



# Paradigm of Entrepreneurial Orientation to Business Performance

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**Abstract.** Entrepreneurship is a multifaceted concept that provides individuals or groups with the means to recognize and seize business opportunities, create value, and tackle challenges in pursuit of specific goals. To successfully navigate the entrepreneurial landscape, it is essential for individuals to comprehend the required actions and orientations needed to achieve their objectives effectively. Leveraging insights from scholarly literature and guided by the principles of entrepreneurial orientation (EO), leaders can steer their organizations toward improved performance. Empirical findings indicate that EO has a positive impact on marketing performance, underlining its significance in enhancing a company's competitiveness. EO is assessed using various measurements, encompassing dimensions such as autonomy, innovativeness, and more. These dimensions collectively contribute to an organization's entrepreneurial mindset and capacity to thrive in dynamic business environments.

**Keywords:** business performance introduction, entrepreneurial introduction.

## 1 INTRODUCTION

The concept of entrepreneurship holds significant importance in society on multiple levels. It serves not only as a tool for personal and societal improvement but also as a driving force for progress and the betterment of nations. Several countries that have achieved remarkable progress and increased the prosperity of their citizens attribute their success in part to a thriving entrepreneurial ecosystem. Examples include Japan, South Korea, Taiwan, Singapore, the United States, Canada, Western European nations, Australia, England, and others, all of which have thrived due to a strong presence of entrepreneurs.

Entrepreneurship embodies the idea that individuals or groups can identify, create, and seize business opportunities to generate value and confront challenges in pursuit of specific objectives. To effectively engage in entrepreneurship, it is essential for individuals to have a clear understanding of their business endeavors and align them with their intended goals. This discussion prompts a deeper exploration of two key aspects, namely the entrepreneurial orientation paradigm and the influential factors of entrepreneurial orientation on business performance.

Entrepreneurship science has evolved into a comprehensive field of study. The term "entrepreneurship" can be traced back to the 18th century when Richard Cantillon associated it with economic activities involving risk-taking. According to Cantillon, an entrepreneur is an agent who purchases production equipment at a certain price and combines them in productive ways [1]. This perspective on entrepreneurship was further developed by [2], who credited the creation and introduction of the term "entrepreneur" to the French businessman and economist Jean-Baptiste Say.

In the realm of business, the ultimate gauge of success is performance, which refers to the final results or achievements of an activity. When the outcomes align with what was initially planned, it signifies effective management and the successful execution of tasks. Achieving good business performance entails implementing the right strategies. A company's performance is optimized when it can adapt to the ever-changing business landscape and is strategically oriented towards profitability, enabling it to compete effectively while aligning with its overarching goals for improved performance.

## **2 METHOD**

The author conducted the research process by initially conducting an extensive review of the existing literature from various sources, including academic papers, books, and online resources. Relevant research studies and literature pertaining to the research topic were carefully examined. The findings and insights derived from these sources served as the foundation for the research. To discuss the research results, a comprehensive analysis was performed by connecting and synthesizing the information obtained from the literature, books, and online sources. The aim was to establish meaningful connections between the research findings and the existing body of knowledge in the field. Subsequently, the author proceeded to draw conclusions based on the research results. These conclusions were formulated in alignment with the predefined objectives and goals of the research. The aim was to provide a clear and comprehensive summary of the key findings and their implications within the context of the research topic.

## **3 RESULT AND DISCUSSION**

### **3.1 Entrepreneurial Orientation**

Entrepreneurial orientation (EO) has been identified as a critical factor in enhancing business performance, as highlighted in studies by [3] [4] [5]. EO serves as a well-defined theoretical framework that delves into various strategic postures and behaviors, capturing the entrepreneurial mindset within a firm. It aims to elucidate the intricate dynamics of firm performance. The initial conceptualization of EO, put forth by Miller (1983) [6], introduced three key components: innovativeness, risk-taking, and proactiveness. Subsequent theoretical developments added two more formal sub-

dimensions, namely autonomy and competitive aggressiveness, as outlined [5]. While there has been extensive debate surrounding methodological and measurement issues [7] [8] this construct has demonstrated its validity and cross-cultural reliability [9] [10] [11].

EO research primarily centers on examining and characterizing the causal relationship between EO and firm performance [12]. A substantial body of evidence has emphasized the presence of positive relationships [13], and these relationships have been found to endure over time [14] [15]. The cumulative research in this area underscores the significance of EO in driving improved firm performance.

In recent years, there has been a growing focus on the concept of "entrepreneurship" [16] [17]. While there isn't a universally accepted definition of entrepreneurship [18] [19], it essentially involves opportunistic activities undertaken by individuals that create value and involve risk-taking, often closely tied to innovation [20]. Entrepreneurship and Entrepreneurial Orientation (EO) are both recognized as catalysts for corporate growth. Numerous authors have explored the impact of EO on firm performance and have found that EO is associated with firm success, particularly in the long term [21][5] [22] [25]. However, the exact nature of this relationship remains somewhat unclear [26], in part because the conversion of EO into firm growth remains a complex process [5].

Miller (1983) provided one of the earliest operationalizations of EO, defining an EO-oriented firm as one that "engages in product-market innovation, undertakes somewhat risky ventures, and is the first to emerge with proactive innovation, beating competitors to the punch" [6] [27] translated Miller's three dimensions of "proactivity, innovativeness, and risk-taking" into a measurable scale. Most researchers concur that EO comprises these three dimensions [14], and many studies [27] [24] [28] adhere to Miller's (1983) three-dimensional model.

Schumpeter (1942) was among the first to emphasize the significance of innovativeness in the entrepreneurial process. He coined the term "creative destruction" to describe the process of radical innovation, where the introduction of a new product or service disrupts the current market and reallocates resources. According to [5], "innovation reflects a company's propensity to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes." Risk-taking is often used to characterize the uncertainty associated with entrepreneurial behavior [5] [16]. In contrast to employees, entrepreneurs are willing to take greater risks, potentially leading to greater rewards [29]. Entrepreneurial behavior often involves investing a significant portion of resources in projects with a high likelihood of failure. Therefore, an important trait for entrepreneurial managers is the ability to make informed decisions in the face of uncertainty [30].

Corporate-level entrepreneurship stems from entrepreneurial orientation, which involves identifying market opportunities that competitors have not recognized or have underexploited and creating a unique set of resources to capitalize on them [30] [31]. "EO" originates from the field of strategy and refers to a strategic management style in which firms exhibit entrepreneurial tendencies [21][5]. To understand entrepre-

neurial orientation further, the following is a Table 1 regarding the definition of business performance according to experts:

**Table 1.** Definition of Entrepreneurial Orientation According to Experts

No	Member Name	Definition
1	Miller (1983)	"an entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch". "an entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is the first to emerge with 'proactive' innovation, beating competitors to the punch. finished".
2	Covin & Slevin (1989)	According to Covin & Slevin (1989) entrepreneurial orientation is an important attribute in improving the performance of a company.
3	Lumpkin and Dess (1996) in Dharmayanti and Wijaya (2016: 4)	Entrepreneurial orientation is defined as an outlook based on dynamic enthusiasm and behavior, daring to take risks and being creative in handling business.
4	Knight, 2000	Knight (2000) explained that Entrepreneurial orientation is identified as seeking opportunities, daring to take risks, and making decisions for organizational leaders.
5	Wiklund and Shepherd (2003)	Wiklund and Shepherd state that entrepreneurial orientation includes three dimensions, namely innovation (the ability to create new things), proactiveness (taking initiative and bold actions), and risk taking (ready to face risk uncertainty).
6	Porter, 2008	Entrepreneurial orientation as a company profit strategy to be able to compete more effectively in the same market place.
7	Rauch Wiklund, Lumpkin, and Frese (2009)	According to their research, entrepreneurial orientation is an organizational characteristic that includes an orientation towards innovation, the desire to seek new opportunities and the ability to take risks.

Based on the definitions provided by various experts, it can be concluded that entrepreneurial orientation plays a crucial role in business by fostering innovation, proactiveness, and risk-taking, ultimately leading to improved business performance and competitiveness. It emphasizes a forward-thinking approach that enables companies to identify and seize opportunities while adapting to dynamic environments. Entrepreneurial orientation is a valuable concept for businesses seeking growth and profitability.

Entrepreneurial orientation (Entrepreneurial Orientation) is measured through five indicators, namely [5]:

1. Autonomy is the tendency to work freely, make choices, and make moves aimed at pushing a business idea forward and making it a reality.

2. Innovativeness is aimed at taking part in discovery and experimentation through the introduction of new products or services and technological leadership through new research and processes.
3. Risk taking is the courage of business people to face the challenges of all the choices they make.
4. Proactiveness is an opportunity search, a forward perspective that is seen by introducing new products or services before competitors and acting to prevent future demand.
5. Competitive aggressiveness namely the strength of a company's efforts to defeat competitors and is described as a strong reaction to competitor activity.

Another opinion [6] that entrepreneurial orientation has 3 dimensions including:

1. innovativeness, is aimed at taking part in discovery and experimentation through the introduction of new products or services and technological leadership through new research and processes.
2. Proactiveness an opportunity search, a forward perspective that is seen by introducing new products or services before competitors and acting to prevent future demand.
3. risk taking, is the courage of business people to face the challenges of all the choices they make.

The third opinion [26] stated that measuring entrepreneurial orientation consists of:

1. Proactiveness is a search for opportunities, a future perspective that is seen by introducing new products or services before competitors and acting to prevent future demand.
2. Innovativ (Innovativeness), is aimed at taking part in discovery and experimentation through the introduction of new products or services and technological leadership through new research and processes.
3. Risk Development (Risk taking), is the courage of business people to face the challenges of all the choices they make.

### 3.2 Business Performance

Business performance is a multidimensional concept by Murphy, Trailer, and Hill (1996). This word performance is an abbreviation of work energy kinetics whose equivalent is taken in English, namely performance, which is often Indonesianized as the word performance [32]. According to [33], business performance can be measured through profitability, one of which is. In order for performance to continue to develop, there needs to be good management within the organization itself. Various literature and understanding of business performance are as shown in the following Table 2:

**Table 2.** Definition of Business Performance

No	Member Name	Definition	Definition
1	Day & Wensley, 1998;	Role Innovation: Quality Development Product And	Company performance is essentially an achievement achieved by a business organization which can be seen from the results. These performance results are less accurate if only seen from one

- |   |                          |   |   |
|---|--------------------------|---|---|
|   | Jaworski & Kohli, 1993   | Business Performance  | dimension. Researchers agree tha measurement business performance not only. Enough use size single.   |
| 2 | Najib & Kiminami, 2011   | Impact Literacy Finance on Performance And Umkm Sustainability    | Business performanceseen from the effectiveness of the company in terms of cost, time, quality, and quantity.   |
| 3 | Bourne et al. (2003)     | Towards a definition of a businessperformance measurement system  | A business performance measurement system refers to the use of a multi-dimensional set of performance measures for the planning and management of a Business  |
| 4 | Atkinson et al. (1997)   | Towards a definition of a business performance measurement system | Our approach to performance measurement focuses on one output of strategic planning: senior management's choice of the nature and scope of the contracts that it negotiates, both explicitly and implicitly, with its stakeholders. The performance measurement system is the tool the company uses to monitor those contractual relationships  |
| 5 | Bititci et al. (1997)    | Towards a definition of a business performance measurement system | A performance measurement system is the information system which is at theheartof the performancem anagement process and it is of critical importance to the effective and efficient functioning of the performance management system   |
| 6 | Forza and Salvador(2000) | Towards a definition of a businessperformance measurement system  | A performance measurement system is an information system that supports managers in the performance management process mainly fulfilling two primary functions: the first one consists in enabling and structuring communication between all the organizational units (individuals, teams, processes, functions, etc.) involved in the process of target setting. The second one is that of collecting, processing and deliveringin formation on the performance of people, activities, processes, products, business units, etc. |
| 7 | Gates (1999)             | Towards a definition of a business performance measurement system | A strategic performance measurement system translates business strategies into deliverable results. Combine financial, strategic and operating measures to gauge how well a company meets its targets   |
| 8 | Ittner et al. (2003)     | Towards a definition of a business performance measurement system | A strategic performance measurement system: (1) provides information that allows the firm to identify the strategies offering the highest potential for achieving the firm's objectives, and (2) aligns management processes, such as target setting, decision-making, and performance evaluation, with the achievement of the chosen strategic objectives  |
| 9 | Kaplan and No-           | Towards a definition of a busi-                                   | A balanced scorecard bis a comprehensive set of performance measures defined from four dif-   |

	ton(1996)	ness perfor- mance meas- urement system	ferent measurement perspectives (financial, customer, internal, and learning and growth) that provides a framework for translating the business strategy into operations terms
10	Kerssens- Van Drongelen andFischer (2003)	Towards a defini- tion of a busi- ness perfor- mance meas- urement system	Performance measurement and reporting takes place at 2 levels: (1) company as a whole, reporting to External stakeholders, (2) within the company, between managers and their subordinates. At both levels there are 3 types of actors: (a) evaluators (eg managers, external stakeholders), (b) evaluate (egmiddle managers, company), (c) assessor, which is the person or institution assessing the effectiveness and efficiency of performance measurement and reporting process and its outputs (eg controllers, external accountant audits)
11	Lebas (1995)	Towards a defini- tion of a busi- ness perfor- mance meas- urement system	Performance measurement is the system that supports a performance management philosophy” (p. 34). A performance measurement system includes performance measures that can be key success factors, measures for detection of deviations, measures to track past achievements, measures to describe the status potential, measures of output, measures of input, etc. A performance measurement system should also include a component that will continuously check the validity of the cause-and-effect relationships among the measures

The measurement of business performance is indeed a multifaceted task, and researchers have recognized the need for a comprehensive approach. Business performance can encompass various aspects, including financial metrics like profitability, growth in profits, and customer growth. Additionally, it can relate to factors such as cost-effectiveness, timeliness, quality, and quantity. Effective strategies and techniques, as well as employee satisfaction and attention to psychological and socio-emotional needs, play crucial roles in achieving organizational goals and enhancing overall performance. Therefore, a holistic approach to measuring business performance is essential to gain a comprehensive understanding of an organization's success.

#### 4 CONCLUSION

Entrepreneurial orientation is a critical factor in running a business successfully, enhancing company profits, and improving competitiveness. Various experts have identified key dimensions of entrepreneurial orientation, including autonomy, innovativeness, risk-taking, proactiveness, and competitive aggressiveness. These dimensions collectively reflect the mindset and behaviors necessary for entrepreneurial success. Business performance is a multifaceted concept that cannot be adequately assessed

using a single measure. Researchers and experts concur that a comprehensive approach is required to evaluate business performance effectively. This can encompass various aspects, including financial metrics (e.g., profitability and customer growth) as well as factors like cost-effectiveness, timeliness, and quality. Achieving business goals often relies on effective strategies and techniques, along with attention to employee satisfaction and their psychological and socio-emotional needs. In summary, entrepreneurial orientation is a crucial element for business success and improved performance, while measuring business performance necessitates a holistic approach that considers multiple dimensions and indicators of success.

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