Understanding Entrepreneurial Orientation based Research: A Proposed New Theoretical Framework

Ehsan Fansuree Surin1* Oswald Timothy Edward,2 Sayuthi Shaaran3 & Rohana Ngah4
1,3,4 Faculty of Business and Management, Universiti Teknologi MARA, Puncak Alam Campus, Bandar Puncak Alam, Selangor Darul Ehsan, Selangor, Malaysia
2Faculty of Business and Management, Universiti Teknologi MARA, Segamat Campus, Johor Darul Takzim, Malaysia
*efansuree@uitm.edu.my, oswaldt@uitm.edu.my, sayusha78@gmail.com, rohanangah@uitm.edu.my

Abstract: Entrepreneurial orientation-based research is reviewed and in-depth examined especially in the entrepreneurship theme. Research on the impact of entrepreneurial orientation (EO) on organizational performance has generated numerous important findings. Despite abundant attention given to research on the relationship between entrepreneurial orientation and organizational performance, the results are still inconsistent. Current progress on entrepreneurial orientation-based research is lacking in terms of theoretical integration therefore unable to produce a unified framework. This paper reviews the literature review thoroughly to build a novel theoretical framework that proposes the linkages of entrepreneurial orientation, innovation management, business environment as well as organizational performance. By using resource-based view (RBV) and contingency theory, the relationship between the variables has been established. The proposed unified theoretical framework will provide useful insight into the direct impact of entrepreneurial orientation on organizational performance. Moreover, the direct relationship is moderated by two variables namely innovation management and business environment. This unified theoretical framework would benefit from an amalgamation between process and outcome-oriented research in the entrepreneurship field.

Keywords: Entrepreneurial Orientation, Organizational Performance, Innovation Management, Business Environment.

1. Introduction and Background

In academic literature, the process of entrepreneurial behavior is known as an entrepreneurial orientation that leads to business prosperity, growth, and performance (Covin and Wales, 2018) and it is also linked to the strong and wealth of the economic environment of countries (Andrade-Valbuena et al., 2019). Thus, this remarkable entrepreneurial orientation concept has become the most cumulative studied research area in the body of entrepreneurship knowledge (Andrade-Valbuena et al., 2019; Covin & Wales, 2018; Gupta & Gupta, 2015; Laudano et al., 2018; Martens et al., 2016).

More recently, numerous studies have been conducted to study the relationship between entrepreneurial orientation and organizational performance. Surprisingly, the results are continually inconsistent. Some studies reported that entrepreneurial orientation had a positive (Covin and Wales, 2018; Lumpkin et al., 2009; Martens et al., 2016; Rauch et al., 2009; Gupta and Batra, 2016) and some shown otherwise (Kohtamaki et al, 2019; Laskovaia et a., 2019; Milovanovic, 2022; Renko et al., 2009; Wales et al., 2013). Therefore, there is no agreement to conclude on this relationship.

Further investigation, several factors contributed to these conflicting results. Firstly, the conflict is due to the different types of dimensions used to measure entrepreneurial orientation and organizational performance (Mertens et al., 2016; Lombergh et al., 2017). Secondly, the different contexts of investigation are also leading to these discrepancies. For example, the inconsistencies relationship between entrepreneurial orientation and organizational performance are due to context of developed and developing countries (Luu and Ngo, 2019, Ngah et al, 2018), family versus non-family-based business (Rachmawati and Suroso, 2022), newness of firms (Su et al., 2011), differences in industry (Rauch et al., 2009) and the size of the firms (Wales et al., 2013). As a result, the contradictions present a major gap in developing 0a well-accepted entrepreneurial orientation framework.

Due to this, there is a call to examine the potential the potential variables that would modify the original relationship (Milovanovic, 2022; Schepers et al., 2014). Prior research showed a lack of a unified framework.
that connects the entrepreneurial orientation-moderator/s-organizational performance. The relationship between these two variables is not simply ‘the more, the better’ effect. This will open gaps in the knowledge and remain largely neglected. Therefore, we did the literature review to identify the potential moderators of the said relationship for a better understanding of the entrepreneurial orientation framework.

With the increase of entrepreneurial orientation at the firm’s level, it is important to investigate how firms may benefit from practicing it. Empirical research has mostly found that firms with a high degree of entrepreneurial orientation perform much better (Covin and Wales, 2018; Lumpkin et al., 2009). The positive relationship between entrepreneurial orientation and organizational performance is robust from different types of measurement of entrepreneurial orientation to different types of measurement of performance (objective versus subjective), or either it can be successful or useless in some circumstances (Rauch et al., 2009).

Therefore, grounded by the resource-based theory proposed by Barney (1991), the purpose of this paper is to present a new framework to examine the entrepreneurial orientation-organizational performance relationship. In doing so, first, we reviewed the literature on the said relationship. Secondly, we reviewed the literature on the potential moderation of innovation management and business environment. It will be followed by the proposed theoretical framework and its elaboration. The theories which related to the framework have been presented then. Finally, this paper presented a discussion on the discrepancies in the findings of the relationship between entrepreneurial orientation and organizational performance as well as the contributions.

2. Literature Review

Entrepreneurial Orientation and Organizational Performance: The term entrepreneurial orientation is defined as the organization’s behavior that reflects or acts like an entrepreneur or the organization’s commitment to entrepreneurial force (Fox, 2005). It also refers to a firm strategic posture capturing specific practices, processes and activities that allow an organization to create value through the participation of entrepreneurial efforts (Lumpkin and Dess, 1996). Therefore, entrepreneurial orientation has been treated as a phenomenon of organizations and is the key to capturing the standards and processes of entrepreneurship existing in the organization (Mertens et al., 2016).

Covered in various disciplines such as psychology (McClelland, 1987), economics (Kirchhoff, 1992), sociology and anthropology and management (Miller, 2011), researchers use different terminologies such as strategic orientation or posture (Covin et al., 2006), corporate entrepreneurship (Zahra et al., 2000) and entrepreneurial orientation (Lumpkin and Dess, 2009). Entrepreneurial orientation is the most widely used concept and in studies has gradually moved from the study of entrepreneur traits to the distinctive attributes of an entrepreneurial organization (Karyotakis and Moustakis, 2016).

Efforts to understand the dimensions of entrepreneurial orientation should be coupled with an effort suggested by the scholars. For example, Rauch et al. (2009) suggest the unidimensional approach by combining proactiveness, innovativeness and risk-taking. The authors suggested that only an organization that has high levels of all three dimensions can be considered as an entrepreneurial organization. This is because the three entrepreneurial orientation dimensions are highly intercorrelated with each other and associated with organizational performance in similar ways (Miller, 2011).

On the other hand, Lumpkin and Dess (1996) reviewed the concept of entrepreneurial orientation unidimensional approach and suggested that all three dimensions could vary independently. Scholars have suggested a multidimensional approach as an alternative approach such as autonomy and competitive aggressiveness. The introduction of these dimensions is due to the different cultural contexts and organizations may have high levels of some of the dimensions and low levels of others (Aliyu et al., 2015; Arbaugh et al., 2002). In a multidimensional approach, the five dimensions are central to the understanding of entrepreneurial orientation. As the five dimensions are independent, they may relate differently to organizational performance (Covin and Wales, 2018; Kusumawardhani, 2013). This new radical thinking emphasizes entrepreneurship in a management framework that pronounced the beginning of theoretical distribution within the entrepreneurial orientation concept (Wiklund, 1999).
Research also suggests that there are potential benefits to entrepreneurial orientation for entrepreneurial firms. For example, entrepreneurial orientation acts as a driver for organizational productivity and growth (Aloulou and Fayolle, 2005), adding value to the organization as it visualizes the strategic vision and managerial philosophies (Wales et al., 2011) and disrupting the bureaucratic style towards transformation in organization (Wu, 2011). Scholars also profess that entrepreneurial orientation is considered a command for the organization to engage in successful entrepreneurship practices as it helps managers orientate their organization to gain a competitive advantage over rivals (Uddin et al., 2014; Sajjad et al., 2023). We suggest that entrepreneurial orientation heterogeneous distribution within the organization can craft and contribute new ideas, enhancing team commitment and ownership, and integrating for better business endeavors (Mertens et al., 2016; Soares and Perin, 2020; Wales, 2016). Therefore, we suggest the following hypothesis; H1: There is a positive relationship between entrepreneurial orientation and organizational performance.

**Innovation Management as Moderator:** Innovation management is defined as the extent to innovation practices can achieve its expected goal. The level of innovation management is determined through the organization’s process, managerial and marketing innovation (O’Cass and Weerawardena, 2009) and strong devotion towards innovative practices within the organization (Wiklund and Sheperd, 2005). In strategic management research, innovation management is about generating new ideas in conceptualizing new methods of doing things and selecting relevant or good ideas for best practice and implementation (Bessant and Tidd, 2007). Due to this statement, innovation management is one of the key elements for a company’s survival (Fontana and Musa, 2017).

In this paper, we theorize that innovation management is contingent upon the relationship between entrepreneurial orientation and organizational performance. There is a “fit” between the relationship between a firm’s capability and innovation-organizational performance (Adams et al., 2006; Yang, 2012). The intense competition forces the business to be more aggressive; especially in creative and innovative ways therefore will enable to them compete in the market (Arokodare and Falana, 2021). Identifying the weaknesses in the product or the process in the organization is vital so that it will lead to innovation activities (Lee et al., 2019). However, the success of the innovation would not been achieved without a proper innovation practice. Therefore, no matter how well the entrepreneurs trace the product or process problems, they will not be successful if they do not have good innovation management.

The innovation management concept is three sequential phases that involve idea generation, idea selection, idea development and idea diffusion of established concept (Hansen & Birkinsaw, 2007). Within the three sequential phases, an organization needs to perform cross-unit sourcing, internal sourcing and external sourcing, including selection, development and company-wide dispersion of ideas. Therefore, integrating the right mix of the innovation process can enable organizations to renew themselves, to adapt and adjust to the business environment accordingly. Therefore, we suggest the hypothesis as; H2: Innovation management will moderate the relationship between entrepreneurial orientation and organizational performance.

**Business Environment as Moderator:** The business environment is anything that surrounds the system and it could benefit the firm or vice versa (Hans, 2018). The business environment is dynamic so it keeps changing and is somehow difficult to predict. The business environment where the organization is operated is not the same as others for example the organization that operates in Europe is not the same in terms of legal being imposed compared to those operated in Asia. Failure to understand the business environment could lead to the wrong decision-making (Kollmann et al., 2007).

In an early investigation on business environment-based research, Mintzberg (1982) identifies business environment factors as contingent upon the strategy of the organization. As cited by Prescott (1986), “The concept of fit has served as an important building block for theory construction in strategic management. In the fit as moderation perspective, the effect that the predictor has on the criterion variable (firm performance) depends on the moderating variable (environment).” The concept of ‘fit’ shows the achievement of the firm depends on the firm’s reaction to the business environment (Anderson and Eshima, 2013).
In this paper, we define the business environment as factors that come from outside of the firm that affect the entrepreneurial outcome. The external factors consist of political, economic, social as well as technological factors (Anthony, 1988). The proposed view on superior performance is that any strategy must adapt to the environment on which the organization depends, which will decisively influence the organization.

Scholars have discussed the concept of benign versus hostile in measuring the business environment (Naman and Slevin, 1993; Covin et al., 1999). Covin et al. (1989) have described the benign business environment as a stable market resulting in higher achievement in profit and facing less competition. The level of customer loyalty is high and easy to predict. Meanwhile, the business environment hostility encompasses the riskiest and most stressful market is and characterized by a high rate of business failure. The firm that operates in this business environment somehow can be in an uncertain situation as a result of uncontrollable factors such as technology and government regulation (Covin and Slevin, 1989). Therefore, the firm should adjust its tactics by strategically positioning itself to adapt to the current situation.

Even though the hostility of the business environment may result in underachieving in performance, scholars have shown the results oppositely. For example, scholars have discovered the significant impact of a hostile environment on firm performance for manufacturing businesses (Kach, 2013). Calantone et al. (1997) on the other hand have discovered that hostility provides pressure however the entrepreneurs strike back with strategies to develop the new product development. The management in handling the environmental hostilities can be improved and result in the firm’s survival (Alvarez-Torres et al., 2019; Tajeddini and Mueller, 2018). Therefore, we formulate the hypothesis as;

**H₃**: Business environment will moderate the relationship between entrepreneurial orientation and organizational performance.

3. Proposed Theoretical Framework

By using Miller and Friesen’s (1984) works, the journey of entrepreneurial firms is not straightforward. The journey integrates the characteristics of the business environment, strategies and entrepreneurs’ capabilities which will be blended towards the organization's achievement. We presented the theoretical framework in Figure 1. The Independent variable consists of entrepreneurial orientation which signifies the capability of a firm’s overall strategic orientation. This view aligned with Wiklund’s (1998) in his doctoral thesis that portrays the entrepreneurs’ entrepreneurial orientation as the willingness of a firm to engage in entrepreneurial behavior.

**Figure 1: Theoretical Framework**
The moderating variables consist of business environment and innovation management. The characteristics of the business environment itself such as benign and hostile may affect the decisions of the firms by adopting entrepreneurial behavior. On the other hand, innovation management enables the firm to respond quickly to the competitive movement of other firms. The higher level of responsiveness to detect earlier of the competitive movement may warrant the coordination of the organization units to be more innovative. The development of our theoretical framework is based on two theories; resource-based theory and contingency theory. We provide an overview of the theories in the next section.

**Theories Related to Framework:** The framework has been governed by two theories; RBV and contingency theory. The subtopic will discuss the theories and their application in the entrepreneurship field.

**RBV:** Historically, the RBV was developed by Penrose (1959) and elaborated a firm's growth established on its limited resources in operating its business. Inspired by this study, Wernerfelt (1984) introduced new RBV terms to emphasize firms’ superior performance by looking at how firms utilized their valuable resources to conceive and implement their business strategy (Abdul Kohar, 2013). Barney (1991) suggested the assumptions that support the framework of RBV i.e. the strategic resources within the industry may be heterogeneous and these available resources might be valuable, rare, imperfect imitatibility and non-substitutable. Strategic resources can be seen as rare when they create value for the firm. Rare resources are regarded as special resources which are difficult to find among the existing competitor firms in the same industry whereas imperfect imitatibility encompasses the difficulty of competitor firms to copy or imitate the resources. The final criterion which is non-substituted suggests that resources cannot be easily been substituted by another alternative resource. It becomes hard for the competitors’ firms to replace the resources with the alternative and hence the firm will retain their superior position in the market. The possession of the strategic resources will explain the variability of achievement of the firms compared to others (Helfat and Peteraf, 2003).

By using the RBV, a firm should understand to what extent the strategic resources as a firm’s capabilities will contribute the value for sustain in the market (Barney, 1991). A firm’s resources can be tangible and intangible (Molloy et al., 2011). Tangible resources refer to visible assets which contribute to the development of the business such as fixed assets whereas intangible resources include the strategic knowledge, capability and entrepreneurial orientation in managing the firms (Keranen and Jalkala, 2013; Runyan et al., 2006). Consistent with the argument of Barney (1991), we proposed the entrepreneurial orientation as the resource capabilities of the firms to comprehend and implement the strategies for the firm’s sustainability. As such, we argue that entrepreneurial orientation is the source of the firm’s capabilities which it turns to become valuable assets for leveraging the competitive advantage (Hitt et al., 2003).

Despite the richness of RBV to apprehend the roles of the resources for the sustainability of the firms, however, there is a critique on the actual process of value creation for the firms. There is less understanding of how firms obtain, combine and leverage resources, especially in certain circumstances (Sirmon et al., 2007). Moreover, the process of certain resources becoming more superior to others is less understood (Priem and Butler, 2001). Gaya et al. (2013) suggest recognizing the role of resources in making the firm more competitive through an activity-resource-based view. To detect the superiority of the firm is through the activity of utilizing both tangible and intangible assets. The process of achieving firm competitiveness is when the entrepreneurs use their intangible assets such as strategic ability to lower the cost per unit. Besides the firms are urged to acquire new and develop the current tangible and must fit with their firm’s strategies (Gaya et al., 2013).

Therefore, understanding how firms use their resources is vital as every firm is significantly different in deployment which allows them to be more flexible and innovative (Salavou et al., 2004). Flexibility and innovativeness in utilizing their resources can help the firms to be more entrepreneurial. Larger firms can be more flexible in utilizing their resources so they are more competitive whereas small firms are living on the sharp end when they can be knocked out from the market if they make a wrong decision in perilousness and innovativeness.

**Theory of Contingency:** Contingency is a philosophical belief and has been defined as the possibility that
something happens on the way whilst entrepreneurial firms try to achieve their business objectives. There is a notion of no single best way to organize the business or to make the decision as it depends on the intervention of internal and external factors (Katsikeas et al., 2016). Therefore, entrepreneurs should adjust their strategies so that they will fit with the factors that provide the impact to their business operation. Business performance can be optimal only by varying according to contingent factors.

Several authors show that the theory of contingency has been applied to organizational performance (Robinson and McDougall, 2001; Tsai and Yang, 2012; Zahra and Garvis, 2000). It denotes the role of the firm in planning the strategies that allow them to improve their efficiency (Chong and Chong, 1997; Scott, 2003). The performing firms have survived in the business by adjusting their strategies and fitting with the uncertainty of internal and external business environment (Lawrence and Lorsch, 1973). This type of entrepreneurial firm faces pressure from both internal and external factors, especially after post COVID-19 pandemic. For example, the older firm may create efficiency in their operation and lower the cost per unit. However, there is no guarantee for the older firm to sustain the business when they operate in an unstable business environment, especially during COVID-19. Therefore, to remain competitive, the firm should adjust its strategies to changing contextual factors (Sumer et al., 2012).

Entrepreneurs must understand the importance of contingency factors and their implications on the organization to sustain the business. The interaction between the internal and external factors on business operation may result in an uncertain position of the firm compared to the competitors. The unpredictable changes in competitors’ activities may signal the entrepreneurs to coordinate the effort over the entire organization to implement a new business approach. Among the new business, approach is innovation. The innovation activities become a wake-up call for the unit which emphasizes the efficiency of operation and effectiveness of the output (Sanzo et al., 2012). As the competition in the market becomes tougher, entrepreneurs must think about how to cope with competition. Therefore, to maintain its position in the market, innovation management shall be improved.

Scholars have discussed the influence of the business environment that leads to the unpredictability of the achievement of entrepreneurial firms (Awang et al., 2009; Kovacs et al., 2016). Firms operated normally experiencing more stable conditions for example experiencing more profit, customer loyalty, and low competition among key players in the industry (Covin et al., 1999). Conversely, hostile business environments are indicated by unpredictable market competition, raw material shortage as well as changes in customers’ tastes (Covin and Slevin 1989). Reality nowadays, firms who are concentrating on food and beverage are in safe condition due to the static demand for necessary goods especially during the COVID pandemic. Essentially, the customers have become more complex in terms of their purchasing trend and this should be monitored by the entrepreneurs so that their business is not left behind. The logic is when firms operate in a hostile business environment, it creates pressure on the firm to move forward (Martin et al., 2016). Hence, entrepreneurial firms should adjust their strategies so that their offering must match the requirements of the customer.

Eisenhardt and Sull (2001) recommended an alternative strategy to cope with the hostile business environment. The firms should be more flexible and disciplined and require a set of strategic regulations that can help the subordinate face the threat without interference from entrepreneurs. The subordinates are free to decide without referring to the top management. So, the slow progress of problem-solving will become faster. The advent of vision and top-down strategies must incorporate all tiers in the firms. The flexibility to adapt to a hostile business environment is called “emergent strategy making” (Mason, 2007).

4. Discussion and Contributions of this Paper

The relationship between entrepreneurial orientation and organizational performance has been central to entrepreneurship literature. More recently, researchers have started to put a greater focus on variables influencing the intensity or direction of the entrepreneurial orientation and organizational performance relationship. However, a debate has developed surrounding the nature of this relationship. While numerous research done however the discoveries of the inconsistencies are stalemate. Current work seeking to explain the vagueness of organizational performance achievement is due to several factors.
Firstly, we found that the variability usage of dimension in measuring the entrepreneurial orientation. We provide some historical views of this construct. Entrepreneurial orientation (one-dimensional approach) was first introduced by Miller (1983), acting as operationalization which contains a firm’s pro-active, risk-taking, and innovativeness. Two additional dimensions were added later by Lumpkin and Dess (1996) to describe an entrepreneurial firm that is autonomous and competitively aggressive. The latter adds to the original entrepreneurial orientation dimensions that propose to multidimensional construct. In a study by Anderson et al. (2015), they found out that entrepreneurial orientation dimensions as a multidimensional construct were due to two non-interchangeable dimensions: managerial attitude undertaking risk and entrepreneurial behavior (proactiveness and innovativeness), where both are essential to entrepreneurial orientation at organizational level existence. The two approaches can co-exist to provide unique insights (Covin & Lumpkin, 2011; Miller, 2011) and nonetheless, it is also to provide the importance of knowledge accumulation (George & Marino, 2011). So far, the majority of studies adopted the unidimensional approach focusing on the relationship between entrepreneurial orientation and organizational performance (Abu-Rumman et al., 2021; Anderson et al., 2015; Fadda, 2018; Martens et al., 2016) and some used several dimensions, for example, the usage of innovativeness, pro-activeness and risk-taking (Asad et al., 2020; Haider et al., 2017). Therefore, the inconsistencies in the findings related to organizational performance are revealed.

Secondly, as far as we are concerned, the inconsistencies of usage in measuring organizational performance are also leading to the inconsistencies above-mentioned relationship. For instance, the majority of the published works on entrepreneurial orientation are related to small and medium enterprises (SMEs) (Laskova et al., 2018; Milovanovic, 2022). However, the non-readiness of SMEs to publish their financial standing is always been cited in the literature. Even though the financial records are been prepared, however, the audited assessments are poorly conducted (Abu-Rumman et al., 2021). Therefore, the alternative to reporting the achievement of the performance is based on the perception of certain financial indicators. For example, among financial indicators that are always been used are return on investment, return on assets and net profits for a given accumulated year (Onwe et al., 2020). Non-standardization of measurement usage has led to conflicting results.

Thirdly, efforts are found to link the entrepreneurial orientation theme to family-based organizational performance. Even though the majority of research shows entrepreneurial orientation as the predictor of organizational performance (for example the works of Rachmawati and Suroso, 2022; Rauch et al., 2009), the other investigation shows otherwise. Scholars found that innovativeness and risk-taking (dimensions of entrepreneurial orientation) are insignificant predictors of family organizational performance (Hernadez-Linarez et al., 2019; Stenholm et al., 2015). The usability of these dimensions is directly for existence during the economic crisis and has not been used for expansion purposes (Alonso-Dos-Santos and Llanos-Conteras, 2018). The involvement of family members in the business is regarded as a liability towards entrepreneurial efforts where the motive of business existence is to protect the family’s wealth. Therefore, this will lead to reluctance to risk-taking (Naldi et al., 2007) and retain the traditional strategies (Miller et al., 2003). Due to the above-mentioned arguments, it is clear that conflicting results are found raising the question of what are suitable measures to describe the entrepreneurial orientation for family-based organizations.

Fourth, the contradicting results are also been linked to the contextual factor especially when examining the entrepreneurial orientation with the stages of venturing. For example, Su et al. (2011) revealed that entrepreneurial orientation is found to an inversely U-shaped with organizational performance. This is due to the liability of newness for the ventures especially when confronted with resources, less networking and due to the size of businesses itself. The finding is contradicted for the established firms where it was discovered that the relationship is positively related to organizational performance. To have a better understanding, the expansion of an organization should be in line with its size and capability as well as its entrepreneurial level so that any harmful situation can be avoided (Wales et al., 2013).

Another contextual factor that leads to inconclusive results is the level of achievement of the country. It is discovered that the relationship of entrepreneurial orientation with organizational performance for developing countries is mixed. For example, Luu and Ngo (2019) found that entrepreneurial orientation and organizational performance have an inverted U-shaped in Vietnam. Another finding revealed no significant
relationship between these two constructs in developing countries such as Malaysia (Nasip et al., 2017). Compared to the developed countries experiencing superior wealth, the relationship between these two properties is positively related (Rauch et al., 2009). In a nutshell, businesses in developed countries focus on fostering firm growth whereas the profit gained from the business is used to support the lives of entrepreneurs in developing countries (Eijdenberg, 2016).

Our literature search found that organizational performance is impacted by the establishment of firms. For example, Su et al. (2011) found the relationship between the new firms and organizational performance is inverse U-shaped whereas a positive relationship is found for the established firms. New firms have disadvantages of business networks, inconsistencies of material supplies and less capability to crack the monopolized market by the established firms (Acosta et al., 2018). However, persistent entrepreneurs strive with high-risk propensity and always engage in opportunity discovery will ornamental their new ventures (Helm et al., 2010). The new firms may enjoy superior performance in the industry by introducing new products before the rivals do (Yang and Meyer, 2019).

Scholars also found the differences in results between entrepreneurial orientation and organizational performance when doing the analyses based on firm size and industry. For example, Kuckertz et al. (2020) suggest that smaller firms are more struggling and keep aggressively securing business opportunities. Apart from this, due to the flattening of organizational structure; the entrepreneurial characteristics are easily transferred to the subordinate. It has also been discovered that entrepreneurial orientation has more impact on organizational performance for firms that operate in dynamic and technological rapid changes (Rauch et al., 2009; Tajeddini and Mueller, 2019). Firms operating in such an environment normally operate under stress which leads them continuously in predicting the changes in the taste of the customer and responding fast to the information acquired (Wang et al., 2020). Based on the aforementioned above, these context-specific factors have led to inconclusive results on the relationship between entrepreneurial orientation and organizational performance.

The conception of a firm’s innovation management and business environment has also been framed in affecting the direct relationship of entrepreneurial orientation on organizational performance. Building on our exploration of the literature review in the previous sections, we examine here the empirical works that intend to understand the phenomenon; there is no single ideal step in achieving superior organizational performance. Hence, the introduction of the innovation management and business environment are due to the dynamism of the venturing of the firms. The dynamism so called the fit of action of innovation activities in responding to the competitors’ movement in enhancing their products or services (Rambe and Khaola, 2023). Meanwhile, the business environment requires entrepreneurs to act to the changes in the business landscape and determine the best strategies to cope with (McAdam et al., 2019).

We contribute to the existing literature on entrepreneurial orientation-based research in two substantial ways. First, we discussed in detail why there are incongruent results related to entrepreneurial orientation and organizational relationships. Secondly, we propose to add two moderators namely innovation management and business environment to the framework to understand how beneficial entrepreneurial orientation will be for organizational performance. While some debates on the nature of the relationship between entrepreneurial orientation and organizational performance are stalemate, we are in the position to enlarge the view of this relationship into other aspects that have never been done with the potential to enhance the theory and its applications. The two theories integrated namely RBV and contingency theory will broaden the view of the entrepreneurial process especially when confronted with the resources and impacted by the uncertainty of the business environment.

5. Conclusion

In this paper, we set out to address the debate in entrepreneurial orientation-based research on the inconsistency of the relationship between entrepreneurial orientation and organizational performance. We discussed the probability of why the entrepreneurial orientation-organizational performance relationship is not consistent. We have found among the factors are varieties of dimensions in measuring entrepreneurial orientation and organizational performance. Apart from that, contextual influences such as the level of
achievement of the countries, family-based entrepreneurial orientation, new venture creation, industry differences as well as the size of the business are the factors that contribute to the contradictions. In the process of reviewing the previous works, we noted the inclusion of innovation management and business environment variables as important factors to be included in entrepreneurial orientation-based research. Thus, adding both variables into a single will provide a unified model and serve better, especially to the firms in achieving optimal performance.

Acknowledgments: We would extend our gratitude to Universiti Teknologi MARA’s Research Management Centre (RMC) for funding this topic under Graduate Initiative Grant (GIP) No. 600-RMC/GIP 5/3 (005/2021).

References


Kollmann, T., Christofor, J. & Kuckertz, A. (2007). Explaining individual entrepreneurial orientation:


Wales, W. J., Patel, P. C., Parida, V. & Kreiser, P. M. (2013). Nonlinear effects of entrepreneurial orientation on


