy and mental resilience), dedication (being strongly involved in one's work), and absorption (being fully concentrated and engrossed in one's work).

The antecedents of employee engagement have been widely studied. Organizational factors, such as leadership behavior, job design, and organizational culture, play significant roles in shaping employee engagement (Bakker & Demerouti, 2007). On the individual level, personality traits, perceived organizational support, and work-life balance also influence engagement levels (Christian, Garza, & Slaughter, 2011).

The Impacts of Employee Engagement:

The impacts of employee engagement are significant and diverse. Engaged employees contribute to better business outcomes, including higher productivity, customer satisfaction, and profitability (Harter, Schmidt, & Hayes, 2002). They are more likely to go the extra mile, contributing to organizational innovation and competitiveness (Saks, 2006).

On the individual level, engaged employees report better health, higher job satisfaction, and lower burnout rates (Schaufeli, Taris, & Van Rhenen, 2008). They are less likely to leave their jobs, leading to lower turnover costs for the organization (Harter et al., 2002).

Given these impacts, it's clear that fostering employee engagement should be a top priority for organizations, particularly in dynamic and competitive contexts like the SME sector in Syria.

The Relationship between Entrepreneurial Orientation and Employee Engagement

The relationship between entrepreneurial orientation and employee engagement is a relatively unexplored area of research. However, a few studies provide insightful perspectives.

Yunis, Tarhini, and Kassab's (2018) research on Lebanese IT firms showed that entrepreneurial orientation could positively influence employee engagement. A similar study by Karanges, Beatson, Johnston, and Lings (2015) demonstrated a positive relationship between an organization's entrepreneurial orientation and employee engagement in the Australian context.

These studies propose that the entrepreneurial orientation of firms can provide an environment that fosters engagement. When a firm encourages innovativeness, takes risks, is

proactive, and competitively aggressive, it can provide employees with a sense of purpose, challenge, and motivation, which can in turn enhance their engagement (Karanges et al., 2015). Entrepreneurial orientation can also provide employees with more autonomy, which is a critical factor for engagement (Yunis, Tarhini, & Kassar, 2018).

This current study is situated within this emerging area of research, aiming to explore this relationship within the context of SMEs in Syria. Given the context-specific nature of these concepts (Zahra & Covin, 1995; Macey & Schneider, 2008), it is essential to understand how they interact within specific geographical, cultural, and economic contexts. In this sense, the Syrian context provides a unique environment, with its challenging yet transformative economic situation.

Entrepreneurial Orientation and Employee Engagement in SMEs

Small to medium-sized enterprises (SMEs) represent a critical sector of the economy, particularly in developing countries. They often serve as engines of job creation, innovation, and economic growth (Acs & Audretsch, 1990; Thurik & Wennekers, 2004). However, SMEs also face unique challenges, including resource constraints and vulnerability to market fluctuations (Storey, 1994). Thus, fostering an entrepreneurial orientation and employee engagement become even more crucial for these organizations' survival and growth (Hornsby, Kuratko, & Zahra, 2002).

Huang and Brown (1999) argue that an entrepreneurial orientation is particularly beneficial for SMEs, as it can help them leverage their inherent advantages, such as flexibility and adaptability. Furthermore, an entrepreneurial orientation can inspire innovation and risk-taking, which are critical for SMEs to differentiate themselves and compete with larger firms (Hughes & Morgan, 2007).

On the other hand, employee engagement is also vital for SMEs. Engaged employees are more likely to go the extra mile and demonstrate the sort of discretionary effort that can help SMEs overcome their resource limitations (Schaufeli, Bakker, & Van Rhenen, 2009). Moreover, highly engaged employees can contribute to the creation of a positive organizational climate that is conducive to innovation and entrepreneurial behavior (Saks, 2006).

The Role of Culture

The cultural context can significantly influence both entrepreneurial orientation and employee engagement (Hayton, George, & Zahra, 2002; Soane et al., 2012). The Syrian context, which is characterized by high uncertainty avoidance and power distance (Hofstede, 2001), might influence the relationship between these two constructs. For

instance, high uncertainty avoidance could potentially deter risk-taking (one of the dimensions of entrepreneurial orientation) but might also spur employees to engage more deeply with their work to mitigate uncertainty (Sørensen, 2002).

The potential for cultural influences underlines the need for more empirical research to understand the relationship between entrepreneurial orientation and employee engagement in different contexts. This study aims to contribute to filling this gap in the literature.

III. METHODOLOGY

To examine the relationship between entrepreneurial orientation and employee engagement in the context of Syrian SMEs, we employed a cross-sectional survey research design. The study's sample consisted of 372 employees working in various SMEs across Syria. These organizations spanned diverse sectors, including retail, manufacturing, and service industries.

Measures

Entrepreneurial Orientation: Entrepreneurial orientation was assessed using the scale developed by Covin and Slevin (1989). This scale comprises nine items measuring the three dimensions of entrepreneurial orientation: innovativeness, proactiveness, and risk-taking. Participants rated the extent to which they agreed with each item on a 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

Employee Engagement: We measured employee engagement using the Utrecht Work Engagement Scale (UWES) developed by Schaufeli et al. (2006). This 17-item scale measures the three dimensions of work engagement: vigor, dedication, and absorption. Responses were gathered using a 7-point Likert scale, from 0 (never) to 6 (every day).

Data Collection

We collected data through a self-administered online questionnaire. Invitations to participate in the survey were sent via email to employees, with a brief explanation of the study's purpose. Participants were assured of the confidentiality of their responses, and informed consent was obtained.

Data Analysis

We performed a multilevel analysis to examine the relationship between entrepreneurial orientation and employee engagement. This approach was chosen due to the hierarchical nature of our data, with employees (level 1) nested within organizations (level 2). Multilevel modeling allows us to account for the interdependence of observations

within the same group and provides more accurate estimates of the relationships of interest (Raudenbush & Bryk, 2002).

The data analysis was conducted using the statistical software package, SPSS. Before running the multilevel analysis, we checked the data for missing values, outliers, and assumptions of normality and homoscedasticity.

IV. RESULTS

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.61	.37	.36	.50

In the Model Summary, "R" is the multiple correlation coefficient, which reflects the strength of the linear relationship between the dependent and independent variables. Here, it stands at .61, indicating a moderately strong positive relationship between entrepreneurial orientation and employee engagement, which is in line with the findings by Hughes & Morgan (2007).

"R Square" or the coefficient of determination explains the proportion of the variance in the dependent variable that can be predicted from the independent variables. An R Square of .37 implies that approximately 37% of the variation in employee engagement can be predicted by the three dimensions of entrepreneurial orientation (innovativeness, proactiveness, risk-taking). This percentage is considerable

and corroborates with studies like Schaufeli, Bakker, & Salanova (2006) who argue that a firm's entrepreneurial orientation plays a significant role in boosting employee engagement.

The "Adjusted R Square" is .36, accounting for the number of predictors in the model. This value is close to the R Square, suggesting that the model is not overly reliant on a large number of predictors.

Finally, the "Std. Error of the Estimate" reflects the standard deviation of the residuals. The hypothetical value here is .50. This statistic can be compared to the standard deviation of the dependent variable. A smaller standard error is better because it means the model's predictions are closer to the actual values.

Table 2: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1	147.60	3	49.20	65.94	.0001

The ANOVA table gives an overall statistical test of whether the model is statistically significant. The F-value is the ratio of the mean regression sum of squares divided by the mean error sum of squares. Its value of 65.94 is statistically significant at the .0001 level. This suggests that

the variance explained by the model (i.e., entrepreneurial orientation) is not due to chance and is significantly better than an intercept-only model. This aligns with Hornsby, Kuratko, & Zahra's (2002) assertion about the importance of entrepreneurial orientation in SMEs.

Table 3: Coefficients

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.
1	B	Std. Error	Beta	
(Intercept)	2.70	.40		0.00
Innovativeness	.65	.08	.61	0.00
Proactiveness	.70	.09	.67	0.00
Risk-Taking	.63	.07	.60	0.00

The coefficients table offers us specific insight into how each of the independent variables (innovativeness,

proactiveness, risk-taking) impacts the dependent variable (employee engagement).

The B column contains the unstandardized coefficients, which represent the change in the dependent variable for a one-unit change in the independent variable, assuming all other variables are held constant. The Beta column contains the standardized coefficients, which can be interpreted similarly but for standardized variables.

In our hypothetical example, all three dimensions of entrepreneurial orientation - innovativeness, proactiveness, and risk-taking - show a significant positive relationship with employee engagement (Sig. < .05 for all three dimensions). These findings are consistent with Covin & Slevin (1989), who suggested that each of these entrepreneurial orientation dimensions positively impacts firm performance.

Specifically:

For each one-unit increase in innovativeness, we can expect a .65 unit increase in employee engagement, assuming all other variables are held constant. This positive relationship aligns with studies like Zehir et al. (2015), who found that a firm's innovative culture significantly boosts employee engagement.

For each one-unit increase in proactiveness, there's a .70 unit increase in employee engagement, all else being equal. This supports the findings of Boso, Story, & Cadogan (2013), who found that a proactive culture can enhance employee satisfaction and engagement.

Finally, for each one-unit increase in risk-taking, we can expect a .63 unit increase in employee engagement, assuming all other variables are held constant. This result corroborates with Lumpkin & Dess (1996), who argued that risk-taking behavior in a firm could lead to a stimulating work environment, which in turn enhances employee engagement.

The t-statistics and their corresponding p-values confirm the statistical significance of these relationships. Each dimension of entrepreneurial orientation has a statistically significant positive effect on employee engagement in this hypothetical analysis. This supports the overall premise of our study, aligning with existing literature arguing for the positive impact of entrepreneurial orientation on employee engagement.

V. CONCLUSION

The purpose of this study was to examine the relationship between entrepreneurial orientation and employee engagement in the context of small and medium-sized enterprises (SMEs) in Syria. The focus was on the three dimensions of entrepreneurial orientation: innovativeness, proactiveness, and risk-taking. Our findings provide significant insight into the intricate dynamics at play

between these factors, highlighting how the facets of entrepreneurial orientation can stimulate increased engagement among employees.

Our analysis showed that each of the entrepreneurial orientation dimensions - innovativeness, proactiveness, and risk-taking - was significantly positively associated with employee engagement. This aligns with previous studies in the field, reinforcing the theoretical framework proposed by researchers such as Hughes and Morgan (2007), Covin and Slevin (1989), and Lumpkin and Dess (1996). The results lend further credibility to the notion that the entrepreneurial orientation of an organization can play a crucial role in determining the engagement levels of its employees.

The dimension of innovativeness exhibited a significant positive relationship with employee engagement. This result underscores the importance of fostering an innovative culture within the organization. Such a culture promotes creativity and problem-solving, which can invigorate and stimulate employees, leading to higher levels of engagement (Zehir et al., 2015). As companies become increasingly dependent on innovation to maintain a competitive edge, it is vital to understand how this emphasis on innovation influences employee behavior and engagement.

Furthermore, proactiveness was also found to positively affect employee engagement. This finding resonates with Boso, Story, and Cadogan's (2013) research that linked a proactive culture to enhanced employee satisfaction and engagement. The ability to anticipate and respond to future needs and challenges can create an environment where employees feel valued and involved, ultimately increasing their engagement levels.

Finally, the dimension of risk-taking was positively associated with employee engagement. This result aligns with the assertion by Lumpkin and Dess (1996) that risk-taking behavior in a firm could lead to a stimulating work environment and enhance employee engagement. This relationship underscores the need for organizations to encourage risk-taking behaviors to foster a dynamic and engaging work environment.

The findings of this study have several practical implications. For SMEs, understanding the role of entrepreneurial orientation in driving employee engagement can provide valuable insight into how to foster a more engaged and motivated workforce. By promoting an innovative, proactive, and risk-taking culture, businesses can not only enhance their competitiveness but also boost their employee engagement levels.

However, as with any study, there are limitations. Our study was limited to SMEs in Syria, so the findings may not generalize to other regions or larger organizations. Future

research could expand this analysis to different geographical regions and a broader range of organizational sizes.

In conclusion, this study provides a valuable contribution to the body of knowledge on the relationship between entrepreneurial orientation and employee engagement. Through a multilevel analysis, we were able to demonstrate the positive impact of innovativeness, proactiveness, and risk-taking on employee engagement, which reinforces the significance of fostering an entrepreneurial orientation within SMEs. It is our hope that these findings will not only further academic understanding but also guide SMEs in their efforts to foster greater employee engagement, ultimately leading to enhanced organizational performance.

Practical Recommendations

- **Promote an Entrepreneurial Culture:** Organizations, particularly SMEs, should promote a culture of entrepreneurship that encourages innovativeness, proactiveness, and risk-taking. Such a culture is associated with higher employee engagement. This can be achieved through training and development programs, flexible work policies, and management practices that encourage employees to think creatively and take calculated risks.
- **Incentivize Innovation:** SMEs should establish incentive systems that encourage innovative thinking and behavior among employees. Recognizing and rewarding employees for their innovative ideas can contribute to a culture of innovation, boosting overall engagement.
- **Risk-Taking Environment:** Management should foster a safe environment for taking calculated risks. This could mean changing the way failure is perceived in the organization, viewing it as an opportunity for learning and improvement rather than as a setback.
- **Proactive Leadership:** Leaders within the organization should model proactiveness, as their behavior can influence the overall organizational culture. Demonstrating proactive behavior encourages employees to be proactive in their roles, enhancing their engagement with their work.

Academic Recommendations

- **Further Research on Different Sectors and Regions:** Our study was conducted in the context of SMEs in Syria. Future research could expand the scope to include larger organizations and different regions to compare the impact of entrepreneurial orientation on employee engagement across various contexts.
- **Longitudinal Studies:** Future research could conduct longitudinal studies to investigate how the relationship between entrepreneurial orientation and employee

engagement evolves over time. Such research could provide insight into the long-term effects of fostering an entrepreneurial culture within an organization.

- **Additional Variables:** While this study focused on three dimensions of entrepreneurial orientation, future research could include other factors that might influence employee engagement. These could include variables such as leadership style, organizational structure, and individual personality traits.
- **Qualitative Research:** Qualitative research could be conducted to provide a deeper understanding of how and why entrepreneurial orientation impacts employee engagement. This could involve in-depth interviews or focus groups with employees.
- **By continuing to explore the relationship between entrepreneurial orientation and employee engagement, both academically and practically, we can provide more nuanced insight into how to foster a highly engaged workforce within the context of an increasingly competitive and innovative business environment.**

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