

# Influence of Entrepreneurial Orientation on the Business Performance: Evidence from Women owned SMEs in Thanh Hoa Province, Vietnam

Le Thi Nuong\*

Hong Duc University, Vietnam

\*Corresponding author: [lethinuongkt@hdu.edu.vn](mailto:lethinuongkt@hdu.edu.vn)

Received May 11, 2022; Revised June 21, 2022; Accepted June 29, 2022

**Abstract** The aim of this study was to investigate the impact of entrepreneurial orientation (EO) on the performance of women-owned SMEs in Thanh Hoa, Vietnam. To achieve this research aim, the structured questionnaire was designed to investigate the responsiveness of the aspects of entrepreneurial orientation and business performance of enterprises. Stratified random sampling technique was applied. 345 collected survey questionnaires were valid and guaranteed to be included in the analysis. SPSS 20.0 software was used for exploratory factor analysis (EFA) and multiple regression. Research results show that proactiveness and innovation have a positive and significant impact while risk taking has a negative impact on business performance. Based on the actual situation, the study provides management implications to improve business performance of enterprises.

**Keywords:** EO, performance, Proactiveness, innovation, risk-taking

**Cite This Article:** Le Thi Nuong, "Influence of Entrepreneurial Orientation on the Business Performance: Evidence from Women owned SMEs in Thanh Hoa Province, Vietnam." *Journal of Finance and Economics*, vol. 10, no. 2 (2022): 37-42. doi: 10.12691/jfe-10-2-1.

## 1. Introduction

Entrepreneurial behavior has attracted considerable attention in the academic literature, today it is being promoted by the government as it is seen as the main driver in the economic development of the country [1]. There have been many studies confirming that business trends such as proactiveness, innovation and risk-taking have a positive relationship with business results of enterprises [2,3]. However, it is a fact that needs to be noticed that many enterprises have developed entrepreneurship both inside and outside the business, but often fail. The question is whether entrepreneurial orientation (EO) is related and can achieve business goals. Some studies suggest that entrepreneurial orientation may be associated with the achievement of business goals [4,5,6]. EO refers to the strategic direction of the company and ability to grasp specific aspects of entrepreneurship such as decision-making styles, methods, and practices. Wiklund & Shepherd [7] argue that organizations or businesses with EOs often focus on more attention and effort into creating opportunities. The resource base view (RBV) holds that an organization's competitive advantage is influenced by internal resources [8]. Organizational strategies such as EO are seen as creating competitive advantage.

This study explores the relationship between entrepreneurial orientation and business performance of enterprises in a

locality of Vietnam with the hope that it can partly answer the question that entrepreneurial orientation will improve business performance and create a competitive advantage. In particular, the object of investigation of this study focuses on women-owned small and medium-sized enterprises, which are experiencing great growth and making a significant contribution to the Vietnamese economy.

## 2. Literature Review

### 2.1. Entrepreneurial Orientation

One of the main focuses of resource-based view theory is the valuable, rare, inimitable and irreplaceable intangible resources of the enterprise. Such intangible resources include some enterprise competencies such as entrepreneurial orientation [9]. Entrepreneurial orientation, defined as a strategic planning process that provides an enterprise with a framework for making business decisions and taking action to gain competitive advantage, is one of the techniques for achieving competitive advantage [10]. Traditional entrepreneurial orientation is assessed based on three criteria: innovation, risk taking and proactiveness [2,10,11]. While corporate behavior reflects innovation and proactiveness, business attitude reflects risk-taking [12]. Entrepreneurship-oriented companies encourage their employees to actively propose innovations, take measured risks, take proactive actions [11].

### • Innovation

Innovation is an activity to introduce new ways of production, service, marketing and management that are difficult to imitate [13]. Product innovation involves increasing customer interest in functional improvements or other improvements in a product or service [14]. In addition, process innovation refers to doing business in new and innovative ways [15]. Organizational innovation is defined as the introduction of new business practices, workplace regulations, decision-making, and new ways of dealing with external relationships. Sidek et al., [16] states that innovation is necessary to set a company apart, to gain a competitive advantage. The ability of firms and individuals to innovate has a certain causal relationship with SME performance.

Innovation improves the creative posture of businesses by stimulating their attitudes to develop their existing products or services and invent new ones. Furthermore, innovation makes SMEs more productive and seeking more opportunities in different markets [17]. By increasing their productivity and product range, innovative companies can generate more revenue, so their results increases. Many researchers also claim a positive relationship between innovation and performance of SMEs [17,18].

*H1: Innovation has a positive relationship with business performance*

### • Risk-taking:

Corresponding to risk taking, SMEs make risky decisions and take risky actions under uncertain conditions [19,27]. In this case, the business can either gain high profits or suffer great losses. Therefore, this behavior can bring competitiveness to businesses [20]. High-risk businesses can make risky investments and can get higher returns than their less-risk-tolerant competitors, so they can achieve better business results. Similarly, Lukiastuti & Kusuma [13] suggest that in a business environment considered high risk, few people are willing to try new initiatives. Those who are willing to do so are likely to generate more profits, increasing the growth of the business. Regarding gender, there have been many studies on the risk-taking of female entrepreneurs compared to male entrepreneurs. Most people believe that it is the nature of men to take more risks than women [21]. However, in order to have a successful business, today many women choose the male way, which is to show risk in business projects. Therefore, the positive relationship between risk taking and performance of SMEs has been confirmed by many studies [17,20].

*H2: Risk taking has a positive relationship with business performance*

### • Proactiveness

Proactiveness is an opportunity-seeking behavior, a forward-looking perspective that includes introducing new products or services before competitors, and acting to anticipate future needs to create change and shape the environment [4]. Proactivity gives SMEs a first-mover advantage. This is because proactive companies can seize opportunities earlier than their competitors, and this trait also helps them anticipate potential changes in the market. Proactive businesses are able to compete better than their competitors because they can bring to market their products/services ahead of competitors, and they reap the

benefits of being first [20,27]. Proactivity will help the company be the first to provide valuable products and services to customers, build the company's reputation, attract and retain customers to continue purchasing products and services. Proactive behavior that can benefit SMEs in developing countries is characterized by emerging opportunities and aligned with strategic entrepreneurship. This fact is a strong argument to show a positive association between proactiveness and business performance [19,20].

*H3: Proactiveness has a positive relationship with business performance of enterprises*

## 2.2. Business Performance

There are two common methods to measure business results of enterprises, including objective measurement method (shown on financial parameters ROA, ROE,...) and subjective measurement method (through the subjective assessment of the respondents). Each method has its own advantages and disadvantages; For the objective measurement method, it has the advantage of showing clear data with specific numbers on the outside, but the disadvantage of this method is that it is difficult to collect accurate data because businesses' owners often do not willing to share their business' financial information [22]; and for the subjective measurement method, there may be certain errors, but this method makes it easier for the researcher to obtain data. In addition, the use of qualitative performance measures clearly has several advantages over performance indicators derived from financial statements. For example, in a cross-sectional study, the returns of firms in different industries were not comparable due to differences in capital intensity [23]. Besides, there have also been many studies on the relationship between objective measurement and subjective measurement, and it was found that there is not too much difference in the results in both measurement method, therefore, depending on the specific case, these two methods can be used interchangeably. Given the availability of data, this study uses a subjective measure to evaluate the business performance of the firms. Business performance scales are based on four aspects of Balanced Scorecard (BSC) of Kaplan & Norton's [24], including: Financial, Customer, internal processes, training and development.

## 2.3. Conceptual Frame Work

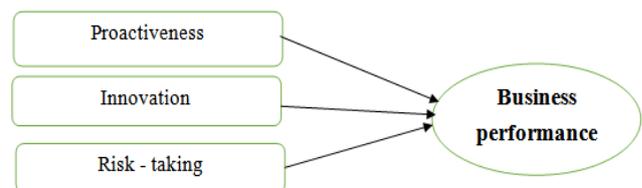


Figure 1. Conceptual frame work

## 3. Research Method

To achieve the main purpose of this study; Stratified random sampling methods were selected for this study.

400 female entrepreneurs of small and medium enterprises in Thanh Hoa were approached and interviewed. Structured questionnaires were used to collect data, and face-to-face collection was applied in this study. 345 valid questionnaires were collected and included in the analysis.

### 3.1. Instrument and Measures

The research is mainly based on survey method. However, a survey instrument has been designed to gather knowledge about the objectives of the study. A structured questionnaire was sent directly to female entrepreneurs. The questionnaire includes the demographics and characteristics of the business, along with the elements of entrepreneurial orientation and business performance of the enterprise that have been established in the questionnaire. The scales on three aspects of entrepreneurial orientation are taken from the scale in the study by Arabeche et al., [4] and the scale of business results is inherited and adjusted from the scale of Kaplan & Norton [24].

### 3.2. Data Analysis

After the questionnaires are screened, the SPSS statistical software version 20.0 will be used for descriptive statistics, Cronbach's Alpha reliability test, EFA exploratory factor analysis and regression analysis.

## 4. Results and Discussion

### 4.1. Results

#### 4.1.1. Description of the Study Sample

Sample description of surveyed enterprises, most of which are small-scale enterprises (accounting for over 83%), the proportion of enterprises distributed by field of activity is similar to the actual rate. Thus, the research sample ensures representativeness and reliability.

**Table 1. Describe the characteristics of the surveyed SME**

Criteria	Percentage	Criteria	Percentage
<b>Employees</b>		<b>Business capital</b>	
Below 10 people	32.4%	Under 3 billion VND	21.7%
From 10 - 49	54.3%	From 3 - 20 billion VND	61.7%
From 50 - 99	5.1%	From 20 - 50 billion VND	12.0%
From 100-199	3.3%	From 50-100 billion VND	2.9%
From 200 and over	4.8%	From 100 billion VND	1.6%
<b>Business sector</b>		<b>Annual revenue</b>	
Trade and service	47.1%	Under10 billion VND	11.6%
Agriculture	0.8%	From 10 - 50 billion VND	38.0%
Construction	23.2%	From 50 - 100 billion VND	32.6%
Production, Industry	14.6%	From 100 - 200 billion VND	11.6%
Tourism	9.9%	Over 200 billion VND	6.2%
Education	3.1%	<b>Annual profit</b>	
Others	1.4%	Profit over 10 billion VND	2.20%
<b>Type of Business</b>		Profit from 1-10 billion VND	13.0%
Single-member limited liability company	20.3%	Profit less than 1 billion VND	45.7%
Multi-member limited liability company	52.2%	Break even	21.0%
Joint-stock companies	18.1%	Loss less than 5 billion VND	16.7%
Sole proprietorships	6.5%	Loss more than 5 billion VND	1.40%
Others	2.9%		

Of the 345 surveyed female SME directors, the age of SME directors ranges from 35 to 55 to 66.7. Regarding qualifications, directors with master's degrees accounted for 9.0%, universities accounted for 59.7%, elementary, intermediate and college accounted for 31.3%.

**Table 2. Describe the characteristics of the surveyed female SME director**

Factor	Frequency	Percentage	Factor	Frequency	Percentage
<b>Age</b>			<b>Education</b>		
Under 25	25	7.2%	Elementary	32	9.3%
From 25-35	68	19.7%	Intermediate and college	76	22.0%
From 35-45	148	42.9%	University	206	59.7%
From 45-55	82	23.8%	Post graduate	31	9.0%
Over 55	22	6.4%			

(Source: Survey results and statistics).

Thus, the basic research sample has similar characteristics with the overall SME Thanh Hoa. Therefore, it can be confirmed that the research sample is representative, scientific and reliable as a basis for further analysis and evaluation of research targets.

#### 4.1.2. Result of Data Analysis

The results of Cronbach's alpha show that the coefficients of Cronbach's alpha of the scales are both greater than 0.6 and less than 1. The coefficients of Cronbach's alpha after eliminating variables are all smaller than the Cronbach's alpha coefficient. Cronbach's alpha coefficient of the sum of each variable is greater than 0.3. This shows that the scales ensure the conditions for the analysis of the next steps and the formal survey.

**Table 3. Cronbach's alpha analysis results**

Thang đo	Số biến quan sát	Cronbach's Alpha
Proactive (PRO)	3	0.750
Innovation (INO)	3	0.763
Risk-taking (RISK)	3	0.885
Business performance (BP)	5	0.781

When conducting factor analysis, the author uses the extraction method, Principal components factoring with varimax rotation.

**Table 4. KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.808
Bartlett's Test of Sphericity	Approx. Chi-Square	1845.779
	Df	36
	Sig.	.000

The results of KMO and Bartlett's Test in Table 5 show that this database is completely consistent because the test value is 0.808 (between 0.5 and 1) with a statistical significance level of 99%. (Sig. = 0.000 < 0.005). This shows that factor analysis technique is completely possible in this study because this study uses an appropriate and large enough sample size (N = 345).

**Table 6. Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.881 <sup>a</sup>	.776	.774	.28703	.776	394.503	3	341	.000	2.032

The obtained results show the Sig significance level. is very small (Sig. = 0.000) and the coefficient of determination R<sup>2</sup> = 0.776 (adjusted R<sup>2</sup> = 0.774) proves the fit of the model, that is, over 77.4% of business performance are explained by the factor of entrepreneurial orientation. Usually, the higher the coefficient of determination R<sup>2</sup>, the more significant it is, so with an impact level of 77.4%, it is very suitable and meaningful in both theory and practice to continue researching to come up with management implication. Durbin-Watson coefficient = 2.032 (>1) indicates that there is no autocorrelation between variables.

**Table 7: Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.479	.141		10.509	.000		
	PRO	.445	.029	.499	15.327	.000	.618	1.617
	INO	.262	.028	.294	9.454	.000	.679	1.472
	RISK	-.164	.019	-.268	-8.522	.000	.665	1.503

a. Dependent Variable: BP

Source: Results of processing survey data.

From the analysis results, we can write the regression equation as follows:

$$BP = 0,449PRO + 0,294INO + (-268) RISK + u$$

Results of analysis of 4 groups of factors, including 1 dependent variable and 3 independent variables. All 4 influencing factors are used and influential because the composite variance (Eigenvalues = 1,003) satisfies the condition >1; total variance extracted = 74.595% > 50%. No new groups of variables arise during the EFA exploratory factor analysis.

**Table 5. Rotated Component Matrix<sup>a</sup>**

	Component		
	1	2	3
RISK2	.949		
RISK1	.946		
RISK3	.609		
Pro3		.816	
Pro1		.767	
Pro2		.686	
INO2			.874
INO1			.733
INO3			.722

Extraction Method: Principal Component Analysis.  
Rotation Method: Varimax with Kaiser Normalization.  
a. Rotation converged in 4 iterations.

#### 4.1.3. The Influence of Entrepreneurial Orientation On Business Performance of Women-owned SMEs in Thanh Hoa

To evaluate the influence of each aspect of entrepreneurial orientation on business performance of women-owned SMEs in Thanh Hoa, the study uses a multivariable regression model. In the model, the independent variable includes 3 factors (Proactiveness, Innovation, Risk-taking) and the dependent variable is the business performance of the enterprises. After using SPSS 20.0 software to analyze the results as follows:

Thus, according to the above equation, all 3 selected factors have an impact on the business performance of the enterprise. However, the results show that not all aspects of entrepreneurial orientation have the same influence on business performance of enterprises. Specifically, this study shows that proactiveness has a positive and significant effect on business performance with a standardized correlation coefficient of 0.449. This means that when changing one more point of proactiveness, business performance will increase by 0.449 points, followed by innovation with a standardized correlation coefficient of 0.294. However, risk taking has a negative effect on business performance with a normalized coefficient of (-0.268). This means that when changing one more point in the assessment of the director of the enterprise on the aspect of risk taking, the business performance will decrease by 0.268 points. Besides, the results also show us the Sig value. of the factors are very small (<0.05). Therefore, these values are all statistically significant.

## 4.2. Discussion

The results of this study agree with the view that companies with a higher entrepreneurial orientation also record better performance because high EO allows companies to identify opportunities that can bring them competitive advantage and distinguishing them from competing firms [25]. Examining the correlations between each aspect of EO and firm performance structure revealed that only proactiveness and innovation had a significant positive association with firm performance, while risk-taking shows a negative relationship with business performance. This is consistent with previous studies, for example Mahmood & Hanafi, [11] and Alam et al., [26] found that not all EO dimensions are correlated with same with business performance. Interestingly, risk taking is negatively correlated with firm performance. This result may be related to gender-related factors as well as cultural factors. Women are often the ones who take care of the family, and their business activities are also with the main purpose of serving the family's expenses. Therefore, when putting family resources at risk, they are often more timid. In addition, taking risks is only effective when the risks must be carefully assessed. However, in the case of women in Thanh Hoa, it seems that this has not been done very well. Businesswomen here often use gut instinct or personal judgment to make business decisions rather than formal processes. This means that they lack formal systems and processes that allow them to carefully evaluate risky investments against possible outcomes prior to implementation. As a result, resources can be misused, leading to a negative impact on the company's operations.

## 5. Implications and Conclusions

### 5.1. Implications

Research results show that businesses need to be proactive in business activities by actively researching the market to launch the first products/services on the market, and at the same time encouraging improvement and

innovation in the business by encouraging the creativity of employees in the enterprise. Especially, for projects with a high risk rate, it is necessary to consider carefully before implementing, and all activities in the enterprise need to have a methodical strategy and plan.

### 5.2. Conclusions

This study shows that Entrepreneurial Orientation (EO) is a multidimensional concept, which means that individual dimension of EO (proactiveness, innovation, risk-taking) have different effects on business performance of the enterprise. This is a new finding of the study, and in subsequent studies, researchers should not equate all aspects of entrepreneurial orientation equally affecting business performance. For the present study, the results show that proactiveness has the most positive impact on business performance, innovation has a negligible effect, and risk taking has a negative impact on business performance.

The limitation of this study is that it only measures business performance based on the perception of business owners, so, if possible, it should be compared with financial indicators of actual business performance. In addition, the study was only carried out in one locality, in a short period of time, so it has not been extended to other areas and other times. Further study recommends further research by looking at longitudinal studies and looking at implementation over a broader area rather than just one province.

## References

- [1] Sutrisno, T. F. C. W. (2019). Relationship between entrepreneurial orientation and business performance. *International Journal of Scientific and Technology Research*, 8(11), 3030-3035.
- [2] Zighan, S., Abualqumboz, M., Dwaikat, N., & Alkalha, Z. (2021). The role of entrepreneurial orientation in developing SMEs resilience capabilities throughout COVID-19. *International Journal of Entrepreneurship and Innovation*.
- [3] Khan, R. U., Salamzadeh, Y., Kawamorita, H., & Rethi, G. (2021). Entrepreneurial Orientation and Small and Medium-sized Enterprises' Performance; Does 'Access to Finance' Moderate the Relation in Emerging Economies? *Vision*, 25(1), 88-102.
- [4] Arabeche, Z., Soudani, A., Brahmi, M., Aldieri, L., Vinci, C. P., & Abdelli, M. E. A. (2022). Entrepreneurial Orientation, Organizational Culture and Business Performance in SMEs: Evidence from Emerging Economy. *Sustainability (Switzerland)*, 14(9), 1-20.
- [5] Zarrouk, H., Sherif, M., Galloway, L., & El Ghak, T. (2020). Entrepreneurial Orientation, Access to Financial Resources and SMEs' Business Performance: The Case of the United Arab Emirates. *Journal of Asian Finance, Economics and Business*, 7(12), 465-474.
- [6] Anggadwita, G., Ramadani, V., Permatasari, A., & Alamanda, D. T. (2021). Key determinants of women-s entrepreneurial intentions in encouraging social empowerment. *Service Business*, 15(2), 309-334.
- [7] Wiklund, J., & Shepherd, D. (2003). Knowledge-based resources, entrepreneurial orientation, and the performance of small and medium-sized businesses. *Strategic Management Journal*, 24(13), 1307-1314
- [8] Barney. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 410.
- [9] Anderson, B. S., & Eshima, Y. (2013). The influence of firm age and intangible resources on the relationship between entrepreneurial orientation and firm growth among Japanese SMEs. *Journal of Business Venturing*, 28(3), 413 - 429.

- [10] Khan, M. A., Zubair, S. S., Rathore, K., Ijaz, M., Khalil, S., & Khalil, M. (2021). Impact of Entrepreneurial Orientation Dimensions on Performance of Small Enterprises: Do Entrepreneurial Competencies Matter? *Cogent Business & Management*, 8(1).
- [11] Mahmood, R., & Hanafi, N. (2013). Entrepreneurial orientation and business performance of women-owned small and medium enterprises in Malaysia: Competitive advantage as a mediator. *International Journal of Business and Social Science*, 4(1), 82-90.
- [12] Ciampi, F., Demi, S., Magrini, A., Marzi, G., & Papa, A. (2021). Exploring the impact of big data analytics capabilities on business model innovation: The mediating role of entrepreneurial orientation. *Journal of Business Research*, 123(October 2020), 1-13
- [13] Lukiastruti, F., & Kusuma, A. H. (2021). The Moderating Role of Access to Financing on the Relationship Between Entrepreneurial Orientation and Performance of Batik Smes. *Proceedings of the 3rd International Conference on Banking, Accounting, Management and Economics (ICOBAME 2020)*, 169(Icobame 2020), 123-128.
- [14] Dai, W., & Si, S. (2018). Government policies and firms' entrepreneurial orientation: Strategic choice and institutional perspectives. In *Journal of Business Research* (Vol. 93, Issue December 2018).
- [15] Korry, I. N. S., Troena, E. A., Hadiwidjojo, D., & Noermijati. (2013). The Role of Entrepreneurial Orientation in Mediating the Effect of Organizational Culture and Government Policy toward Business Performance (Case Study: Koperasi Unit Desa in Bali Province). *International Journal of Business and Commerce*, 2(12), 29-42.
- [16] Sidek, S., Mohamad, M. R., & Nasir, W. M. N. W. M. (2016). Entrepreneurial Orientation, Access to Finance and Business Performance: A Preliminary Analysis. *International Journal of Academic Research in Business and Social Sciences*, 6(11).
- [17] Dadzie, Z., Agyapong, A., & Suglo, A. (2021). The role of internationalization in entrepreneurial orientation-performance link: Empirical study of SMEs in a developing nation perspective. *Review of International Business and Strategy*, 31(2), 257-280.
- [18] Krauss, S. I., Frese, M., Friedrich, C., & Unger, J. M. (2005). Entrepreneurial orientation: A psychological model of success among southern African small business owners. *European Journal of Work and Organizational Psychology*, 14(3), 315-344.
- [19] Civelek, M. (2021). The Mediating Role of SMEs' Performance in the Relationship between Entrepreneurial Orientation and Access to Finance. *BAR - Brazilian Administration Review*, 18(4).
- [20] Aidoo, S. O., Agyapong, A., & Mensah, H. K. (2020). Social capital and performance of SMEs: The role of entrepreneurial orientation and managerial capability. *Africa Journal of Management*, 6(4), 377-406.
- [21] Tran, T. Q. (2019). *Tóm tắt*. 7292(November 2018).
- [22] Murphy, G. B., & Callaway, S. K. (2004). Doing well and happy about it? Explaining variance in entrepreneurs' stated satisfaction with performance. *New England Journal of Entrepreneurship*, 7, 15-26.
- [23] Kauranen, I. (1993). *The success of a newly established industrial company*.
- [24] Kaplan, S., & Norton, D. (1993). Putting the balanced scorecard to work. *Harvard Business Review* 71, 315-324.
- [25] Wiklund, J., & Shepherd, D. (2005). Entrepreneurial orientation and small business performance: A configurational approach. *Journal of Business Venturing*, 20(1), 71-91.
- [26] Alam, S. S., Md Salleh, M. F., Masukujjaman, M., Al-Shaikh, M. E., Makmor, N., & Makhbul, Z. K. M. (2022). Relationship between Entrepreneurial Orientation and Business Performance among Malay-Owned SMEs in Malaysia: A PLS Analysis. *Sustainability*, 14(10), 6308.
- [27] Khan, S. H., Majid, A., Yasir, M., & Javed, A. (2021). Social capital and business model innovation in SMEs: do organizational learning capabilities and entrepreneurial orientation really matter? *European Journal of Innovation Management*, 24(1), 191-212.

