ABSTRACT

The purpose of this research was to study the significance of entrepreneurial orientation (EO) on business performance of small to medium enterprises (SME) in the telecommunications industry. This study utilized the EO scales with a web-based survey to question executives in the telecommunications industry. The test results with the variables pro-activeness and risk-taking did not show significance. No levels of innovativeness were significant for evaluating business performance. The results demonstrate evidence that testing for pro-activeness and risk taking may be an indicator for testing for entrepreneurial success for small to medium businesses in the telecommunications industry. The key findings suggest trends for utilizing EO scales for testing entrepreneurial ventures in the telecommunications industry. This research proves beneficial to industry practitioners, board members, and venture capitalists seeking tools for evaluating the success of telecommunications companies.

Keywords: Entrepreneurial Orientation, EO, Performance, Risk Taken, Small to Medium Enterprises

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INTRODUCTION TO THE STUDY

Since 1939, the telecommunications industry has held a key role in the American business economy through its technological innovations. These businesses classify as Standard Industrial Class (SIC) code 48 or North American Industry Code (NAIC) codes beginning with 517 classified in Sector 23, Construction. They consist of radio communications, telephone communications, telegraph communications, cable and pay television providers, and all other communications services. The official definition for industries in the telecommunications subsector include establishments providing telecommunications and the services related to that activity (NAICS Search, nd).

Small to medium enterprises (SME) in the Telecommunications industry are of special interest to Venture Capitalists (VC) and Investors. Venture Capitalists are a major form of financing for SME’s in the telecommunications industry, accounting for 50% of the world’s funding activities for SME’s (Icon venture capitalists predictions for 2010, n.d.).

Telecommunications companies make major contributions in technology that influence the receipt of information in the 21st century. Major technical contributions include wireless services, broadcast television, broadband internet, and landline telephone services.

In 2008, the telecommunications industry represented the top three industries that received over $256 million in venture funding (Icon venture capitalists predictions for 2010, n.d.). The total revenue (see Table 1) by venture-backed companies was over $500 million, with VCs owning over 51% of the revenues (Icon venture capitalists predictions for 2010, n.d.). This high volume of VC backing demonstrates the large contributing influence of VC financing. It also suggests a demand of identifying potentially profitable businesses in the telecommunications industry.

Additionally, there is a resurgence of new entrepreneur projects and social media websites. For example, Google, the world’s leading search engine, is investing $170 billion dollars in this industry (Asay, 2010). Applications for wireless products and the convergence of Internet Protocol Television (IPTV) have made it conducive for entrepreneurs entering into this market. Given the demand for the industry and its immediate link to technology, entrepreneurs

<table>
<thead>
<tr>
<th>Industry</th>
<th>Venture-Backed Revenue (millions)</th>
<th>Total Sector Revenue (millions)</th>
<th>Venture-Backed Companies Share of Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronics/Instrumentation</td>
<td>$129,597.00</td>
<td>$193,427.00</td>
<td>67.00%</td>
</tr>
<tr>
<td>Semiconductors</td>
<td>$86,776.00</td>
<td>$157,660.00</td>
<td>55.04%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>$256,136.00</td>
<td>$501,729.00</td>
<td>51.05%</td>
</tr>
<tr>
<td>Biotechnology</td>
<td>$209,358.00</td>
<td>$444,028.00</td>
<td>47.15%</td>
</tr>
<tr>
<td>Computers and Peripherals</td>
<td>$315,054.00</td>
<td>$711,331.00</td>
<td>44.29%</td>
</tr>
</tbody>
</table>

Table 1. Venture-backed company revenue as a percentage of industry revenue top five industry sectors-2008

Source: Icon venture capitalists predictions for 2010, n.d.
Is it Necessary to Plan Strategically?
(2013). *Applying Principles from IT Architecture to Strategic Business Planning* (pp. 24-41).
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