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## Entrepreneurial orientation, learning orientation, and innovation in small and medium enterprises

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### Abstract

From the resource-based perspective, entrepreneurial orientation and market orientation are two separate but complementary strategic orientations that emphasize the business philosophy and behavior in proactively detecting industrial environment, including market information and competitors strategy, in order to innovate and respond to the customers needs timely. Empirical studies have separately discussed the variables of entrepreneurial orientation and market orientation in relation to firm-level innovation performance. However, there is limited research simultaneously examined the direct effect of entrepreneurial orientation and market orientation on innovation performance, especially individual-level innovation performance. Scholars have suggested that future research may examine strategic human resource practices to explore if organizational factors may enhance or diminish the entrepreneurial orientation on innovation. Both entrepreneurial orientation and market orientation still require organizational learning practices to facilitate higher-order learning and innovation. Although scholars are interested in figuring out if additional moderator variables simultaneously affect market orientation and entrepreneurial orientation on firm performance, limited empirical studies have existed. An organization with high degree of entrepreneurial orientation and market orientation still require learning orientation mechanism to create an environment where mutually beneficial relationships between employees and their organizations to facilitate learning and innovation. Therefore, learning orientation may make an organization innovate effectively. As a result, the overall purpose of this study is to assess the influence learning orientation on relationships between entrepreneurial orientation, market orientation and individual-level job related performance variable, employee innovative behaviors.

*Keywords:* Learning orientation, Entrepreneurial orientation, Innovation

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## 1. Introduction

With the emergence of globalization, the business environment has become more uncertain and complex. The environment is changing constantly and rapidly as well as the market and customers' needs (Prajogo & Ahmed, 2006). Organizations are forced to learn new knowledge to develop new products in order to satisfy the new market and customer demographics. Thus organizations pursue innovation in marketing and entrepreneurial activities may attain competitive advantage (Barsh, 2007; Chapman & Hyland, 2004). From the resource-based perspective, entrepreneurial orientation and market orientation are two separate but complementary strategic orientations (Miles & Arnold, 1991). In fact, both market orientation and entrepreneurial orientation emphasize the philosophy and behavior in proactively detecting industrial environment, including market information and competitors strategy in order to innovate and respond to the customers needs timely. The nature of both entrepreneurial orientation and market orientation are highly emphasized on an organization's willingness to innovate within the organization (Baker & Sinkula, 2009). In other words, these two distinct variables are described as organizational-level efficacy and capability in creating innovation to respond to the external environment and satisfy customer needs.

Although entrepreneurial orientation has been defined in many different dimensions, such as autonomy, innovativeness, proactiveness, competitive aggressiveness, and risk-taking, three dimensions, innovativeness, proactiveness, and risk-taking, have been adopted most frequently in defining entrepreneurial orientation (Lumpkin & Dess, 1996). Innovativeness means an organization is willing to pursue new ideas and concept in process, products, or services development. Proactiveness refers to an organization with a characteristic that is forward-looking and responsive in the industrial environment it involves in. Risk-taking means an organization pursues an entrepreneurial opportunity without regarding the resources it may have or may not have. Recently, entrepreneurial orientation has been viewed as a strategic approach in decision making process as well as means of explaining firm performance (Green, Covin, & Slevin, 2008). That is, firms with high strategic reactivity tend to pursue, identify, create, and launch new venture opportunities and strategic renewal to sustain competitive advantages. In addition, market orientation represents an organization's business philosophy on its market concept, which puts stresses on satisfying customers and market needs effectively and efficiently. The degree of market orientation represents an organization's responsiveness toward market and customers demands. Most scholars have tended to adopt Jaworski and Kohli (1993) and Narver and Slater's (1990) definition of market orientation that focus on an organization's market behavior with three dimensions: intelligence generation, intelligence dissemination, and responsiveness. Hence, entrepreneurial orientation and market orientation share common theme but are two distinct variables.

Lumpkin and Dess (1996) have proposed the importance of contingency perspective in explaining how entrepreneurial orientation enhances the firm performance. In other words, entrepreneurial orientation and market orientation are set of business beliefs and philosophy. Resource-based theory does not rule out the possibility that beliefs alone are of some value to outcome, especially individual-level related performance. It is organizational practice as the moderator play the vital role in promoting both firm-level and employee-level outputs. Both entrepreneurial orientation and market orientation still require organizational learning systems and practices to facilitate higher-order learning and innovation (Backer & Sinkula, 2009; MorganLumpkin and Dess (1996) have proposed the importance of contingency perspective in explaining how entrepreneurial orientation enhances the firm performance. In other words, entrepreneurial orientation and market orientation are set of business beliefs and philosophy. Resource-based theory does not rule out the possibility that beliefs alone are of some value to outcome, especially individual-level related performance. It is organizational practice as the moderator play the vital role in promoting both firm-level and employee-level outputs. Both entrepreneurial orientation and market orientation still require organizational learning systems and practices to facilitate higher-order learning and innovation (Backer & Sinkula, 2009; Morgan & Berthon, 2008). An organization with high

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