### A CONCEPTUAL FRAMEWORK FOR THE INFLUENCE OF ENTREPRENEURIAL ORIENTATION AND ENVIRONMENTAL DYNAMISM ON MARKETING INNOVATION PERFORMANCE IN SMEs.

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Abstract: - The main purpose of this paper is to provide a conceptual framework on the role of entrepreneurial orientation (EO) in enhancing marketing innovation performance in the context of Small and Medium Enterprises (SMEs) as it has been recommended to improve SMEs performance as a result of adopting the three principal business procedure. The paper was motivated by the importance of SMEs towards job creation, poverty reduction and economic development in most economies particularly among the developing countries. The SMEs sector has more flexibility in the face of environmental change when worldwide competition is becoming more powerful. At this edge of an economy, the level of innovation is the key to their success, growth, and survival. Thus achieving a workable marketing innovation system as well as improving services delivery are becoming critical. The existing literature demonstrates that the effectiveness of SMEs is reliant on the state of environmental influences. The environmental dynamism shapes the achievement of SMEs objectives and overall innovation performance. This study proposes the research framework on the effect of EO on marketing innovation performance. As postulated in the study, EO stand-in through the five measurements of autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness enables a firm to act resourcefully and organize its resources in a way that contributes to marketing innovation performance due to the tendency to act autonomously, the trend to be aggressive toward competition, to proactively pursue market opportunities, and to have the willingness to innovate and bear the risk. On this basis, this study further postulated that environmental dynamism moderates the relationships between the five dimensions of EO and marketing innovation performance.

*Key-Words:* Entrepreneurial Orientation, Environmental Dynamism, SMEs, Marketing Innovation Performance.

### 1 Introduction

Entrepreneurial orientation (EO) has been distinguished as an important factor for management success and has been established to lead to greater performance (Wiklund and Shepherd, 2005, Soininem, 2013). Additionally, it was argued that entrepreneurial firms achieve well than those with lower levels of EO (Dada, 2013). Advanced levels of EO permits businesses to take the competence to detect and snatch opportunities in a way that differentiates non-entrepreneurial them from firms (Soininem, 2013). Some governments have created appropriate initiatives to make business environment conducive for SMEs to flourish. There has been a remarkable improvement in the SMEs environment following to the creation of appropriate make initiatives to business environment conducive for SMEs to flourish. For example, the Federal Government of Nigeria has made easier for SMEs to access collateral free loan capital in micro financial institutions, at very low-interest rates, created market opportunities for SMEs products and made a protection policy to local firms against foreign firms (Mfaume and Leonard, 2004). Ireland et al., (2003) showed that **SMEs** are effective in identifying but successful opportunities less in developing competitive advantages. It is surprising to note that, despite such good environment. business SMEs are still experiencing poor performance trends hence failure to survive or even grow to become big firms (Mgeni, 2015). Many challenges which were thought to be responsible for the obvious poor performance of SMEs have been widely studied and some recommendations have already been implemented, yet no appealing improvement has been realized.

Scholars and practitioners comprehend well about the importance of

SMEs. but still. studies **SMEs** on performances have explained certain major weaknesses that exist. The majority of the studies have identified many barriers and constraints for the growth of the SMEs performance. To date 3 out of every 5 SMEs established fail within a period of fewer than five years from their establishment and the firms are usually surviving stagnant (Dalberg, 2011). According to Mfaume, and Leonard, (2004), entry into business is not a problem for SMEs, however, its growth is characterized by stagnancy and poor performance. **SMEs** also are facing constraints in differentiating their products, changing their business model, internal financial resources, and technical capabilities (Vanhaverbeke, Vermeersch, & De Zutter, 2012). These problems are responsible for the failure of SMEs and obviously, there are other problems also with some unique features in every business. Their major obstacles in process of growth are due to limited:- Financial resources (Bottazzi, et al., Temponi 2014; Malhotra and 2010), Managerial technical and expertise, knowledge of environmental aspects and inadequate infrastructure, Resources to implement information systems (Saira, et al., 2010).

It has been found that SMEs are resource-constrained and face a liability of compactness (Kraus et al., 2010). According to Morris et al., (2002) and Gilmore (2011), resources and underdeveloped limited marketing skills often lead to unsophisticated and unplanned marketing activities. Apart from that enterprise's negligence to innovation (Gallego, et al., 2013) are also responsible for the failure of SMEs. Many SMEs literature has not linked innovation performance of SMEs as the potential outcome of dynamic interactions of EO and environmental dynamism. Failure of SMEs in early stages of business its life cycle and

stagnancy indicate poor innovation performance (Zheltoukhova, & Suckley, 2014). Marketing innovation is recognized by way of its uniqueness in the application of the three main business practices of (a) product growth supervision, (b) supply chain organization, and (c) consumer relationship supervision. Marketing innovation lead to novel product introductions, auicker practicing of fresh product concepts, and improve sales, and boost cost-effectiveness (Hauser, Tellis and Griffin 2005). Additionally, Marketing innovation proffer business the prospect to improved revenue and cash movement from different sales networks, enhanced module feature and value over management input, and decrease in client service costs over technology, subcontracting. or rationalized working processes. Therefore, marketing innovation performance is crucial to the success and survival of SMEs.

Previous researchers demonstrate that innovative SMEs firms are further expected to be the leading industry to introduce new products and accomplish better in the sectors they represent (Stam and Elfring, 2008). Non-entrepreneurial SMEs firms, on the different, are less likely to be forerunners in new product development (NPD) and are less likely to be successful in their respective sectors. Undoubtedly, with the constraints facing SMEs, especially in the context of emerging economies it is becoming crucial both scholars and urgent for and entrepreneurs to understand the factors which contribute to achieving better business performance. Research has upheld the idea that firms should pay close attention to the association which exists between the level of innovation and the level of change and complexity within the industry (Evans, 1991).

The purpose of this paper is to examine the effect of EO and environmental dynamism on marketing innovation performance in SMEs. As markets develop to meet the altering perceptions and favorites of clients, the type of properties necessary to SMEs in these extremely modest markets may change as well. Any form this change may take is for modest markets, to become more greatly confined, hence being able to forestall tendencies in the market may be a cherished resource for firms expecting to improve client reliability and improved sales. This transformation may offer SMEs firms with the prospect to improve performance as research has shown that in other industries, firms that are conscious of chances and are able to react to these openings have better performance outcomes (Rauch et al. 2009). The quest for new opportunities and the consequent improvement of new products recommends entrepreneurial that an orientation may contribute to innovation success (Ireland, Hitt and Sirmon 2003; Webb et al. 2010).

This paper will first, review the literature on EO, environmental dynamism well as marketing and as innovation performance. Second, cultivate a conceptual model to show the relationships between EO perceived moderating the role of environmental dynamism EO on and marketing innovation performance. hypotheses presented each were for relationship. Finally, the researcher concluded by proposing some managerial implications directions and for future research.

### 2.1 Entrepreneurship Orientation

To withstand innovation and achievement in markets, it is vital for SMEs to have assets, processes, and structures that contribute to its flexibility and opportunities for identifying and securing (Jantunen, 2005). Lumpkin and Dess (1996) defined entrepreneurial orientation by way of the procedures, practices, and undertakings of assessment making that facilitates new entry. It is a practice of entrepreneurship that is identified and acknowledged for its five dimensions namelv innovativeness, risk taking. proactiveness. competitive aggressiveness, and autonomy. EO can be described as the readiness of the SMEs to take inventive activities and attractive risks to emanate new products/services and to introduce new markets, and proactively make a move before its rivals in availing of new opportunities in the market (Soininen, Martikainen. Puumalainen & Kyläheiko, 2012). This definition covers all dimensions of EO that is a extremely intercorrelated with each other, which compel to combining these dimensions into one single concept (Soininen et al., 2012).

EO has newly become a very popular research field (Wales, et al., 2013). One could argue that this popularity of EO is based on the environment being described as complex and uncertain (Dreyer and Grønhaug, 2004; Slater and Olson, 2002). In order for firms to compete in such conditions. further knowledge within entrepreneurship is needed (Wiklund and Shepherd, 2005). Considering of today's the good nature business environment, SMEs need to devise means of Being entrepreneurial-oriented survival. simply means being prepared for the trials that the business environment poses, and to constantly change plans to overcome those challenges. It is supreme to SMEs success in the competitive atmosphere (Zainol and Daud, 2011). Everything about EO is either meant at appealing new customers or keeping existing ones, ahead of competitors. It represents all the strategies that define SMEs method to the search of its goals in a competitive environment. EO allows SMEs to cultivate concepts and realize them in the form of new products and services, participate in risky projects, forecast future requirements, and find new market opportunities. These structures in SMEs can be positive when they face various challenges

from the competitive environment. (Rauch et al., 2009).

To active abilities, the SMEs ownermanager needs to form EO in business. Part of the challenges faced by SMEs is how the business is capable of meeting market demand. According to Gima and Anthony (2001) organizations with high EO, abilities tend to be able to perform better than the competitors in terms of (1) market share, (2)speed in entering the market, and (3) the level of product quality. SMEs should be able to make a strategic move as the basis for making the right decisions in order to survive and have high competitiveness. The higher the EO of the enterprise, then the likelihoods of the business to meet the market demand would be superior. EO becomes the attention of its own for SMEs, especially in the use of the chances and resources to the type of business (Alarape, 2014).

From the of standpoint entrepreneurship. SMEs firms must differentiate themselves from their rivals, have more EO and find ways to achieve a sustainable development, for example. through marketing innovation performance. EO has become considerable variable, which foster the marketing innovation can performance of SMEs. This concept explains a strategic posture in the long term through engaging in product innovation, undertaking risky ventures and proactive action for firm performance (Lumpkin, et al., 2009).

### 2.2.1 Moderating Role of Environmental Dynamism In Eo and Marketing Innovation Performance

The literature indicates that business performance not only depends on innovation strategy but also depends on environmental conditions (Lumpkin and Dess, 2001). Generally, a dynamism refers to the rate of change and the degree of variability of the environment. Hence, SMEs can adopt a marketing innovation performance strategy in a complex and uncertain environment because such an environment offers important opportunities concerning emerging market demands (Li and Atuahene-Gima, 2001; Schweitzer et al., 2011). Extant research suggests that innovative firms can achieve higher performances in volatile and hostile environments (Li and Atuahene-Gima, 2001; Lumpkin and Dess, 2001). Raju et al., (2011) added that companies which are able to maintain а high level of under unfavorable innovativeness. even environmental conditions, sustain higher levels of profitability and efficiency.

Certainly, in an environment that is characterized by a significant level of uncertainty and dynamism, SMEs ownermanagers may face unclear and difficult situations with few alternative solutions and few evaluation criteria by which to select alternatives (Li and Simerly, 1998). These factors may force SMEs owner-managers to optimize available resources and production processes and to develop solutions by taking concrete actions quickly in order to achieve acceptable or successful performances. In addition, the uncertainty and dynamism of the environment may push SMEs ownermanagers to rely on their creative abilities to generate and implement creative solutions and ideas of new products and processes for increased business results (Akgün et al., 2009).

According to the Resource Base View theoretical model, companies which have specific resources and skills will have the competitive edge and thus attain superior performance (Camisón and Villar-López, 2012).Using the same theoretical framework, the success or failure of a firm is understood as being the outcome of how its resources are used, especially its human resources (Spillan and Parnell, 2006). Experience, knowledge, aptitude, skills, and creativity make up the human resources of all the organization's employees, including SMEs owner managers (Makadok, 2001). Makadok, (2001) states that the SMEs owner-managers' and employees' ability to develop new products and processes within the SMEs firm is one of the most important sources of competitive advantage and thus a determining factor for business performance (Camisón and Villar-López, 2012).

Nevertheless, it is vital for SMEs firm to provide the needful to support innovation activities. SMEs firms which encourage an innovative environment lead SMEs ownermanagers to believe that new technology and more innovation will create value for their firms (Gopalakrishnan, 2000). This has therefore called for improved EO practices, in order to meet numerous preference of customers and aid marketing innovation performance recognition. SMEs enterprise contending in surroundings where great intensities of vitality are present must have the elasticity to adapt to a varying atmosphere to guarantee structural presence (Mthanti, 2012). According to Davis, (2007) a rapidly changing environment increases risk and unpredictability. A minor level of vitality in designates an environment a possible slowdown of the economy or, under most conditions, an enterprise that is sound besides working in a more steady atmosphere have the advantage of additional stability and certainty of ecological change, as well as superior capability to react and change with the atmosphere. These ecological changes include explosiveness of the firm's market, innovations in the industry, shifts in demand and consumer's preferences, production and service skills as well as ambiguity and irregularity of opponents' behavior in the firm's main industry (Aloulou and Favolle 2005)

Several types of research study the correlation between environmental dynamism and EO of the firm (Miller and Friesen 1983; Rauch et al., 2009; Ruiz-Ortega et al., 2013). High level of ecological vitality may foster the application of EO in the firm in order to be more effective in searching for the new opportunities which appear on the market (Rauch et al., 2009).

Aspects leading to outside vitality include reduced product life cycles and increased product diversity (Mitchell et al., developments 2011). in information technology and e-business, and improved overall competition (Abdallah et al., 2014). It is also claimed that ecological vitality leads to undesirable effects on performance due to the difficulty of making correct predictions, appraising changes. evolving timely responses, revising schedules, and increased uncertainty (Azadegan et al., 2013; Patel et al., 2013). Additionally, others researchers declared that market-oriented enterprise with elastic procedures and technology complemented with close client relationship will be able to cope with the trials related to vitality, ecological by improving their performance and outperform their opponents (Guar et al., 2011; Oi and Zhang, 2010). Environmental dynamism could be seen as a tool that will improve business process of SMEs (Sanders, et al., 2014). Therefore, a close association between EO and marketing innovation performance is likely to be facilitated by a higher level of market dynamism since companies with higher innovative behavior are more appropriate to reap potential benefits in such circumstances. Accordingly, this study proposes that:

H1a: There is a positive relationship between environmental dynamism and marketing innovation performance.

H1b: Environmental dynamism moderates the relationship between entrepreneurial orientation and marketing innovation performance.

### 2.3 Marketing Innovation Performance

Innovation activities indicate the competence of employees of an organization to create new or improved products (Lai, et al., 2014). Innovation defined by Lee (2011) as different services and operations related to business that are new. unique and helpful to prospective customers. Innovation is all about modification however all not transformation is innovative: the modification significant must be and eloquent to an investor. Three methods of managerial innovation are provided for this study: \_ product innovation, process innovation, and marketing innovation.

### (a) Product Innovation

The method of evolving besides getting novel otherwise considerably superior products or services to market has been reliably used in the work to define product innovation (Hauser, Tellis and Griffin 2005). Product innovation is separated into three (1) product line extensions (conversant to the business but fresh to the market), (2) me-too products (conversant to the market but new to the business). and (3) new-to-the-world merchandises (new to both the business and the market). The aim of product innovation is to adapt the ability of the product in some way towards improve value to the customer or the business (Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data 2007).

### (b) Process Innovation

According to Fagerberg, Mowery, and Nelson (2004) in the oxford handbook for innovation review process innovation as "new or significantly improved methods in the production or manufacturing process". according to the internationally Also, recognized Organization for Economic Cooperation and Development (OECD). process innovation is the application of different or considerably better techniques for invention or supply, to comprise important variations in methods, apparatus, and/or software. To explore marketing innovation there is need to announce the central business processes to operationalize the construct. As, Srivastava, Shervani, and

Fahey (1999) claimed that marketing ought be regarded as an structural self-restraint, and once marketing ability is filled into the central business processes, SMEs performance is considerably improved and marketing activities are well recognized. The central business processes are (1) the product development management (PDM) process, (2) the supply chain management (SCM) process, and (3) the customer relationship management (CRM) process, respectively.

(b) Marketing innovation

Marketing innovation is "the generation and implementation of new ideas for creating, and delivering communicating. value to managing customers and customer relationships" (Tinoco 2005). This study discusses that marketing innovation must stand established alongside with product innovation. OECD (Oslo Manual: Guidelines for Collecting and Interpreting Innovation 2007), claimed marketing Data that innovation is "the implementation of a new method involving significant marketing changes in product design or packaging, product placement, product promotion, or pricing."

Marketing innovations are identified the introduction of new marketing as methods, which include changes in product design, promotional strategies, and price (Camisón & Monfort-Mir, 2012). Examples of marketing innovations in SMEs include the habit of social networking sites in encouraging the industry or client loyalty recommendation programs. The of innovation in the areas of products, services, management, and marketing processes, permits SMEs overcome the existing competition in its industry, enabling the business to grow and gain market share at the expense of firms that do not innovate (Cainelli, Evangelista and Savona, 2006). By growing and gaining market share, the improved market position of the firm improves corporate performance by being able to build up a monopolistic rent (Cainelli Evangelista & Savona, 2006; Gunday et al., 2011).

Consistent with the mechanisms explained above, the recommendation of product, process, and/or marketing innovation has been shown to be significantly and positively related to firm growth in entrepreneurial SMEs (Varis and Littunen, 2010). The introduction of product innovations enables firms to attract new customers in current and/or new market bases, increasing their market share and resulting in sales growth which leads to increased profits (Wolff & Pett, 2006). Introducing market innovations generates turnover through collective intake of the firms' products (Gunday et al., 2011).

This also suggests that product and marketing innovations may need to work hand in hand as introducing innovations in new products may also require the ability to penetrate new markets, which can be provided by marketing innovations (Varis and Littunen, 2010). Implementing process innovations increases proceeds on behalf of the organization through sound abilities and decreasing expenditures (Johne and Davies, 2000). Introducing management innovations plays a key role in an organizations' capabilities innovative by creating new organizational structures that facilitate the development of innovations in other areas (Gunday et al., 2011). To complete this, the compared dimension study the of Entrepreneurial Marketing (EM), with the construct of EO. The five dimensions, proactiveness. innovativeness. namely autonomy, competitive aggressiveness and risk-taking, were found to overlap and have a strong impact on firm performance (Rauch et al., 2009). Consequently, the study focus on those five EO dimensions to examine the influence of EO on marketing innovation performance in SMEs. The following

sections will introduce each dimension in details.

### 2.3.1 Innovativeness in Marketing Innovation

Indeed, innovativeness is highly related to the "organization's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services or technological processes, as well as the pursuit of creative, unusual, or new solutions to problems and needs" (Madhoushi et al., 2011, p. 310). In other words, technological development or product innovation can be utilized when pursuing new opportunities or seizing a competitive al. advantage (Lechner et 2014: Thoumrungroje & Racela, 2013). Prior studies propose that new firms will build amazing performance, cost-effectiveness and resourcefulness relate in the business atmosphere (Kraus et al., 2012; Palacios-Marques et al., 2013). To sum up, by looking at the magnitude of change it will bring to SME, it is justifiable to place EO as a strong variable towards SMEs marketing innovation Therefore, Performance. based on the literature above, the following hypothesis is proposed:

H1a: Innovativeness has a significant positive impact on SMEs marketing innovation performance.

# 2.3.2 Proactiveness in Marketing Innovation Performance

According to Engelen et al., (2014) proactiveness is described with a great level of opportunity-seeking enterprise that. preferably, are ahead of their opponents and effectively forestall future client demands. Meanwhile, Covin and Miller (2014) submit that organizations must have the planned reactiveness and alertness to fresh conditions that often occur in unclear entrepreneurial perspectives. Prior studies have establish that proactive companies can accomplish their objectives in best segments, move faster to sustain an advantage, capitalize a market

prospect for greater yields, and be a groundbreaker in performance (Brettel and Rottenberger, 2013; Chen et al., 2012). Achieve better performance because they have a greater understanding of customer needs and wants, and broader market environment than their competitors (Khalili et al., 2013). Thus, the following hypothesis is proposed:

H1b:- Proactiveness has a significant and positive impact on SMEs marketing innovation performance.

### 2.3.3 Risk-Taking in Marketing Innovation Performance

According to Eggers et al. (2013), risk-taking refers to the organization's agreement to commit resources with uncertain outcome. Morrish (2011) states that risk-taking implies a company's propensity to offer a product that is not well known or accepted within the market. In other words, a company might take a risky strategy when introducing a product, which serves customer needs that do not yet exist, rather than solely serving expressed customer needs. However, in order to obtain a competitive advantage, businesses need to take a risk to some extent, e.g. introducing new products or services in new markets (Dess & Lumpkin, 2005). Rauch et complement an affirmative al., (2009)relationship between risk-taking and firm performance. In this logic, Kraus et al., (2012) submit that pioneering SMEs must minimize the level of threat and take act to evade tasks that are excessively hazardous to achieve better performance. Thus, the following hypothesis is proposed:-

H1c:-Risk-Taking has a significant and positive impact on SMEs marketing innovation performance.

#### 2.3.4 Competitive aggressiveness in Marketing Innovation Performance

The strength of a firm's struggles to outperform business competitors and taking them head-on at every chance is defined as competitive aggressiveness. It is characterized via a robust aggressive posture, which is directed at disabling opponents (Lumpkin and Dess, 1997). Venkatraman (1989)proposed that competitive aggressiveness is accomplished by setting motivated market share goals and taking gallant steps to achieve them, such as cutting prices and forgoing profitability. The relationship between competitive aggressiveness and firms' performance seems to be quite debatable. Several author showed a positive link between these two dimensions (i.e. Madhoushi et al., 2011) however some other have establish a null (relationship Casillas and Moreno, 2010; Hunghes and Morgan, 2007) between competitive aggressiveness and firms Therefore, performance. the following hypothesis is proposed:-

H1d:- Competitive aggressiveness has a significant and positive impact on SMEs marketing innovation performance.

# 2.3.5 Autonomy in Marketing Innovation Performance

This reveals the "independent spirit" (Lumpkin and Dess, 1996) including the idea of open and independent action and decision taken (Callaghan and Venter. 2011). Concerning the autonomy dimension of EO, several studies have confirmed that linked to firms' autonomy is positively performance (Awang et al., 2009) nevertheless further researchers do not confirm such effects (e.g. Casillas and Moreno, 2010; Hughes and Morgan, 2007). The varied nature of this relationship showed the need to improve knowledge about this link. In this paper the following hypothesis is proposed:

H1e:- Autonomy has a significant and positive impact on SMEs marketing innovation performance.

### 2.5 Research Framework

In line with the propositions, the following conceptual framework is developed. This studv used conceptual framework а developed by authors based on previous studies on the influence of EO and dynamism environmental on marketing innovation performance in the context of SMEs. EO is considered as independent variable while marketing innovation performance is considered as dependent variable. The study is backed by two theories, namely Resource-Based View (RBV) and Contingency Theory. The combination of the two theories in the study provided a platform influence for investigating the of environmental dynamism being an external organizational factor on the relationship between EO and marketing innovation performance.



Figure 1 Proposed Model

### 4.0 Conclusion

SMEs business represent an important source and development growth for of the economies worldwide. This paper attempts to describe the vital role of these variables in improving SMEs marketing innovation performance. Therefore. а conceptual framework for the realization of the research objective was developed. In the current literature, EO can be taken by the tendency to act autonomously, the propensity to be toward competition, aggressive to proactively follow market openings, and to

have the readiness to transform and bear the risk.

significance of the The accurate model for SMEs will help to boost the potential of its resources and improve business marketing innovation performance. Growing the marketing innovation performance of SMEs was influenced by changes the dvnamic environment. in through the EO of the SMEs ownermanagers. The external environment has an enormous influence on the business activity of SMEs. Changes in consumer tastes and the movement of competitors is an indication of the increasingly dynamic business environment.

This study offers some important contributions to literature as it examines the of environmental influence EO and dynamism on marketing innovation performance in SMEs. This study has become unique in the sense that it examines the moderating effect of environmental The study is undergoing a dynamism. confirmation process that will benefit policy makers, regulatory bodies, and SMEs ownermanagers. Based on the literature reviews established by this study, it is concluded that there is a strong and significant positive correlation between EO and marketing innovation performance among SMEs. Nevertheless, this study did not focus on SMEs from specific industry thus further studies are invited. SMEs should be able to make a strategic move as the basis for making the right decisions in order to survive and have high competitiveness. Based on the findings from this study the following recommendations are made:

It is therefore clear SMEs should develop business culture and organization styles intended at the advertising of pioneering, proactive and risk-taking performance. SMEs owner managers should be able to evaluate their needs and match them accordingly to the strategy chosen. Future studies should be done in order to find out what other strategies can be implemented in order to help SMEs firm stay profitable. Most of the researchers have been able to find a positive EO performance relationship that gets stronger over time and many moderating factors have been found to strengthen the relationship. It is hoped that the research insights in this review will provide a framework for further productive discussion and for more empirical studies on the EO Concept.

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