

RIZALINO S. NAVARRO POLICY CENTER FOR COMPETITIVENESS

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### Entrepreneurial Orientation, Perceived Competitive Threat, and Competitive Strategy among SMEs in an Emerging-Economy Capital

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#### Abstract

Entrepreneurial business owners and managers take risks, innovate, and compete aggressively. We use logistic regression to investigate the impact of entrepreneurial orientation (EO) and perceived threat of new competition on three competitive strategies – cost reduction, marketing, and product innovation – adopted by SMEs in Metro Manila, Philippines. Our findings show entrepreneurial SMEs that perceive competitive threat to be more likely than non-entrepreneurial and non-threatened SMEs to pursue all three competitive strategies. Market power and predatory players also impact competitive strategy. Our results underscore the importance of a stable and predictable business environment and institutions that foster healthy competition and encourage growth-oriented strategies and innovation among SMEs.

#### **JEL Codes:** L26, L11, O31

**Keywords:** entrepreneurial orientation, competitive threat, competitive strategy, cost reduction, marketing, innovation, small and medium-sized enterprises, Philippines

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#### **1. INTRODUCTION**

Entrepreneurial orientation (EO) – the extent to which entrepreneurs take risks and adopt strategies geared towards long-term growth and competitiveness amidst competition from rival firms – can be manifested in proactive risk-taking, innovation, and aggressive competing (Covin and Slevin 1988; Lumpkin & Dess 1996; Schillo 2011). Entrepreneurial business owners and managers perceive a high probability of reaping the benefits from the risks they take (Block, Sandner & Spiegel 2015; Covin & Slevin 1988; Miller 2007; Schillo 2011). A preference for autonomy and a belief that they control their own destiny makes them willing to invest time and money in risky projects and innovations (Boyd & Vozikis 1994; Rotter 1966; Sirec & Mocnik 2010; and Schillo 2011).

Filipinos recognize business opportunities and believe they have what it takes to start a business; many intend to start a business within three years, and new business owners and managers are innovative, claiming their product or service is new to their customers (Velasco, et al. 2017). But while Filipinos start their own businesses because they recognize opportunities for professional growth and higher income, about a quarter of entrepreneurs – a proportion higher than the ASEAN average – are still driven by necessity, having no other viable means to earn a living and support their families (Velasco, et al. 2017).

Most Filipinos running new businesses did not expect to create more than five jobs in the next five years (Velasco, et al. 2017). Despite a perceived abundance in local opportunities and confidence in their own capabilities among entrepreneurs, the business failure rate is high, up to 70 percent within a year of establishment, so there are fewer established businesses in the Philippines than in other factor-driven or Asian economies (Kelley, Singer & Herrington 2016).

The path from early-stage entrepreneur to owner-manager of an established business remains paved with challenges. The Philippines was ranked  $50^{\text{th}}$  out of 63 economies and  $13^{\text{th}}$  out of 14 Asia-Pacific economies in the 2018 World Competitiveness Yearbook and  $113^{\text{th}}$  out of 190 economies –  $7^{\text{th}}$  of 10 in ASEAN – in ease of doing business (International Institute for Management Development 2018 and World Bank 2018).

Albert et al. (2017), using the 2015 Survey of Innovation Activities among Philippine firms, found that, generally, less than half of firms were actually innovators and that micro, small, and medium establishments innovated less than large firms. The Philippines remains a factor-driven economy, which means that most businesses are still subsistence operations (Kelley, Singer & Herrington 2016). Unlike their counterparts in more developed markets, common Philippine businesses cannot readily access the latest technology, exploit economies of scale, or advance knowledge and innovation in an ever more liberalized and globalized economy (Mittelstaedt, Harben & Ward 2003; Tambunan 2005).

Several government bodies like the Department of Trade and Industry and the newly-formed Philippine Competition Commission push for healthy competition and innovation in Philippine markets. Legislation that promotes and supports innovative startups is currently pending in Congress. Meanwhile, the literature shows that government bureaucracy and regulation is generally a concern for SMEs, finding it a challenge to comply with some regulations, particularly when it comes to product and service quality, features, and health and safety (Velasco et al. 2017 and OECD 1998). The

regulatory burden is compounded by inadequate infrastructure, complex and multi-layered bureaucracy and a culture of corruption (White 2005). For entrepreneurs to be more willing to adopt risky and innovative strategies, the environment must be conducive to business, with strong rule of law and a low burden of compliance to government regulations (Lindsay, Ashill, Roxas & Victorio 2014).

In this study, we investigate the impact of entrepreneurial orientation and perceived threat of competition on the competitive strategies of SMEs in Metro Manila, the National Capital Region of the Philippines.

#### 2. HYPOTHESIS DEVELOPMENT

Entrepreneurial orientation and perceived competitive threat influence the strategies that SME owners and managers pursue. In general, SMEs with entrepreneurial owners and managers tend to adopt more risk-taking strategies while those whose owners and managers are less entrepreneurial tend to be more conservative in their choice of strategies (Tang & Hull 2012).

We follow Tang and Hull (2012) in adopting Miller's (1987) classification of firm strategies into cost reduction, marketing, and innovation. Miller (1987) took Porter's (1980) typology, which distinguished cost strategies from differentiation strategies, and further distinguished differentiation through marketing from differentiation through innovation.

When deciding about innovation, firms with more limited resources are more risk averse, perceive more hostility in the environment, and are more likely to abandon innovation if they think its cost were out of their reach (Nieto, Santamaria and Fernandez 2015). Large business partners and governments set standards and regulations that preclude SMEs from participating in value chains.

Large business partners or competitors impose standards that result to SMEs having less control over their operations. For example, the OECD (2008) and Rabellotti (2003) found that some smaller Italian shoemakers limited themselves to actual shoe production while big-business buyers handled product conception and design. In such arrangements, SMEs must choose between losing business from partnerships with large businesses or dealing with large businesses but being compelled to sell their products and services at low rates (OECD 2008).

Firms facing economic uncertainties usually employ cost-reduction strategies (Lai, Saridakis, Blackburn & Johnstone 2016). SMEs that face environmental hostility, cut costs by improving work flow within the firm and by opening factories and shops in places with lower labor costs (Miller 1987; Luo, Zhou & Liu 2005; Tang & Hull 2012). Firms pass on the savings from cutting costs to consumers through lower prices of products (Miller 1987; Tang & Hull 2012).

While cost reduction may work in the short term, firms do not rely on it in the long term—Tang and Hull (2012) found that Chinese firms in uncertain environments prefer differentiation to cost reduction. SMEs also employ marketing to reach new international markets, since expanding their reach to include overseas markets helps improve their products and performance (Brouthers, Nakos & Dimitratos 2015; Cui, Walsh & Gallion 2011; Prater & Ghosh 2005). They even learn or imitate the marketing and other strategies of other firms to minimize the risks associated with international expansion (Gentry, Dalziel & Jamison 2013; Prater & Ghosh 2005).

Meanwhile, innovation allows firms to remain competitive in their respective markets through the creation of new products and services, as well as processes and organizational methods that are value-adding (Australian Department of Industry, Innovation and Science 2017; Yale Information Technology Services 2017; Albert et al. 2017). This is especially true in today's globalized economy, where even SMEs must compete with firms from across the world (Madrid-Guijarro, Garcia & Van Auken 2009). Covin and Slevin (1989) found that highly competitive firms in a highly competitive and hostile environment are keen to innovate to protect themselves from and win against their rivals. For example, Lee et al. (2008) reported that local retailers that managed to survive the entry of big discount

retailers managed to do so by offering high-quality products with a niche market in mind.

*Therefore, we propose H1: SMEs in markets with holders of market power adopt cost reduction, marketing, and innovation strategies to remain competitive.* 

For SMEs, marketing is an important strategy to expand their client base and remain competitive (Swisscontact Tanzania 2003). Tang and Hull (2012) found that some firms perceive more hostility in the economic environment as market competition intensifies, leading these firms to view innovation as too risky and cost control as too conservative. This leads them to marketing as a middleground strategy entailing less risk while still growing their market share by differentiating their products from their competitors'. Knickerboxer (1973) also reported that firms have the tendency to focus on marketing when faced with stiff competition from rival businesses. In such cases, firms seek to create a positive perception about their products or services lest they are overtaken by rivals or beaten by negative perceptions (Cobb-Walgren, Pilling & Barksdale 2017).

Van Gelderen, Frese and Thurik (2000) found that entrepreneurs use opportunistic strategies less when faced with a complex and uncertain environment. Also, in environments with institutional uncertainty like China, risk-averse entrepreneurs rely less on strategies based on personal relationships, but those who are risk averse yet still use such strategies are more successful (Opper, Nee & Holm 2017).

SMEs, even when entrepreneurial, are also less likely to engage in strategic planning and become more reactive when faced with a hostile and uncertain environment because they generally lack the resources to plan more proactive strategies ahead of time (Matthews and Scott 1995; Van Gelderen, Frese & Thurik 2000).

In other studies, entrepreneurial SMEs in environments where firms were not guaranteed fair competition were more likely than non-entrepreneurial SMEs to be risk averse and avoid risky strategies (Ahlstrom & Bruton 2002; Tang & Hull 2012). For example, in China, entrepreneurial firms built new or used existing personal connections or guanxi to make it easier for them to navigate the hostile environment (Ahlstrom & Bruton 2002).

Gentry, Dalziel and Jamison (2013) found that startups were more likely to enter the market when there were many other startups currently in or also entering the market. The newest entrants easily imitated other entering and existing startups and used them as templates for their operation in the market because they have many similar characteristics like having fewer resources compared to larger firms (Gentry, Dalziel & Jamison 2013).

The extent of entrepreneurial orientation among entrepreneurs and of perceived hostility in their environment affect the strategies that entrepreneurs pursue. But the strategies adopted by entrepreneurs differed from one study to another. In some studies, SMEs with high levels of entrepreneurial orientation tended to adopt more risk-taking and longer-term strategies while those that had a more conservative entrepreneurial orientation tended to be more risk-averse and conservative in their strategies when in a hostile environment (Covin & Covin 1990; Covin & Slevin 1989; Jogaratnam 2002).

We suggest H2: EO and competitive threat encourage SMEs to adopt competitive strategies.

*We also propose H3: Competitive threat moderates the decision of entrepreneurial SMEs to engage in competitive strategies.* 

#### **3. RESEARCH DESIGN AND METHODS**

#### Sample and Data Collection Procedures

The data in this study were collected from 530 SMEs across Metro Manila. Among the 530 SMEs, 265 were small-sized businesses, while the remaining 265 were medium-sized businesses. A survey enumeration and encoding firm headquartered in Quezon City was hired to conduct the survey from April to July 2017. The survey was administered among establishments that were randomly chosen from a database provided by the local governments of the 17 municipalities of Metro Manila. Firms that were selected but declined to participate were replaced by firms that were next on the list. Once the list was exhausted, the survey firm conducted convenience sampling.

#### Dependent Variables - Product Innovation, Marketing, and Cost Reduction

Respondents were asked about their response strategies when facing tighter competition. Four hundred and thirty-three respondents indicated they would innovate in response to tighter competition by increasing product quality or differentiation, while 97 respondents would not innovate. Majority of respondents would also pursue marketing (481 respondents) and cost reduction (423 respondents) strategies while the rest would not pursue marketing (49 respondents) and cost reduction (107 respondents) strategies.

#### **Independent Variables**

#### Industry competition variables

To assess industry competition and concentration, we asked respondents to estimate the number of their SME competitors and gauge competition intensity, as well as the presence of a dominant player in their market.

The respondents in this study were asked the number of competitors they have using a scale from no competitor to more than 20 SME competitors. Ninety-four (94) interviewed firms said that they had more than 20 SME competitors, followed by 85 firms that said they had five to ten SME competitors. On the other end of the scale, 42 firms said they did not have any SME competitors.

Respondents were also asked to rate the intensity of competition in their market (Ruzgar, Kocak & Ruzgar 2015). They rated competition intensity along a five-point scale ranging from very low to very high competition intensity. About 46 percent of firms or 244 firms said that competition intensity was either "high" or "very high." This was followed by 299 firms that perceived "medium" levels of competition intensity. Only about 16 percent of firms or 94 firms gave either a "very low" or "low" rating.

Lastly, respondents were asked if they had one or a few competitors with substantial market shares in their respective industries—a sign of industry concentration in their markets (Tang & Hull 2012). Majority of firms (73 percent or 387 firms) said there was no industry concentration in their respective markets while the rest (143 firms) said there was industry concentration.

#### Firm size and age

We used firm size and firm age as controls, following Tang and Hull (2012), who included these variables in their moderation test, together with the number of competitors and industry concentration.

Firm size was determined using asset size and number of employees. Firms with more than P3 million up to P15 million in assets or with 10 to 99 employees were categorized as small-sized enterprises. Firms with more than P15 million up to P100 million in assets or with 100 to 199 employees were labeled medium-sized enterprises. The sample was evenly split between 265 small-sized enterprises and 265 medium-sized enterprises.

Firm age was determined by subtracting the year the firm was established from 2017, the year the survey was conducted. The firms' ages ranged from two years (23 firms) to 93 years (1 firm) of age.

#### Entrepreneurial orientation

To gauge each firm's level of entrepreneurial orientation, an index based on the arithmetic mean of responses to items about recent expansion strategies was used. These expansion strategies included introducing new products or services, improving existing products or services, seeking new markets, buying new equipment or expanding operating space, and hiring additional employees. Index ratings ranged from 0, for firms with the lowest levels of entrepreneurial orientation, to 1, for firms with the highest levels of entrepreneurial orientation. We found that more than a third of respondents (196 firms) were rated 1. This was followed by 130 firms that had a rating of 0.8, accounting for half the firms. Meanwhile, 13 firms were rated 0.

#### **Perceived Competitive Threat**

Respondents were asked whether they were threatened by other firms that could easily enter their markets. This was used as proxy for perceived competitive threat. Among the 530 respondents, a minority of respondents (217 respondents) reported they felt threatened while the rest of the respondents (313 respondents) were not threatened.

#### 4. FINDINGS

The Pearson correlations presented in Table 1 show that EO is correlated to the three competitive strategies, product innovation, marketing, and cost reduction. Direct correlations among the strategies also suggest that they could be influenced by an underlying factor like EO.

Perceived threat of competition does not correlate with EO, unlike previous observations in Western and other developing markets like China (Tang and Hull, 2012). But perceived market concentration correlates positively with EO, suggesting firms with large competitors have to be more entrepreneurial to survive. Relatively larger firms demonstrate higher levels of EO. They also tend to estimate fewer SME competitors and higher market concentration. This suggests that medium-sized firms or firms approaching medium size, compared to smaller firms, are more capable of competing with the large enterprises in more concentrated markets.

The number of SME competitors and the perceived presence of a predatory player positively correlate with perceived competitive threat. Cost reduction was the only strategy that correlated with perceived competitive threat; this relationship is further explored in the regression analysis. (Table 1)

Using logistic regression, we investigate the effects of EO and perceived competitive threat on the use of competitive strategies. The three competitive strategies, marketing, cost control, and product innovation are used as regressors in the three sets of models shown in Table 2. Tests for multicollinearity among regressors using the variance inflation factor criterion show that our logistic regressions give unbiased estimates. (Table 2)

		1	2	3	4	5	6	7	8	9	10
	Mean	0.817	0.908	0.798	0.734	0.409	4.770	0.270	0.677	0.500	15.430
	SD	0.387	0.290	0.402	0.274	0.492	2.200	0.444	0.468	0.500	14.148
1.	Product innovation	1.000									
2.	Marketing	0.152***	1.000								
3.	Cost reduction	0.090**	0.148***	1.000							
4.	Entrepreneurial orientation	0.192***	0.161***	0.153***	1.000						
5.	Perceived threat	0.057	0.080	0.142***	0.025	1.000					
6.	Number of SME competitors	0.003	0.031	0.057	0.036	0.194***	1.000				
7.	Perceived market concentration	0.057	0.047	0.126***	0.148***	0.047	0.085	1.000			
8.	Predatory player	0.164***	0.031	0.085**	0.051	0.140***	0.136***	0.083	1.000		
9.	Firm size	0.034	0.020	0.042	0.122***	-0.012	-0.102**	0.123***	-0.012	1.000	
10.	Firm age	0.020	0.029	0.024	-0.058	-0.064	0.044	0.005	0.050	0.103**	1.000

Mean, Standard Deviation (SD), and Correlation

\* p<0.1; \*\* p<0.05; \*\*\* p<0.01

DV	Product Innovation				Marketing		Cost Reduction		
	M1	M2	M3	M4	M5	M6	M7	M8	M9
Firm size	0.147 (0.236)	0.025 (0.243)	0.001 (0.247)	0.105 (0.317)	-0.040 (0.325)	-0.058 (0.330)	0.163 (0.227)	0.072 (0.232)	0.064 (0.232)
Firm age	0.002 (220.009)	0.006 (0.010)	0.005 (0.010)	0.006 (0.011)	0.011 (0.011)	0.010 (0.011)	0.003 (0.008)	0.007 (0.008)	0.007 (0.008)
No. of SME competitors	-0.006 (0.014)	-0.011 (0.015)	-0.011 (0.015)	0.010 (0.021)	0.003 (0.021)	0.003 (0.021)	0.012 (0.014)	0.004 (0.014)	0.004 (0.014)
Competition intensity	-0.051 (0.108)	-0.077 (0.108)	-0.094 (0.108)	0.130 (0.139)	0.078 (0.133)	0.073 (0.133)	0.049 (0.105)	-0.008 (0.106)	-0.012 (0.106)
Market concentration	0.257 (0.284)	0.112 (0.293)	0.136 (0.296)	0.383 (0.384)	0.220 (0.396)	0.229 (0.398)	0.749 (0.291)***	0.654 (0.294)**	0.657 (0.292)**
Predatory player	0.851 (0.236)***	0.820 (0.242)***	0.809 (0.245)***	0.164 (0.325)	0.058 (0.322)	0.039 (0.326)	0.361 (0.235)	0.265 (0.243)	0.259 (0.244)
EO		1.671 (0.400)***	2.428 (0.529)***		1.790 (0.477)***	2.115 (0.607)***		1.173 (0.383)***	1.338 (0.484)***
Perceived threat		<b>0.242</b> (0.250)	1.566 (0.619)**		0.554 (0.319)*	1.194 (0.757)		0.722 (0.261)***	1.065 (0.597)*
EO-Perceived threat			-1.959 (0.828)**			-1.010 (1.040)			-0.502 (0.776)
Constant	1.034 (0.466)**	-0.029 (0.513)	-0.438 (0.547)	1.420 (0.576)**	0.366 (0.653)	0.205 (0.639)	0.574 (0.421)	- <b>0.174</b> (0.489)	-0.264 (0.513)
Pseudo R2	0.031	0.066	0.077	0.010	0.054	0.056	0.026	0.058	0.059
Prob > chi2	0.012	0.000	0.000	0.774	0.015	0.010	0.018	0.000	0.000
Ν	530.000	530.000	530.000	530.000	530.000	530.000	530.000	530.000	530.000

Table 2Impact of perceived hostility on application of strategy

\* p<0.1; \*\* p<0.05; \*\*\* p<0.01

Models 1, 4, and 7 are base models that control for firm size, firm age, number of SME competitors, competition intensity, perceived market concentration, and the existence of an aggressive or predatory player.

Perceived market concentration was significantly and positively related to cost reduction strategies. The positive effect prevailed across all three cost reduction models. The cost-reducing behavior by smaller firms in markets with large and dominant but non-predatory players reflects the behavior of follower firms in markets with a leader-follower structure (Stackelberg, 1934).

Meanwhile, the presence of a predatory player in a market is shown to have a consistently significant positive effect on product innovation. This result is in line with Covin and Slevin's (1989) findings that firms in hostile environments use innovation to remain competitive, as well as Lee et al.'s (2008) example of smaller retailers with innovative and high-quality niche products surviving the entry of big discount retailers. The presence of a predatory market player does not seem to affect marketing and cost reduction strategies.

These results support H1: SMEs in markets with holders of market power adopt cost reduction, marketing, and innovation strategies to remain competitive. Our results introduce nuances to the relationship between the concentration and use of market power and the competitive strategy employed by SMEs. SMEs tend to employ cost reduction to remain competitive in concentrated markets, but the presence of predatory competitors compel SMEs to adopt riskier strategies like product innovation.

Models 2, 5, and 8 introduced EO and perceived competitive threat. These models confirm that entrepreneurial firms in Metro Manila, like those in other markets around the world, were more likely to engage in product innovation, marketing activities, and cost reduction strategies than nonentrepreneurial firms (Covin & Covin 1990; Covin & Slevin 1989; Jogaratnam 2002). Perceived competitive threat increased marketing activity and cost reduction, as seen in Models 5 and 8. SMEs invest in their brands or networks, as well as in operational efficiency to prepare for the entry of competitive strategies is partially confirmed: Entrepreneurial SMEs are more likely to adopt all three competitive strategies, but competitive threat only encourages marketing and cost reduction.

Finally, Models 3, 6, and 9 tested the moderating effects of combined EO and competitive threat on Metro Manila SMEs' competitive strategy. Accounting for the interaction between EO and perceived competitive threat makes the positive relationship between perceived competitive threat and product innovation significant. The interaction variable tempers the individual positive effect of EO on product innovation and reveals that perceived competitive threat is also an important driver of innovative activity. Adding the interaction term significantly improves the specification of the product innovation models but not the marketing and cost reduction models. Table 2 shows that the interaction term does not moderate the positive effect of EO on marketing strategy. Neither does it moderate the independent positive effects of EO and perceived threat on cost reduction. H3, which suggests that competitive threat moderates the decision of entrepreneurial SMEs to engage in competitive strategies, is confirmed for the product innovation strategy.

#### **5. DISCUSSION**

The positive effect of the presence of a predatory player on product innovation shows that SMEs capable of staying and competing in dominated markets do so by developing new products and catering to more discerning clients. But deciding whether or not to innovate and keep competing, depends on the availability of resources and the amount and nature of support provided by the business environment, which allowed the existence of predatory players in the first place (Nieto, Santamaria and Fernandez 2015). The non-effect of a predatory player on marketing and cost reduction suggests that relatively conservative and affordable strategies may not be enough to stave off the impact of a predatory competitor. This result emphasizes the importance of tailoring SME development policy to the structural nuances of different markets and the resulting needs of SMEs in those markets.

In leader-follower markets, smaller follower firms determine the amount of market demand they can fulfill following the price charged by the leader, which usually benefits from economies of scale. So follower firms adopt cost-reduction strategies to remain viable. Cost reduction is also a competitive strategy known to be used as a first line of defense by firms in economically uncertain environments (Lai, Saridakis, Blackburn and Johnstone 2016). Metro Manila SMEs thus employ cost reduction through process innovation as an accessible competitive strategy (Albert et al., 2017). Nevertheless, the development of truly competitive and sustainable SMEs requires innovation not just in the business process, but in products and services.

When EO and perceived threat were included in the model, EO, as expected, had a positive effect on all three strategies, but perceived threat only increased marketing activity and cost reduction. Firms threatened by potential competition thus prepared for the anticipated entry of new competitors by investing in branding and by ensuring efficient operations. But they were unwilling to invest in product innovation until the threat of new competition was realized and it was easier to ascertain the appropriate course of action. This may be due to uncertainty in the rule of law and the high burden of compliance with regulations regarding new products and services, factors that are known to deter entrepreneurial SMEs from engaging in riskier strategies (Lindsay, Ashill, Roxas & Victorio 2014).

A lack of disposable resources and safety nets inhibit smaller firms from using risky strategies that have long-term innovation and sustainability payoffs (Matthews and Scott 1995; Van Gelderen, Frese & Thurik 2000; Groth 2015; Albert et al. 2017). This is seen in the moderating effect of the interaction between EO and perceived competitive threat on the positive effects of these variables on product innovation. Innovation must be pursued as a necessary proactive step in ensuring the sustainability of smaller businesses. The non-effect of the interaction on marketing activity and cost reduction suggests that the relationship between competitive strategies and their drivers, such as EO and competitive threat, becomes nuanced as the strategy in question becomes more risky. The long-term orientation of entrepreneurial firms in an uncertain environment (see Covin & Covin 1990; Covin & Slevin 1989; Jogaratnam 2002) appears to manifest when deciding on resource-heavy strategies, as shown by the innovation triggered by perceived competitive threat.

#### 6. CONCLUSION

We found that SMEs in Metro Manila that were entrepreneurial and perceived competitive threat were more likely than non-entrepreneurial and non-threatened firms to have actively pursued competitive strategies, specifically, product innovation, marketing, and cost reduction. Firms that faced predatory competitors were also more likely to have used all competitive strategies, while firms in concentrated markets leaned only towards cost reduction strategies. EO and perceived threat are shown to both play a significant role in spurring product innovation. These results corroborate previous findings on the behavior of entrepreneurial firms, especially in uncertain environments. In the Philippines, innovation-related cooperation and knowledge-sharing between government agencies and businesses, as well as between businesses and the academe, are limited (Albert, et al. 2017). Our results emphasize the importance of building a sound and predictable business environment with comprehensive and reliable institutional support that will foster healthy competition and encourage growth-oriented strategies and innovation among SMEs.

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