A Study on the Effects of Entrepreneurial Orientation and Learning Orientation on Financial Performance: Focusing on Mediating Effects of Market Orientation

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Abstract: The primary purpose of this article was to examine the mediating effects of market orientation on the relationship between entrepreneurial orientation and financial performance. The mediation effects of market orientation on the relationship between learning orientation and financial performance were also investigated. One hundred and seventy-four valid survey questionnaires were collected from Korean entrepreneurs, who were searching for angel investments or business consultants for growth. Our unique research design allowed us to test the mediating effects of the dimensions of market orientation between the dimensions of entrepreneurial orientation and financial performance. The most important research results are as follows. First, the innovative-proactiveness dimension of entrepreneurial orientation has a statistically significant effect on financial performance, but the risk-taking propensity dimension does not significantly affect financial performance. Second, the customer orientation dimension of market orientation fully mediates the relationships between innovative-proactiveness and financial performance. Second, the competitor orientation dimension of market orientation shows a partial mediating effect on the relationship between innovative-proactiveness and financial performance. Third, learning orientation does not significantly affect financial performance. To increase financial performance, growth-seeking entrepreneurs need to improve customer orientation, competitor orientation, and innovative-proactiveness.

Keywords: entrepreneurs; entrepreneurial orientation; market orientation; learning orientation; mediating effect; multiple regression analysis; financial performance; competitive advantage

1. Introduction

Since the 1990s, there have been continuous demands for Korea to transform into an entrepreneurial economy. Due to the rise of under-developing countries like China, India, and Vietnam, the role of Korea as a production base for industrialized countries has become obsolete because of increasing labor costs and intellectual property rights protection [1]. The relocation of production plants to cheap labor countries has caused many Korean people to be unemployed [2]. Recent rapid technological advances have opened up many possible opportunities for entrepreneurs. Entrepreneurship creates more businesses and provides a social safety net through the creation of more employment [3]. Furthermore, entrepreneurship also helps promote industry competitiveness by fostering future talents [4–6]. Due to those merits, most OECD countries have made entrepreneurship policies supporting and promoting early-stage entrepreneurs [7]. However, simply producing more entrepreneurs does not guarantee industrial and economic growth [8]. These days, in Korea, more than 800,000 out of 1 million start-ups close annually. The success of an entrepreneurial economy is dependent on the ability to produce innovative entrepreneurs who yield high entrepreneurial performance [9]. If successful
entrepreneurs can be identified early, the efficiency and effectiveness of entrepreneurship support increases. Under limited resources, the government could produce more jobs and higher economic growth. In this paper, we try to look for the traits of these successful entrepreneurs.

Entrepreneurship is an activity in which individuals should take the risk of investing time and money. Without strong intentions, starting a business is almost impossible because of the enormous time and capital investment [10]. Knight [11] defined entrepreneurs as individuals who take the risks of new business opportunities under uncertainty, where objective probability is impossible to calculate. According to McClelland [12], high-income entrepreneurs with a high need for achievement do not recklessly pursue high risks but show moderate risk-taking propensity. Schumpeter [13] argued that creative destruction with innovation replaces inefficient incumbents, and innovative entrepreneurs are the primary agents of social change and economic growth.

According to Miller [14,15], entrepreneurial orientation consists of three constructs: Proactiveness, risk-taking propensity, and innovation. Entrepreneurial orientation is an organizational tendency to introduce innovative products involving high risk. Organizations with entrepreneurial orientation tend to actively seek new technologies and products, make bold investments even in uncertain circumstances, and pursue technologies and products differentiated from competitors [16]. Many previous empirical studies have shown that organizations with entrepreneurial orientation tend to increase new product developments and financial performance [17–21]. Thus, based on these studies, we conjectured that entrepreneurs with entrepreneurial orientation would lead to high financial performance.

Market orientation is a series of efforts or activities that create sustainable competitive advantages and lead to high financial performance [22–25]. According to previous research, customer orientation, competitor orientation, and inter-functional coordination are three components of market orientation [22,26,27]. Early-stage ventures do not usually have differentiated departments in small organizations, and all the members of small firms tend to collect and share market information [28,29]. Thus, in our research, the market orientation questionnaire consisted only of customer orientation and competitor orientation. Learning orientation is an organizational culture that encourages learning, shares vision, and actively reflects the opinions of members of the organization [24,30].

In our previous paper [31], the impacts of both entrepreneurial orientation and education on entrepreneurial performances were examined. The primary purpose of this article was to examine the mediating effects of market orientation on the relationship between entrepreneurial orientation and financial performance. Furthermore, the mediation effects of market orientation on the relationship between learning orientation and financial performance were also investigated. Market orientation and learning orientation have also been investigated in many empirical studies, but there is still a research gap in the literature. Most empirical studies have not been conducted on entrepreneurs with very small firms [32,33]. In many empirical studies, entrepreneurial orientation and market orientation were treated as single dimension constructs [16,20,24,25]. Multiple studies reported that entrepreneurial orientation and market orientation had significant positive effects on performance [18,19,22,24]. However, some researchers could not find statistically significant relationships among these variables [20,25,34]. Also, a few researchers have begun to suspect whether the cause of result discrepancies was the presence of mediating variables [35,36].

Our contribution is to fill the above research gap by analyzing the survey data collected from Korean entrepreneurs searching for angel investments or business consultants for growth. Angel investors tend to focus on investing ventures with high growth potential. By getting help from consultants, entrepreneurs can improve business competitiveness and performance. Through exploratory factor analysis, we first tried to identify the dimensions of entrepreneurial orientation and market orientation of growth-seeking entrepreneurs. Then, the impacts of these dimensions of entrepreneurial orientation and learning orientation on financial performance were investigated. We tested how the dimensions of market orientation affected financial performance and the mediating effects of the dimensions of market orientation between the dimensions of entrepreneurial orientation and financial performance. Finally, in addition to the impacts of learning orientation on financial performance, we also examined
the mediating effects of the dimensions of market orientation between learning orientation and financial performance.

2. Theoretical Backgrounds

2.1. Entrepreneurship and Entrepreneurial Orientation

In entrepreneurship research, entrepreneurship has been recognized as the unique characteristic that differentiates entrepreneurs from employees or managers [37,38]. Many entrepreneurship scholars have provided different characteristics of entrepreneurs, depending on their diverse disciplinary backgrounds of research [39–41]. Entrepreneurs are traditionally known to pursue risk-taking actions, while others tend to avoid the risk associated with entrepreneurial efforts [42]. According to Brockhaus [43], even though entrepreneurs do not recklessly seek high risk, if unavoidable in one’s task, they tend to tolerate the risk. Knight [11] also defined entrepreneurs as individuals who take the risks of new business opportunities under uncertainty, where objective probability is impossible to calculate. It is also essential to recognize business risk and to share it with others while trying to seize entrepreneurial opportunities.

One of the most discussed aspects of entrepreneurship is innovation. Innovativeness refers to executing creative ideas and drawing out excellence despite the interference of market forces [44,45]. Innovation means bringing about changes in the value chain by creating new values. Schumpeter [13] argued that innovation could occur through employing new changes or combinations such as producing new products, developing new processes, adopting new resources or suppliers, identifying new customers, and adapting to new laws or regulations. Innovation is also a driving force for economic growth and social change [13]. Drucker [46] claimed that innovation is the entrepreneur’s tool to achieve wealth in a capitalist society. According to Drucker [46], entrepreneurs are agents who identify, respond, and utilize change. Hayek [47] emphasized the creative activities of entrepreneurs based on their local information and knowledge. Also, he insisted that socialism is inferior to capitalism because of numerous innovative entrepreneurs in capitalist societies. Entrepreneurs create entrepreneurial opportunities by collecting and using the knowledge scattered in society [47]. An entrepreneur must have both technical and management expertise to identify new business opportunities while reading market and societal changes.

Through empirical research, McClelland [12] emphasized that individuals with high needs for achievement (N-Ach) tend to have high-income jobs such as top managers or entrepreneurs. The empirical evidence showed that a high-income entrepreneur tends to pursue challenging goals and tasks, work independently and systematically, have an internal locus of control, and show a moderate risk-taking propensity [12]. Self-efficacy, the idea of having the conviction in one’s ability to accomplish tasks, is proven by many empirical studies to be related to entrepreneurship [48,49].

Miller [14] suggested that successful businesses tend to be innovative, proactive, and are prone to risk-taking. He named this construct entrepreneurial orientation. Innovativeness refers to the ability to implement creative ideas and release new products or services different from competitors. Proactiveness is related to the strategic intention to respond to market changes before other competitors. Through the identification and exploitation of opportunities, companies with proactiveness try to control the market. The risk-taking propensity is the degree of willingness to accept challenges and risk even though the decision making could cause damages and problems. According to previous studies, entrepreneurial orientation is an essential factor in driving successful new product developments and high financial performance [16,19–21].

Entrepreneurial orientation was first introduced for organizational-level studies. However, because of the massive success in strategy, many researchers have started to use this construct to study individual-level research. The purpose of this research is to investigate the relationship between the entrepreneurial orientation of growth-seeking entrepreneurs and financial performance.
2.2. Learning Orientation

Learning orientation aims to create new knowledge that can enhance an organization’s market competitiveness [22,23,30]. Organizations with learning orientation can quickly acquire and share information related to customers, competitors, technologies, and environmental changes [22,23,50]. They tend to provide a systematic foundation to collect, interpret, organize, and distribute information. Learning-oriented organizations have screening power for assessing, evaluating, and sharing in a sea of information. An organization with learning orientation not only emphasizes daily routine learnings within the organization, but also future-oriented generative and creative learnings beyond the existing organizational frameworks [30,51].

Learning-oriented organizations tend to encourage employees to understand their goals and strategies, pursue learnings consistently, and promote knowledge accumulation and innovation [52]. Thus, organizations with learning orientation can launch new products and services continuously, secure their competitive advantages, and achieve high performance.

2.3. Market Orientation

Market orientation is a practical strategy that embodies the marketing concept [53]. It can be defined as a series of efforts or activities to identify customer needs, identify the advantages and disadvantages of competitors, and create sustainable competitive advantages through value creation [54,55]. Market orientation is a corporate culture that consistently generates superior value [22]. It has extended the horizon of thinking to competitors and environmental factors that affect the target and potential customers [22,56].

Focusing on the specific behaviors of organizations to implement market orientation, Kohli and Jaworski [23] identified three elements of market orientation: Creating information about customer needs, sharing and disseminating information within the organization, and responding to information appropriately. Narver and Slater [22] regarded market orientation as a customer-centered organizational culture that can secure a competitive advantage. Narver and Slater [22] viewed market orientation in three components: Customer orientation, competitor orientation, and interdepartmental cooperation. Customer orientation refers to driving customer satisfaction by appropriately responding to the needs of current and potential customers and providing corresponding values. Competitor orientation refers to the ability to understand and respond to competitors’ strengths and weaknesses. Interdepartmental cooperation means that the marketing department is systematically integrated with other departments to create customer value.

2.4. Financial Performance and Control Variables

It is generally recognized that evaluating the performances of entrepreneurial firms is very challenging because they are usually in diverse sectors and in very different stages of growth [57]. Even though some technological start-ups declare a significant amount of intangible assets such as patents or technical know-how, they could have been operated without sales for a considerable period. Some entrepreneurs even tend to run their businesses without closing, even in the case of a deficit [58,59].

The method of measuring entrepreneurial performances varies greatly depending on the purpose and nature of the research. However, it is usually divided into two types of entrepreneurial performances: Objective and subjective [60]. Some examples of subjective performances are customer satisfaction, employee satisfaction, and social contributions. Subjective performances have the advantage of being able to make evaluations suitable for specific environments and time. Also, assessments appropriate to diverse goals of a variety of organizations besides financial goals can be possible. The disadvantage is that subjective evaluation can run into individual biases and errors. Objective performances are mostly measured based on the firm’s financial data, such as sales, net
income, total assets, and ROI [61]. In this study, financial performance was measured based on self-reported survey data because there is little public information available on very small start-ups.

Education not only helps the formation of human capital but also provides the knowledge necessary for success in business. Many business scholars believe that entrepreneurs with high levels of education are capable of managing and creating innovative businesses. Many previous studies show that the education level of owners or managers has a significant positive impact on the competitiveness of their companies [62]. Large companies tend to have loyal customers and can endure crises due to more considerable financial resources. Previous researches have shown that the size of firms has a significant impact on the financial performance of firms [63]. In this study, the education level of entrepreneurs and the size of their start-ups were selected as the control variables.

3. Research Design and Methods

3.1. Hypotheses Development

Miller [14] suggested that organizations with entrepreneurial orientation were more likely to succeed. Entrepreneurial orientation is an innovative, proactive, and risk-taking propensity to capture future opportunities. Organizations with entrepreneurial orientation tend to create capabilities that differentiate them from competitors and adapt to changing environments [16]. Thus, entrepreneurial orientation helps to secure competitive advantages and improve business performance. A lot of empirical studies have shown that entrepreneurial orientation has a positive effect on financial performance [17–20]. However, in some empirical studies, entrepreneurial orientation did not affect financial performance [21]. Also, only in a few studies did researchers examine the relationship between the dimensions of entrepreneurship and financial performance [64–66]. Similar to the owners or managers of small business firms, we assume that the constitutive dimensions of entrepreneurial orientation of growth-seeking entrepreneurs will positively affect financial performance and set the following hypothesis.

**Hypothesis 1.** The higher the dimensions of entrepreneurial orientation of growth-seeking entrepreneurs, the higher the financial performance of their start-ups.

**Hypothesis 1-1.** The higher the innovative-proactiveness of growth-seeking entrepreneurs, the higher the financial performance of their start-ups.

**Hypothesis 1-2.** The higher the risk-taking propensity of growth-seeking entrepreneurs, the higher the financial performance of their start-ups.

Because learning orientation provides a foundation for acquiring and sharing information related to environmental changes, it can enhance the capability to create innovation and business performance. Learning orientation tends to create a culture that promotes learning and empowers employees, so it leads to organizational commitment and satisfaction. In empirical studies of US companies, Baker and Sinkula [24] and Calatone et al. [30] found that learning orientation has a significant positive effect on financial performance. Farrell [67] and Farrell and Oczkowski [68] empirically showed that the learning orientation of Australian managers had an impact on financial performance. However, Santos-Vijande et al. [69] showed an empirical result that the learning orientation of Spanish executives did not have a significant influence on financial performance. Korean empirical studies also showed mixed results. Many researchers showed that the learning orientation had a significant effect on financial performance. However, some researchers reported that learning orientation did not affect financial performance.

**Hypothesis 2.** The higher the learning orientation of growth-seeking entrepreneurs, the higher the financial performance of their start-ups.
In order to develop new competitive products or services, organizations need to collect and analyze information not only regarding existing customers and competitors, but also potential customers and competitors. Market orientation refers to the generation, dissemination, and responsiveness of the market intelligence of customers and competitors [23]. Narver and Slater [22] defined market orientation as the organization culture that can build competitive advantages based on customer-oriented value creation. As the conceptual dimensions of market orientation, consumer orientation, competitor orientation, and inter-functional coordination were considered. Our sample was entrepreneurs in the early stages of growth, so survey questions measuring inter-functional coordination were not included in our study.

Narver and Slater [22] found a positive relationship between market orientation and financial performance, such as revenue and net income. According to Pelham [70], the market orientation of presidents and sales managers influenced market share and profitability. Neneh [71] found that the market orientation of South African entrepreneurs affected financial performance. There are empirical studies that examine the relationship between financial performance and the constructs of market orientation. According to Frambach et al. [72], customer orientation in any firm regardless of strategy affects financial performance, but competitor orientation in firms with exploratory strategy only has an impact on financial performance. From the above discussion, the following hypothesis was established.

**Hypothesis 3.** The higher the dimensions of market orientation of growth-seeking entrepreneurs, the higher the financial performance of their start-ups.

**Hypothesis 3-1.** The higher the customer orientation of growth-seeking entrepreneurs, the higher the financial performance of their start-ups.

**Hypothesis 3-2.** The higher the competitor orientation of growth-seeking entrepreneurs, the higher the financial performance of their start-ups.

As previously mentioned, entrepreneurial orientation is the characteristic not to be satisfied with the current business state but to explore new opportunities continuously [16]. In order to create new values, entrepreneurial orientation leads to proactive, innovative, and risk-taking attitudes and behaviors [14,15,73]. In the market, proactive firms intend to become pioneers and leaders. Also, they try to take strategic initiatives by offering new products or services. Proactiveness requires firms to grasp and respond to rapidly changing customer needs and competitors’ strategies [73]. Innovativeness is the characteristic to introduce and pursue new markets, technologies, processes, products, or services that are different from competitors [17]. The reason that firms pursue innovativeness is to achieve better performances. In the end, innovative firms need to introduce and pursue innovations that should reflect changing customer needs and be consistent with the strategies responding to competitors’ threats. The risk-taking propensity is the characteristic to pursue opportunities regardless of the size of investments. Excessive risk-taking does not always result in a decent performance. Instead, it often ends with an abysmal catastrophe. In some empirical studies, the mediating effect of market orientation in the relationship between entrepreneurial orientation and financial performance has been measured [25,74–76]. Based on the above discussion, we set the following hypothesis.

**Hypothesis 4.** The dimensions of market orientation will mediate the relationship between the dimensions of entrepreneurial orientation and financial performance.

**Hypothesis 4-1-1.** Customer orientation will mediate the relationship between innovative-proactiveness and financial performance.

**Hypothesis 4-1-2.** Customer orientation will mediate the relationship between risk-taking propensity and financial performance.
**Hypothesis 4-2-1.** Competitor orientation will mediate the relationship between innovative-proactiveness and financial performance.

**Hypothesis 4-2-2.** Competitor orientation will mediate the relationship between risk-taking propensity and financial performance.

Learning-oriented organizations emphasize creative and productive learning and tend to gain competitive advantage through innovation [22,23]. Learning orientation is an organizational culture that encourages learning, shares vision, and actively embraces employees’ opinions [30]. Members of learning-oriented firms tend to acquire and share new ideas and knowledge. Organizations with learning orientation also have the ability to identify necessary knowledge from a sea of information. Learning-oriented organizations quickly acquire, share, and respond to information and knowledge related to customers and competitors. In other words, learning orientation related to existing and potential customers lead to customer orientation. Customer orientation will play a mediating role in the relationship between learning orientation and financial performance. Similar arguments will hold for competitor orientation.

**Hypothesis 5.** The dimensions of market orientation will mediate the relationship between learning orientation and financial performance.

**Hypothesis 5-1.** Customer orientation will mediate the relationship between learning orientation and financial performance.

**Hypothesis 5-2.** Competitor orientation will mediate the relationship between learning orientation and financial performance.

Based on the above discussion and hypotheses, our research model is presented in Figure 1.

**Figure 1.** Research model.

### 3.2. Sample and Data Collection

In our study, survey questionnaires were sent to 200 nascent entrepreneurs and entrepreneurs with their own firms that are under seven-years-old. We contacted angel investors and identified the entrepreneurs seeking angel investments and business consultants in Korea. The entrepreneurs were
then contacted via email, phone, or face-to-face meetings, and a total of 180 entrepreneurs answered the survey questions online. Six surveys that were not answered completely were excluded from our data analysis. Each survey question used the Likert scale as a tool of measurement and had choices ranging from 1 point standing for “not at all” to 5 points standing for “very much.” In our study, SPSS 26.0 was used for statistical analysis.

Among the 174 entrepreneurs who participated in the survey, there were 122 (67.8 percent) owners of entrepreneurial firms (firms under seven years old) and 58 (32.2 percent) nascent entrepreneurs. The age distributions were 91 (50.6 percent) entrepreneurs in their 40s, 35 (19.4 percent) in their 30s, 29 (16.1 percent) in their 50s, 21 (11.7 percent) in their 20s, and 4 (2.2 percent) in their 60s. The education levels of the entrepreneurs were as follows: 42.8 percent (77) with a master’s degree, 35.0 percent (63) with a bachelor’s degree, 8.9 percent (16) with an associate’s degree, 7.8 percent (14) doctorate, and 6.5 percent (10) with a high school diploma. The sizes of start-ups were measured by the numbers of employees. The numbers of employees were as follows: 20.1 percent (35) of entrepreneurs with none, 16.7 percent (29) with 1–2 employees, 26.4 percent (46) with 3–5 employees, 17.2 percent (30) with 6–10 employees, and 19.5 percent (34) with 11 or more employees.

3.3. Operational Definition

Innovativeness, proactiveness, and risk-taking propensity have been widely used constructs, although Lumpkin and Dess [73] added two more dimensions: Competitive aggressiveness and autonomy. The questions on entrepreneurial orientation can be easily found in previous studies since they have been used by many researchers. Based on Miller’s definition, Covin and Slevin [17] first developed a group of questions for entrepreneurial orientation. A nine-item questionnaire was used to measure entrepreneurial orientation: Three questions on innovativeness, three on proactiveness, and the last three on risk-taking propensity.

According to Narver and Slater [22], market orientation consists of three constructs: Customer orientation, competitor orientation, and interdepartmental cooperation. However, in this study, interdepartmental cooperation was excluded because it is less relevant to entrepreneurs. We measured customer orientation and competitor orientation with three questions and two questions, respectively. Customer orientation was described as understanding customer needs and collecting and sharing customer-related information for customer satisfaction. Competitor orientation was defined as identifying the strengths and weaknesses of competitors and responding quickly to competitors. In many previous studies, learning orientation has been measured as a commitment to learning, shared vision, open-mindedness, and intra-organizational knowledge sharing [30]. Entrepreneurial organizations do not usually have problems with a shared vision and intra-organizational knowledge sharing. We evaluated learning orientation by asking four questions focused on commitment to learning and open-mindedness. In this study, learning orientation was defined as actively embracing new ideas, encouraging members to learn, trying to improve knowledge and technology, and viewing learning as an investment, not an expense. A three-item questionnaire on ROI, growth in revenue, and growth in net income were used to measure financial business performance.

4. Results

4.1. Validity and Reliability Analysis

Both reliability and validity analyses were performed before the hypothesis tests. The validity test was to examine how accurately measured variables reflect the concepts intended to measure. Analyzing the validity of the list of measurements investigates whether the list of measurements was able to infer what this survey intended to achieve. First, to test the validity, exploratory factor analysis on independent variables was conducted. Analyzing the validity of the list of measurements investigates whether the list of measurements was able to infer what this survey intended to achieve. To verify the construct validity, we conducted exploratory factor analyses.
As shown in Table 1, by using principal component analysis with Varimax rotation, three factors with eigenvalues higher than 1.0 were extracted from the 12 questions of independent variables. The EFA (exploratory factor analysis) was appropriate because the value of the Bartlett test of sphericity is 743.309 ($p = 0.000$), and the KMO value is 0.777. The three factors explained 61.727% of the total variance, which is satisfactory in the business literature. The three factors were named innovative-proactiveness, risk-taking propensity, and learning orientation. As shown in Table 1, all the cross-loadings values were less than 0.4, and all the factor loadings were above 0.6.

**Table 1.** Exploratory factor analysis and reliability test results for independent factor variables.

| Elements            | Innovative Proactiveness | Learning Orientation | Risk-Taking Propensity | Communality |
|---------------------|--------------------------|----------------------|------------------------|-------------|
| Innovative 1        | 0.603                    | 0.153                | 0.131                  | 0.406       |
| Innovative 2        | 0.757                    | 0.261                | −0.036                 | 0.642       |
| Innovative 3        | 0.656                    | 0.137                | 0.295                  | 0.537       |
| Proactive 1         | 0.774                    | −0.041               | 0.017                  | 0.600       |
| Proactive 2         | 0.694                    | 0.073                | 0.152                  | 0.511       |
| Proactive 3         | 0.639                    | 0.130                | 0.017                  | 0.484       |
| Risk-taking 1       | 0.134                    | −0.005               | 0.874                  | 0.783       |
| Risk-taking 2       | 0.158                    | 0.256                | 0.732                  | 0.626       |
| Risk-taking 3       | 0.152                    | 0.092                | 0.774                  | 0.630       |
| Learning 1          | 0.165                    | 0.817                | 0.126                  | 0.711       |
| Learning 2          | 0.317                    | 0.732                | 0.141                  | 0.655       |
| Learning 3          | 0.004                    | 0.897                | 0.069                  | 0.810       |
| **Eigenvalues**     | 4.230                    | 1.637                | 1.529                  |             |
| **Cumulative%**     | 35.249                   | 48.888               | 61.727                 |             |
| **Cronbach alpha**  | 0.804                    | 0.800                | 0.761                  |             |

KMO = 0.777, Bartlett = 743.309, df = 66, $p = 0.000$.

Table 2 shows the results from the exploratory factor analysis on the 12 questions of mediating and dependent variables. Four factors with eigenvalues higher than 1.0 were extracted and explained 72.72% of the total variance. The Bartlett test was significant at 0.000 with the sphericity value of 490.660, and the KMO value was 0.747, so the exploratory factor analysis was also judged to be suitable. The three factors were named customer orientation, competitor orientation, and financial performance. Also, all the cross-loadings values were less than 0.4, and all the factor loadings were above 0.6. There were no results that could be considered as having validity problems.

The internal consistency test using Cronbach’s alpha is the most popular method for measuring reliability. Reliability means getting similar results constantly when repeating the same measurements. Analyzing the reliability of the list of measurements means measuring identical concepts repeatedly to derive identical progress. Cronbach’s alpha was used to assess the internal reliability of the measures. The list of measurements must first satisfy the single dimensionality test in order to establish an internal consistency test. A factor that passes 0.5 of the factor-loading range can be considered as an important variable, proving that all of them are essential variables. Cronbach’s alpha test results are shown in Tables 1 and 2. Even though there is no absolute standard for determining the appropriate level of reliability, the frequently cited rule of thumb for Cronbach’s alpha is 0.7 or above [77]. Because the Cronbach’s alpha values of six factors were 0.804, 0.800, 0.769, 0.766, and 0.777, all six factors were judged to be reliable.

In order to examine validity more closely, we performed confirmatory factor analysis on innovative-proactiveness, risk-taking propensity, learning orientation, customer orientation, competitor orientation, and financial performance extracted from exploratory factor analysis. The result of the confirmatory factor analysis is presented in Table 3. Because CMIN/df = 1.861 < 2, RMSEA = 0.071 < 0.080, RMR = 0.037 < 0.050, it was judged that the model fit was appropriate.
Table 2. Exploratory factor analysis and reliability test for mediating and dependent variables.

| Elements          | Financial Performance | Customer Orientation | Competitor Orientation | Communality |
|-------------------|-----------------------|-----------------------|------------------------|-------------|
| Customer 1        | 0.226                 | 0.830                 | 0.061                  | 0.743       |
| Customer 2        | 0.150                 | 0.842                 | 0.217                  | 0.780       |
| Customer 3        | 0.069                 | 0.705                 | 0.295                  | 0.589       |
| Competitor 1      | 0.142                 | 0.177                 | 0.884                  | 0.833       |
| Competitor 2      | 0.130                 | 0.261                 | 0.839                  | 0.789       |
| Financial 1       | 0.717                 | 0.062                 | 0.157                  | 0.543       |
| Financial 2       | 0.853                 | 0.190                 | 0.052                  | 0.767       |
| Financial 3       | 0.855                 | 0.176                 | 0.103                  | 0.773       |
| Eigenvalues       | 3.421                 | 1.415                 | 0.981                  |             |
| Cumulative %      | 42.765                | 60.457                | 72.721                 |             |
| Cronbach alpha    | 0.769                 | 0.766                 | 0.777                  |             |

KMO = 0.747, Bartlett = 490.660, df = 28, p = 0.000.

Table 3. Confirmatory factor analysis results for testing validity.

| Factor                | Measurement Items | Standardized Estimate | t-Value (p) | Composite Reliability (CR) | AVE  |
|-----------------------|-------------------|-----------------------|-------------|-----------------------------|------|
| Innovative-Proactiveness | Innopro1         | 0.553                 | 6.138(**)   | 0.881                       | 0.555|
|                       | Innopro2         | 0.652                 | 6.646(**)   |                             |      |
|                       | Innopro3         | 0.636                 | 7.164(**)   |                             |      |
|                       | Innopro4         | 0.568                 | 6.137(**)   |                             |      |
|                       | Innopro5         | 0.625                 | 6.362(**)   |                             |      |
|                       | Innopro6         | 0.593                 | -           |                             |      |
| Risk-taking Propensity | Rrisktaki1       | 0.777                 | 7.697(**)   | 0.815                       | 0.595|
|                       | Rrisktaki2       | 0.692                 | 7.344(**)   |                             |      |
|                       | Rrisktaki3       | 0.701                 | -           |                             |      |
| Learning Orientation  | Learnori1        | 0.724                 | 8.713(**)   | 0.891                       | 0.731|
|                       | Learnori2        | 0.791                 | 8.630(**)   |                             |      |
|                       | Learnori3        | 0.744                 | -           |                             |      |
| Customer Orientation  | Customori1       | 0.817                 | 8.181(**)   | 0.901                       | 0.752|
|                       | Customori2       | 0.749                 | 8.145(**)   |                             |      |
|                       | Customori3       | 0.748                 | -           |                             |      |
| Competitor Orientation | Competori1      | 0.768                 | 7.060(**)   | 0.859                       | 0.754|
|                       | Competori2       | 0.829                 | -           |                             |      |
| Financial Performance | Finperf1         | 0.533                 | 6.641(**)   | 0.877                       | 0.712|
|                       | Finperf3         | 0.833                 | 9.040(**)   |                             |      |
|                       | Finperf4         | 0.848                 | -           |                             |      |

CMIN = 282.819, CMIN/df = 1.861, RMSEA = 0.071, RMR = 0.037, CFI = 0.899, ** p < 0.01.

The standardized path coefficients were statistically significant and higher than 0.5 (the reference value). Also, because both composite reliability (CR) values and average variance extracted values (AVE) were higher than the reference values 0.7 and 0.5, we concluded that convergent validities were established.

Table 4 shows the results of the correlation analysis among seven factors. The correlation analysis shows how the change in one variable causes the intensities and signs of the changes in other variables. Because the absolute value of the correlations among independent variables did not exceed 0.7, it was judged that there were no severe multicollinearity problems among variables. It was found that both competitor orientation and customer orientation had positive correlations with both financial and non-financial performances. However, innovative-proactiveness and learning orientation was
positively correlated with non-financial performance, at the significance level of 1%, but not with financial performance.

Table 4. Average variance extracted (AVE) and correlation analysis results.

| Title 1 | Inno.-Proactive | Risk-Taking | Learn. Orient. | Custom. Orient. | Compet. Orient. | Finan. Perform. | AVE |
|---------|-----------------|-------------|----------------|----------------|----------------|-----------------|-----|
| Inno.-Proactive | 1 | | | | | 0.555 |
| Risk-taking | 0.377 ** | 1 | | | | 0.595 |
| Learn. Orient. | 0.363 ** | 0.286 ** | 1 | | | 0.731 |
| Custom. Orient. | 0.514 ** | 0.000 | 0.322 ** | 1 | | 0.752 |
| Compet. Orient. | 0.298 ** | 0.120 | 0.317 ** | 0.471 ** | 1 | 0.754 |
| Finan. Perform. | 0.245 ** | 0.109 | 0.118 | 0.368 | 0.302 | 1 | 0.712 |

** p < 0.01.

The following two conditions should be met to establish the discriminant validity. First, the square values of the correlation coefficients should be smaller than the corresponding AVE value. As shown in Table 4, all the coefficients were smaller than the smallest AVE value, so we concluded that the first condition was satisfied. Second, the calculated values of (correlation coefficient ± standard error × 2) should not contain 1. We performed the calculations and confirmed that the condition was satisfied. Thus, we judged that discriminant validity was established.

4.2. Hypothesis Testings

In order to test the effects of innovative-proactiveness, risk-taking propensity, and learning orientation on financial performance, we conducted multiple regression analysis. Table 5 shows the result of the multiple regression analysis. The regression model was found to be statistically significant at the 95% confidence level, and the explanatory power of the regression model was 7.3%. The innovative-proactiveness dimension of entrepreneurial orientation had a significant positive effect on financial performance, while both the risk-taking propensity and learning orientation showed no significance. The standardized beta coefficient of the innovative-proactiveness on financial performance was 0.219. As innovative-proactiveness increased by one unit, financial performance positively increased by 21.9%. Thus, Hypothesis 1-1 was supported, but both Hypotheses 1-2 and 2 were rejected.

Table 5. Multiple regression analysis of entrepreneurial orientation and learning orientation on financial performance.

| Independent Variable | Unstandardized | Standardized | t | Sig. | Collinearity Statistics |
|----------------------|---------------|--------------|---|-----|-------------------------|
| Constant             | 2.128         | 0.398        | 5.345 | 0.000 | Tolerance: 0.887 VIF: 1.212 |
| Education Level      | -0.008        | 0.048        | -0.013 | -0.171 | 0.865 Tolerance: 0.896 VIF: 1.042 |
| Size (Employee)      | 0.047         | 0.032        | 0.110 | 1.454 | 0.148 Tolerance: 0.960 VIF: 1.042 |
| Innovative-proactiveness | 0.244      | 0.094        | 0.219 | 2.606 | 0.010 Tolerance: 0.783 VIF: 1.277 |
| Risk-taking Propensity | 0.013        | 0.069        | 0.016 | 0.188 | 0.851 Tolerance: 0.801 VIF: 1.248 |
| Learning Orientation | 0.019         | 0.082        | 0.019 | 0.226 | 0.821 Tolerance: 0.789 VIF: 1.268 |

Dependent Variable: Financial Performance, R² = 0.073, F = 2.653, p = 0.025.

To investigate the impacts of the dimensions of market orientation on financial performance, we performed a multiple regression analysis. Table 6 shows the result of the multiple regression analysis. The regression model was significant at the 99% confidence level, and the explanatory power of the regression models was 16.2%. Customer orientation affected financial performance at the 99% confidence level. The standardized beta coefficient of customer orientation on financial performance was 0.273. As the customer orientation of market orientation increased by 100%, financial performance
was positively affected by 27.3%. At the significance level of 5%, the competitor orientation of market orientation affected financial performance. As the competitor orientation of market orientation increased by 100%, financial performance was positively affected by 16.9%. At the 95% confidence level, both Hypotheses 3-1 and 3-2 were supported.

Table 6. Multiple regression analysis of customer orientation and competitor orientation on financial performance.

| Independent Variable            | Unstandardized | Standardized | t     | Sig. | Collinearity Statistics |
|--------------------------------|----------------|--------------|-------|------|-------------------------|
|                                | B   | S. E. | B   |      | Tolerance | VIF            |
| Constant                       | 1.555 | 0.342 | 4.547 | 0.000 |            |                |
| Education Level                | −0.005 | 0.044 | −0.008 | −0.113 | 0.910 | 0.981 | 1.019 |
| Size (Employee)                | 0.031 | 0.031 | 0.074 | 1.021 | 0.309 | 0.954 | 1.048 |
| Customer Orientation           | 0.281 | 0.084 | 0.273 | 3.343 | 0.001 | 0.746 | 1.340 |
| Competitor Orientation         | 0.145 | 0.069 | 0.169 | 2.099 | 0.079 | 0.764 | 1.309 |

Dependent Variable: Financial Performance, $R^2 = 0.162$, $F = 8.154$, $p = 0.000$.

The mediating effect can be verified through Baron and Kenny’s [78] three-step regression procedure. The three-step procedure is as follows. As a first step, an independent variable should have a significant effect on a mediating variable. As a second step, the independent variable should have a significant effect on a dependent variable. As a third step, both the independent variable and the mediating variable should simultaneously have a significant effect on the dependent variable. Finally, the standardized beta coefficient of the independent variable on the dependent variable at the third step should be smaller than that of the independent variable on the dependent variable at the second step.

We first tried to examine the mediating effect of the customer orientation dimension of market orientation. To verify Baron and Kenny’s [78] first step, we conducted a multiple regression analysis on a mediating variable. The result of the multiple regression of innovative-proactiveness, risk-taking propensity, and learning orientation on customer orientation is shown in Table 7. The regression model was significant at the 99% confidence level, and the explanatory power of the regression model was 35.8%. All three variables, innovative-proactiveness, risk-taking propensity, and learning orientation, showed significant effects on customer orientation. At the 95% confidence level, the size of start-ups had a significant impact on customer orientation. This means that entrepreneurs in larger start-ups tend to be involved in customer-oriented activities.

Table 7. Multiple regression analysis of entrepreneurial orientation and learning orientation on customer orientation.

| Independent Variable              | Unstandardized | Standardized | t     | Sig. | Collinearity Statistics |
|-----------------------------------|----------------|--------------|-------|------|-------------------------|
|                                  | B   | S. E. | B   |      | Tolerance | VIF            |
| Constant                         | 1.685 | 0.322 | 5.239 | 0.000 |            |                |
| Education Level                  | −0.010 | 0.039 | −0.016 | −0.249 | 0.803 | 0.887 | 1.128 |
| Size (Employee)                  | 0.053 | 0.026 | 0.129 | 2.048 | 0.042 | 0.960 | 1.042 |
| Innovative-proactiveness         | 0.573 | 0.076 | 0.529 | 7.569 | 0.000 | 0.783 | 1.277 |
| Risk-taking Propensity           | −0.210 | 0.056 | −0.259 | −3.752 | 0.000 | 0.801 | 1.248 |
| Learning Orientation             | 0.178 | 0.067 | 0.186 | 2.673 | 0.008 | 0.789 | 1.268 |

Dependent Variable: Customer Orientation, $R^2 = 0.358$, $F = 18.775$, $p = 0.000$.

The second step for financial performance, a dependent variable, was performed in examining Hypotheses 1-1, 1-2, and 2. The result can be found in Table 5. Only innovative-proactiveness was found to have a significant influence on financial performance. Thus, both Hypotheses 4-1-2 and 5-1 were rejected.

In the third step of Baron and Kenny’s [78] procedure, multiple regression analysis of innovative-proactiveness and customer orientation on financial performance was conducted, and the
result is shown in Table 8. The regression model was significant at the 99% confidence level. When customer orientation was included, the effect of innovative-proactiveness on financial performance became no longer significant. Thus, Hypothesis 4-1-1 was adopted. It was concluded that there was a complete mediation effect of consumer orientation on the relationship between innovative-proactiveness and financial performance.

Table 8. Multiple regression analysis of entrepreneurial orientation, learning orientation, and customer orientation on financial performance.

| Dependent Variable | Unstandardized B | S. E. | Standardized B | t | Sig. | Collinearity Statistics |
|--------------------|------------------|-------|----------------|---|------|-------------------------|
| Constant           | 1.574            | 0.377 | 4.180          | 0.000 |
| Education Level    | 0.002            | 0.044 | 0.003          | 0.043 | 0.966 | 0.980 | 1.020 |
| Size (Size)        | 0.029            | 0.031 | 0.068          | 0.930 | 0.354 | 0.953 | 1.049 |
| Innovative-proactiveness | 0.081 | 0.094 | 0.073          | 0.871 | 0.385 | 0.721 | 1.386 |
| Customer Orientation | 0.325 | 0.087 | 0.316          | 3.746 | 0.000 | 0.714 | 1.400 |

Independent Variable: Financial Performance, $R^2 = 0.144$, $F = 7.094$, $p = 0.000$.

Next, we examined the mediating effect of competitor orientation of market orientation. We conducted a multiple regression analysis to verify Baron and Kenny’s [78] first step. The result of the multiple regression of innovative-proactiveness, risk-taking propensity, and learning orientation on competitor orientation is shown in Table 9. The regression model was significant at the 99% confidence level, and the explanatory power of the regression model was 14.3%, which was smaller than that of consumer orientation. Both innovative-proactiveness and learning orientation showed significant impacts on competitor orientation, while risk-taking propensity had no significant effect.

Table 9. Multiple regression analysis of entrepreneurial orientation and learning orientation on competitor orientation.

| Independent Variable | Unstandardized B | S. E. | Standardized B | t | Sig. | Collinearity Statistics |
|----------------------|------------------|-------|----------------|---|------|-------------------------|
| Constant             | 1.470            | 0.448 | 3.284          | 0.001 |
| Education Level      | 0.037            | 0.054 | 0.052          | 0.684 | 0.495 | 0.887 | 1.128 |
| Size (Employee)      | 0.006            | 0.036 | 0.012          | 0.162 | 0.872 | 0.960 | 1.042 |
| Innovative-proactiveness | 0.290 | 0.105 | 0.222          | 2.751 | 0.007 | 0.783 | 1.277 |
| Risk-taking Propensity | -0.044         | 0.077 | -0.045         | -0.569 | 0.570 | 0.801 | 1.248 |
| Learning Orientation | 0.269            | 0.093 | 0.234          | 2.904 | 0.004 | 0.789 | 1.268 |

Dependent Variable: Competitor Orientation, $R^2 = 0.143$, $F = 5.601$, $p = 0.000$.

The second step of competitor orientation is the same as that of consumer orientation. As before, the result can be found in Table 5. Only innovative-proactiveness had a significant effect on financial performance. Thus, both Hypotheses 4-2-2 and 5-2 were rejected.

In the third step of Baron and Kenny’s [78] procedure, multiple regression analysis of innovative-proactiveness and competitor orientation on financial performance was performed. The result is shown in Table 10. The regression model was significant. When competitor orientation, a mediating variable, was included, the effect of innovative-proactiveness on financial performance was still statistically significant at the 95% significance level, but the beta coefficient was reduced from 0.222 to 0.160. Thus, Hypothesis 4-2-1 was adopted. We concluded that there is a partial mediation effect of competitor orientation on the relationship between innovative-proactiveness and financial performance.
Table 10. Multiple regression analysis of entrepreneurial orientation, learning orientation, and competitor orientation on financial performance.

| Dependent Variable | Unstandardized Coefficient | Standardized Coefficient | t | Sig. | Collinearity Statistics |
|--------------------|----------------------------|--------------------------|---|------|-------------------------|
| Constant           | 1.751                      | 0.367                    | 4.777 | 0.000 | Tolerance 0.971, VIF 1.029 |
| Education Level    | -0.018                     | 0.045                    | -0.030 | -0.411 | 0.682, 0.971, 1.022 |
| Size (Employee)    | 0.044                      | 0.031                    | 0.103 | 1.421 | 0.157, 0.979, 1.022 |
| Innovative-proactiveness | 0.179                  | 0.085                    | 0.160 | 2.101 | 0.037, 0.888, 1.126 |
| Competitor Orientation | 0.214                  | 0.065                    | 0.250 | 3.310 | 0.001, 0.900, 1.111 |

Independent Variable: Financial Performance, R² = 0.129, F = 6.263, p = 0.000.

Table 11 summarizes the results of all hypotheses tested in Section 4.2.

Table 11. Summary of hypothesis testing results.

| Hypothesis | Independent | Mediating | Dependent | Result |
|------------|-------------|-----------|-----------|--------|
| H1-1       | Inno.-proactive. | Financial. | Adopt |
| H1-2       | Risk-taking. | Financial. | Reject |
| H2         | Learning. | Financial. | Reject |
| H3-1       | Customer. | Financial. | Adopt |
| H3-2       | Competitor. | Financial. | Adopt |
| Inno.-proactive. | Customer. | Financial. | Adopt |
| Risk-taking. | Customer. | Financial. | Adopt |
| Learning. | Customer. | Financial. | Adopt |
| Inno.-proactive. | Competitor. | Financial. | Adopt |
| Risk-taking. | Competitor. | Financial. | Reject |
| Learning. | Competitor. | Financial. | Adopt |
| H4-1-1     | Inno.-proactive. | Customer. | Financial. | Full |
| H4-1-2     | Risk-taking. | Customer. | Financial. | Reject |
| H4-2-1     | Inno.-proactive. | Competitor. | Financial. | Partial |
| H4-2-2     | Risk-taking. | Competitor. | Financial. | Reject |
| H5-1       | Learning. | Customer. | Financial. | Reject |
| H5-2       | Learning. | Competitor. | Financial. | Reject |

5. Discussion and Conclusions

Miller defined entrepreneurial orientation as an organizational tendency to proactively introduce innovative products or services involving high risk [15]. Many previous studies have shown that organizations with entrepreneurial orientation tend to increase new product developments and financial performances [17–21]. Learning orientation is an organizational culture that allows organization members to create, share, and disseminate market information [22,23]. A lot of empirical studies have shown that organizations with learning orientation have impact on financial performance [24,30]. Market orientation is a culture that can create competitive advantages and lead to high performance [54,55]. Organizations with market orientation tend to collect and share information about customers, competitors, and market environments and launch new products or services continuously [22,23]. A lot of empirical studies evidenced that market orientation has significant effects on both financial performance [70,71].

However, many previous studies have not been performed on entrepreneurs with very small firms [32,33]. Also, most of the empirical studies assumed that entrepreneurial orientation and market orientation were single-dimension constructs [16,20,24,25]. Most researchers have only used confirmatory factor analysis without performing exploratory factor analysis at the beginning. Also, previous empirical studies showed mixed results, and a lot of researchers have begun to suspect the
cause of the result discrepancies as to the presence of mediating variables [18–20,35,36]. Our study was designed to address these problems.

Our research samples are 174 Korean nascent entrepreneurs and entrepreneurs with their own firms that are under seven-years-old, who were looking for angel investments, or business consults for growth. After contacting them via email, cell phone, and interviews, we collected the survey questionnaires. The data were analyzed using the statistical program, SPSS 26.0.

Our contribution is to fill the above research gap by analyzing the survey data. Very few researchers have conducted empirical research on growth-seeking entrepreneurs with very small firms. Through exploratory factor analysis, the dimensions of entrepreneurial orientation were identified. Then, the impacts of innovative-proactiveness or risk-taking propensity on financial performance were investigated. Similarly, the dimensions of market orientation were identified. We tested the impacts of customer orientation or customer orientation on financial performance. Our unique research design allowed us to test either the mediating effects of customer orientation between innovative-proactiveness and financial performance or the mediating effect of competitor orientation between innovative-proactiveness and financial performance. In addition to the impact of learning orientation on financial performance, the mediating effects of customer orientation or competitor orientation between learning orientation and financial performance were investigated.

The following are the analysis results and the study contributions for academic researchers. First, through exploratory factor analysis, six factors, innovative-proactiveness, risk-taking propensity, learning orientation, customer orientation, competitor orientation, and financial performance, were extracted. Many researchers used either innovativeness or proactiveness instead of entrepreneurial orientation. Our result might provide a rationale for those researches.

Second, the innovative-proactiveness dimension of entrepreneurial orientation has a statistically significant effect on financial performance. However, the explanatory power of the regression is only 7.3%. Thus, this result is consistent with the results of long entrepreneurship research [37–39,41]. This means that many environmental factors, other than the entrepreneur’s trait, may affect financial performance [79]. On the other hand, the risk-taking propensity dimension of entrepreneurial orientation has no significant effects on financial performance. Brockhaus [43] claimed that risk-taking propensity was not a distinctive characteristic of entrepreneurs compared to managers or the general population. According to previous studies, high-performing entrepreneurial firms showed moderate risk-taking propensity. This means that risk-taking propensity correlates positively with performance to a moderate level, but they have a negative correlation after that. Thus, our result is consistent with these previous studies.

Third, learning orientation does not significantly affect financial performance. This result is different from many previous studies [24,30,67]. However, if learning orientation is considered a trait of entrepreneurs, as discussed above, this result is also consistent with the findings of long entrepreneurship research.

Fourth, both the customer orientation dimension and the competitor orientation dimension of market orientation have significant effects on financial performance. In many previous studies, researchers found that customer orientation significantly influences financial performance. However, only a few studies evidenced that competitor orientation has an impact on financial performance. Frambach et al. [72] argued that competitor orientation in firms with an exploratory strategy only has an impact on financial performance. Because growth-seeking entrepreneurs likely have exploratory strategies, we can explain the result based on the arguments of Frambach et al. [72].

Fifth, customer orientation fully mediates the relationships between innovative-proactiveness and financial performance. This result means that innovative-proactiveness does not directly affect financial performance, but rather indirectly through customer orientation. Just because entrepreneurs are innovative and proactive does not mean that they can produce immediate financial performance. Only when growth-seeking entrepreneurs try to perform customer-oriented activities can they produce financial results.
Finally, competitor orientation shows a partial mediating effect on the relationship between innovative-proactiveness and financial performance. This result means that innovative-proactiveness affects financial performance directly and simultaneously affects financial performance indirectly through competitor orientation.

The practical implications for entrepreneurs and policymakers are as follows. To increase financial performance, growth-seeking entrepreneurs need to improve customer orientation, competitor orientation, and innovative-proactiveness.

This study has the following limitations. First, the research sample was chosen through convenience sampling. We contacted the most prominent angel investment club in Korea, and, with their support, our research sample could be identified. Care should be taken to generalize the results of this study to other types of entrepreneurs. Second, the problems that may arise in survey studies may occur in this study as well. It is possible that the surveyed entrepreneurs misinterpreted the questions or did not provide honest answers and data. For example, there is a possibility that the surveyed entrepreneurs chose socially desirable responses. Finally, even though not included in our study, there could be some environmental variables that might affect financial performance.

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