

DIMENSIONS OF ENTREPRENEURIAL ORIENTATION AND ITS IMPACT ON BUSINESS AND SOCIAL PERFORMANCE OF STATE-OWNED ENTERPRISES

SHARUL NIZAL SHARIPPUDIN¹, NOMAHAZA MAHADI², WAN NORMEZA WAN ZAKARIA³

¹Razak Faculty of Technology and Informatics, Universiti Teknologi Malaysia, Malaysia

²Azman Hashim International Business School (AHIBS), Universiti Teknologi Malaysia, Malaysia.

³ Razak Faculty of Technology and Informatics, Universiti Teknologi Malaysia, Malaysia

E-mail: ¹sharulnizal@graduate.utm.my, ²nomahaza.kl@utm.my, ³normeza.kl@utm.my

ABSTRACT

State-owned enterprises (SOEs) are critical for nations' socio-economic development. SOEs carry two main roles which are to achieve business goals to satisfy the interest of shareholders and at the same time to pursue social goals that create public values. However, in the current increasingly challenging business environment, SOEs face difficulties to pursue both goals simultaneously. Thus, based on resource-based view (RBV), this study examined the role of entrepreneurial orientation (EO) as a dynamic capability derived from innovativeness, proactiveness and risk-taking in influencing the achievement of business and social performance. This study applied quantitative method and data was collected from among the leadership groups of government linked companies (GLCs) in Malaysia. The data was analyzed using the Partial Least Square-Structural Equation Model (PLS-SEM) technique. The analysis revealed three key findings as following, (1) innovativeness has positive relationship with business and social performance; (2) proactiveness has positive relationship with business performance but has negative relationship with social performance; (3) risk taking has negative relationship with both performances. Therefore, by examining EO as multidimensional construct and its impact on business and social performance, this study provided insight of which dimensions of EO is significant in value creation process. This study also provided useful insight to the policy makers and management the best way to improve SOEs' performance in meeting business and social goals.

Keywords: *Entrepreneurial Orientation, State-Owned Enterprise, Resource-Based View, Business Performance, Social Performance*

1. INTRODUCTION

One of the key challenges for organizations is to deal with business and social interests simultaneously. Both interests are equally important to stakeholders where neither is better than the other. SOEs are a type of organization that struggles to balance its business and social priorities. By definition, SOEs are government-owned companies that assume two important roles. Firstly, SOEs are expected to generate revenue for the interest of shareholders including the government (1,2). Secondly, SOEs have a mandate from the government to create social or public values that benefit the public (3–5) Some examples of SOEs roles include providing job opportunities, supporting new business growth and stimulating socio-economic progress, sponsoring academic

scholarship, and creating economic opportunities for marginalized groups or minorities (2–4).

Furthermore, pursuing two goals simultaneously is a great challenge for SOEs, especially when hampered by the volatility of current market situation. This results in dilemma to the top management to align resources between business and social goals since both use the same resources. This signifies for organizations to increase its capability to enhance its value creation in order to fulfill the interest of all stakeholders. One of the solutions is to increase entrepreneurial capability that will enhance innovation ability such as through new processes, new product or services, and new markets. In this regard, EO is argued as one of critical factors in value creation as it proactively exploit new opportunities and innovativeness especially in volatile environment (6,7). Moreover,

EO is argued able to influence organizational performance in volatile market environment since an empirical research found a positive impact of EO on performance of Indonesian SMEs during Covid-19 pandemic situation (8).

However, the EO-performance relationship in the context of SOEs' performance has received less attention from researchers. Majority of SOEs research focused on corporate governance (9,10), government support (11,12) and leadership (13,14) as predictors of SOEs' performance. In the last five years, there are few research found in major citation database such as Scopus and Web of Science that examine the role of EO in influencing the performance of SOEs. Most of this research were done in the context of Asian countries such as Indonesia (5,15) and China (14). Moreover, the EO literature provide little knowledge on the role of individual EO dimensions that influence business and social performance. Therefore, this study will fill this gap by investigating the relationship of each dimension of EO consisting of innovativeness, proactiveness and risk-taking and its significance in meeting business and social goals.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Theoretical Background

The RBV posits that unique and difficult-to-imitate resources increase organizations' competitive advantage leading to superior organizational performance (16). In this regard, EO is argued as a strategic resource for organizations to achieve competitive advantage toward superior performance (8,17,18). Moreover, EO is viewed as one a dynamic capability that exploit opportunities (19,20). Additionally, EO is argued as a unique resource for organizations to gain competitive advantage that lead to a better performance (8). Moreover, EO facilitates the effective use of resources in value creation process that will benefit every stakeholders (8,21). Anchored by RBV, the causal relationship of EO with organizational performance in meeting business and social goals is conceptualized in this study.

2.2 Entrepreneurial Orientation and Value Creation

Over the years, studies of EO have been the subject of intense debate leading to a rich body of knowledge. One of the widely known conceptual of EO is set of organizational activities that result in

entrepreneurial outcomes, determined by three dimensions namely innovativeness, risk taking and proactiveness (22). In addition to the three dimensions, competitive aggressiveness and autonomy were later added as dimensions of EO (23). Following Miller (1983), this study defines EO as entrepreneurial practices to achieve entrepreneurship derived by innovativeness, proactiveness and risk-taking propensity. Innovativeness refers to creating innovative solutions, product, or services. Proactiveness refers to the tendency to act in anticipation of future expectation. Risk-taking is about the willingness of organizations to commit their resources under an uncertain environment.

In order for organizations to create value for all stakeholders, it has to perform well in meeting the business and social goals. However, the uncertainty of the business environment increases the challenge for organizations to achieve these goals simultaneously. It is especially difficult when there is a lack of resources and to perform all activities using similar resources. Additionally, business performance is outcome of organizations activities that reflect the organizations' economic performance which includes financial performance, operational performance and organizational effectiveness (24,25). According to (26), it is the extent to which organizations create economic value. Moreover, business performance can be classified as financial and non-financial performance (25). In this regard, financial performance uses financial indicators such as profitability, return on investment, and return on asset which is more objective than non-financial performance measures. Whereas measure of non-financial performance is more subjective and some of the indicators include customer satisfaction and loyalty, corporate image, and service quality.

On the other hand, meeting social objectives is another important aspect of organizational performance which often overlook by researchers especially in the context of SOEs (27). Thus far, there is no standard definition of social performance in literature. The conceptual of social performance is still ambiguous and the measures varies depending on the scope of research. According to a research, social performance is the impact of organizations social activities that benefit the society (28). It can also be defined as the extent to which organizations extend its purpose toward the society (26). Based on these definitions, this study posits that social performance is the result of

organizations activities that focus on creating public values that benefit the society.

On the other hand, the literature indicates that business performance is conflicting with social performance especially in the context of SOEs (5,9,27). This signifies the need for a factor to resolve this issue. In this regard, the role of EO in influencing business and social goals performance has been long note and widely discussed in literature. For instance, a study in the context of SMEs has demonstrated a strong relation between EO and financial and social performance (20). This is supported by a review of the literature that found most EO research shows that EO influences the achievement of financial and social goals (29). Moreover, several lines of research indicated that EO plays an important role in influencing performance of hybrid organizations in meeting business goals while simultaneously pursuing the social objectives (30–32). Moreover, EO has been observed to affect both sport and economic performance of sport clubs in Spain (33). All this evidence affirms that EO plays a critical role in meeting both business and social goals.

To a large extent, the evidence presented thus far indicate that EO is essential in the process of value creation. Moreover, numerous research has observed EO as a driving force in creating business values and social value. To further supported, a research on SMEs in Mexico revealed that EO creates value for customers and suppliers, and at the same time improve employees and community welfare (20). Additionally, a research by (34) asserted that EO helps in generating economic and non-economic benefit which include business and financial gains, employment opportunity, community involvement and social contribution. Moreover, (26) argued that EO is essential for business, community and social outcomes.

2.2.1 EO Dimensions and Its Impact on Business and Social Performance

In literature, EO has been constructed as unidimensional meaning that all dimensions of EO are composited or composed as one construct (35). This signifies that EO is stronger as a single construct. However, some researchers argued that each of EO should be viewed as multidimensional constructs as each dimension work independently and individually has varying effect on organizational performance (23,36). This is further supported by several research that found the effect

of EO dimensions on firms' performance is different between each dimension. For example, (37) demonstrated innovativeness is the most relevant as compared to proactiveness and risk taking. Another research by (38) concluded that out of five EO dimensions, proactivity was the highest in predicting marketing performance while autonomy was the highest in predicting operational and financial performance.

In addition, the different between the impact of EO dimensions on firms' performance as shown in literature is subject to the research context. For example, in the context of sport clubs, two out of three EO's dimensions which are innovativeness and risk-taking have positive effects on economic performance (33). In newly start-up venture context, risk-taking was found having strong influence on firms performance while the other two dimensions were found as insignificant (26). Additionally, a research of Malaysian SMEs found that three from five EO dimensions which are the autonomy, competitive aggressiveness and proactiveness have strong relationship with performance (39). In South Korea, a research revealed that innovativeness and proactiveness have positive relationship with non-financial performance but has negative relationship with financial performance (25).

The presented evidence here indicated that EO has been studied as multidimensional construct. Moreover, although unidimensional EO has been found to drive performance of organizations, yet various research has showed that there are variations in the effect of each dimension of EO on organizational performance which worth to be investigated in the context of SOEs. Since little attention has been given to explore the impact of EO dimensions on dual performance of SOEs, therefore, this study will fill this void by pushing forward the notion to examine the role of EO as a multidimensional construct in meeting business and social goals in the context of Malaysian SOEs.

2.3 Hypothesis and Research Model

This study aimed to examine the impact of individual EO dimensions (innovativeness, proactiveness and risk taking) on business performance and social performance. Underpinned by RBV, this study postulates that EO as a dynamic capability able to influence the achievement of business and social goals, and therefore, proposes the following hypotheses.

- H1: Innovativeness is positively related to business performance
 H2: Innovativeness is positively related to social performance
 H3: Proactiveness is positively related to business performance
 H4: Proactiveness is positively related to social performance
 H5: Risk Taking is positively related to business performance
 H6: Risk Taking is positively related to social performance

The research conceptual model is illustrated in Figure 1 comprises of innovativeness, proactiveness and risk-taking as the independent variables. While the dependent variables consist of business performance and social performance.

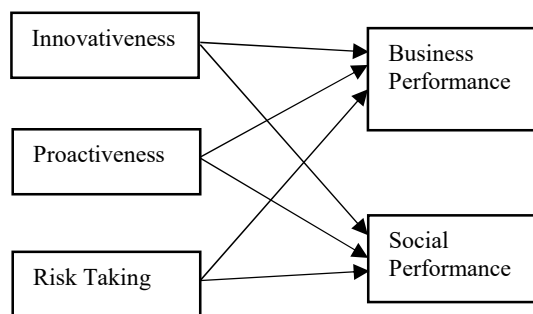


Figure 1: Conceptual Model of the Research

3. RESEARCH METHODOLOGY

3.1 Questionnaire Design

This study applied quantitative method where the data is gathered through structured questionnaire survey. The questions in the survey consist of the respondents' perception of the level of organizations' EO dimensions namely innovativeness, proactiveness and risk taking and perceptions on business and social performance. The last part of the of the survey consisted of questions about the demographic profile of the respondents and the organization as shown in Table 1. To avoid potential bias in the response, the questionnaires were validated by several subject matter experts and modified according to their suggestions. Additionally, the questionnaires went through a pilot study before they were distributed to the respondents. The value of Cronbach's alpha in the pilot study were above 0.7 indicating high internal consistency of the survey items. The

Harman single factor test revealed a value of 49.5 percent of total variance indicating that common method bias was not an issue for this study, which is below 50 percent as recommended (40).

3.2 Measurement

The predictive relationship among the constructs in this study were clearly defined. The exogenous constructs consist of dimensions of EO (innovativeness, proactiveness and risk taking) while the business performance and social performance were the endogenous constructs. The constructs were measured using five-point Likert scale with 1 = strongly disagree and 5 = strongly agree. The indicators for innovativeness (three items), proactiveness (three items) and risk taking (three items) were adapted from (41) which have been widely used by prior researchers (25). The business performance measurement was adapted from (42). The measures consist of five items derived by the financial and non-financial aspect of performance which includes profitability, efficiency, productivity, and growth. While the social performance was adapted from (43) and modified to fit the context of this study. The social performance contains 6 items that measures organizations' contribution toward societies and employee's welfare.

3.3 Data Collection and Demographic Profile

This study focuses on Malaysia's SOEs known as government linked companies (GLCs). The GLCs are defined as companies that are either fully or partly owned by the government through government linked investment companies (GLICs) or other agencies (44). Given the existence of GLCs since the eighties and the fact that they have gone through various economic and political landscape, make them a suitable choice for this study. The list of GLCs was collected from the official portals of GLICs namely Employee Provident Fund, Lembaga Tabung Angkatan Tentera, Permodalan Nasional Berhad, Lembaga Tabung Haji, Retirement Fund Incorporated and Finance Minister Incorporated. The number of GLCs in this study were 266 comprises of parent companies excluding the subsidiaries which was used as the sample. The respondents were among the leadership groups in the organizations due to their proficiency in the operation and strategic decisions.

Furthermore, of the 266 administered questionnaires, 82 were received indicating a response rate of 31%, which can be taken as good response rate considering the small size of the population. The initial analysis revealed that no outliers and missing values were found in the data set affirming there was no issue in data collection. As shown in Table 1, majority of respondents were top level management level that fell within the age of 40 to 49 (54.9%) and 50 to 59 years old (31.7%) indicating the data concerning respondents' age is evenly distributed. In addition, the result of gender profile (84.1% male) signifies male dominance in GLCs leadership. Moreover, most of respondents in this study are from GLCs in service sector (62.2%).

Table 1: Demographic profile

	Profile	Means	Percentages
Gender	Male	69	84.1
	Female	13	15.9
Age	<40 years old	9	11
	40-49 years old	45	54.9
	50-59 years old	26	31.7
	> 60 years old	2	2.4
Position	CEO	13	15.9
	MD	8	9.8
	COO	6	7.3
	CSO	5	6.1
	CFM	3	3.7
	GM	21	25.6
	Others	26	31.7
Industry	Construction	3	3.7
	Service	51	62.2
	Industrial	3	3.7
	Plantation	9	11
	Property	6	7.3
	Trade	3	3.7
	Others	7	8.5

Note: Chief Executive Officer (CEO), Managing Director (MD), Chief Operating Officer (COO), Chief Strategic Officer (CSO), Chief Financial Officer (CFM), General Manager (GM)

3.4 Data Analysis

The partial least square structural equation model (PLS-SEM) was applied to test the measurement and structural model, and hypothesis using Smart PLS software. PLS-SEM was used due to its ability to analyze small sample size and for its statistical power (Hair et al., 2017). The path analysis was used for hypothesis testing for this study. A bootstrapping procedure of 5000 re-sample was applied for loadings and path coefficient estimation.

4. FINDINGS

This study examined the impact of individual EO dimensions (innovativeness, proactiveness and risk taking) on business performance and social performance. The evaluation metrics for measurement models includes the reliability, convergent and discriminant validity. While for, R2, f2 and path coefficient were among the metrics used for structural model assessment. The results of measurement and structural model are as follows.

3.1 Construct, Convergent, and Discriminant Validity

Table 2 revealed the result of loading, Cronbach's alpha, composite reliability (CR) and average variance extract (AVE). The test indicated that all the items of the constructs exceed minimum loading value of 0.7. Some of items with loading values well below 0.7 but above 0.6 were also considered. Moreover, the Cronbach's alpha values for all the constructs were greater than 0.7 which indicate strong reliability except for innovativeness (0.684). But its composite reliability value was 0.823 which was sufficient to indicate internal consistency. All other constructs showed composite reliability result above 0.8 indicate strong internal consistency. The test revealed that the value of AVE was above 0.5. All these results of measurement model analysis confirm the reliability and validity of the data.

Table 2: Measurement Model Assessment

Items	Loading	Cronbach's	CR	AVE
Innovativeness (Inno)				
Inno1	0.769	0.684	0.823	0.68
Inno2	0.879			
Inno3	0.686			
Proactiveness (Proac)				
Proac1	0.866	0.865	0.823	0.787
Proac2	0.899			
Proac3	0.896			
Risk Taking (Risk)				
Risk1	0.837	0.787	0.874	0.699
Risk2	0.924			
Risk3	0.738			
Business Performance (BP)				
BP1	0.835	0.883	0.914	0.787
BP2	0.805			
BP3	0.809			
BP4	0.827			
BP5	0.847			
Social Performance (SP)				
SP1	0.756	0.858	0.894	0.587
SP2	0.801			
SP3	0.754			
SP4	0.64			
SP5	0.875			
SP6	0.752			

Note: The Table shows the values of loadings; Cronbach's alpha; CR=composite reliability; AVE=average variance extract.

The discriminant validity differentiates a construct from other construct. It can be measured by assessing the cross-loading of items of respective construct. Table 3 demonstrates that all the items of respective construct have higher loading values as compared to lower loading values of items of other constructs. Moreover, considering (46), Table 4 shows that the square root of average variance extract (AVE) between each construct and its measures are greater than the average variance between constructs. All these results indicated that discriminant validity was established for this study

Table 3: Cross Loadings

	Inno	Proac	Risk	BP	SP
Inno1	0.769	0.571	0.642	0.602	0.588
Inno2	0.879	0.681	0.554	0.628	0.586
Inno3	0.879	0.681	0.554	0.452	0.292
Proac1	0.695	0.866	0.642	0.63	0.485
Proac2	0.674	0.899	0.708	0.657	0.528
Proac3	0.709	0.896	0.771	0.757	0.619
Risk1	0.68	0.752	0.837	0.67	0.462
Risk2	0.673	0.731	0.924	0.71	0.585
Risk3	0.291	0.479	0.738	0.35	0.387
BP1	0.663	0.665	0.514	0.835	0.488
BP2	0.538	0.599	0.645	0.805	0.477
BP3	0.612	0.695	0.585	0.809	0.416
BP4	0.558	0.546	0.549	0.827	0.657
BP5	0.627	0.668	0.675	0.847	0.599
SP1	0.4	0.395	0.345	0.443	0.756
SP2	0.467	0.476	0.429	0.558	0.801
SP3	0.508	0.444	0.393	0.53	0.754
SP4	0.308	0.411	0.475	0.295	0.64
SP5	0.652	0.545	0.529	0.54	0.875
SP6	0.587	0.536	0.482	0.525	0.752

Table 4: Discriminant Validity

	BP	Inno	Proac	Risk	SP
BP	0.825				
Inno	0.729	0.782			
Proac	0.773	0.781	0.887		
Risk	0.722	0.692	0.801	0.836	
SP	0.637	0.653	0.618	0.583	0.766

Note: The Table shows the AVE values (highlighted in bold) are higher than AVE of other constructs.

3.2 Structural Model Assessment

Following Hair et al. (2014), the VIF values cut off point is below 5 and the analysis result indicate VIF value 1 to 3. Thus, the result affirms that this model has no collinearity issues. To test in-sample predictive power, the coefficient determination or R² analysis was performed. The R² analysis is to test the strength of linear relationship between two constructs and the value should be between 0 to 1. The analysis of the path model

revealed that the exogenous construct explains 65.6% of the variation of the business performance ($R^2 = 0.656$) and 46.6% of social performance ($R^2 = 0.466$). Further, the effect size (f^2) is to indicate which of the EO dimension has stronger effect on business and social performance. The result as in Table 5 indicates that innovativeness has stronger effect on social performance while proactiveness is stronger on business performance compared to other EO dimensions.

Table 5: The result of VIF, f^2 , and R^2

	VIF	f^2	R^2
Inno -> BP	2.648	0.087	0.656
Inno -> SP	2.648	0.118	0.466
Proac -> BP	3.853	0.101	
Proac -> SP	3.853	0.013	
Risk -> BP	2.884	0.055	
Risk -> SP	2.884	0.018	

The PLS-Predict was performed using bootstrapping procedures of 5000 resampling. Table 6 shows the analysis result of Q2 that confirm predictive power of this model. Following (48), majority of PLS-SEM (RMSE) values were lower than LM (RMSE) value indicating moderate predictive power.

Table 6: Predictive Power

Items	Q ² predict	PLS-SEM (RMSE)	LM (RMSE)
Business Performance (BP)			
BP1	0.426	0.623	0.613
BP2	0.381	0.704	0.755
BP3	0.444	0.575	0.564
BP4	0.269	0.572	0.6
BP5	0.454	0.566	0.591
Social Performance (SP)			
SP1	0.124	0.699	0.726
SP2	0.214	0.655	0.67
SP3	0.212	0.61	0.653
SP4	0.097	0.63	0.638
SP5	0.35	0.532	0.59
SP6	0.282	0.595	0.644

Note: The value (in bold) indicate the PLS-SEM RMSE lower than in LM RMSE.

3.3 Hypothesis Testing

The hypothesis testing revealed that innovativeness has positive influence on business performance ($\beta = 0.281$; $\rho < 0.05$) and social performance ($\beta = 0.416$; $\rho < 0.05$). Hence, hypothesis 1 and hypothesis 2 were statistically supported. The analysis further revealed that proactiveness has positive effect on business performance ($\beta = 0.367$; $\rho < 0.05$), supporting the hypothesis 3. However, the analysis revealed a negative relationship of proactiveness on social performance ($\beta = 0.162$; $\rho > 0.05$) and thus, hypothesis 4 was statistically rejected. Despite of other research that indicates positive relationship between risk taking with business and social performance (49), this study revealed unexpected findings where the relationships between risk taking and business performance ($\beta = 0.233$; $\rho > 0.05$), and social performance ($\beta = 0.163$; $\rho > 0.05$) were found not significant. Hence, hypothesis 5 and hypothesis 6 were statistically rejected.

Table 7: Hypothesis Assessment

	β	SD	t-values	p-values	Decision
Inno > BP	0.281	0.122	2.301	0.021	Supported
Inno > SP	0.416	0.161	2.585	0.01	Supported
Proac > BP	0.367	0.139	2.635	0.008	Supported
Proac > SP	0.162	0.165	0.987	0.323	Not Supported
Risk > BP	0.233	0.124	1.874	0.061	Not Supported
Risk > SP	0.163	0.157	1.041	0.298	Not Supported

Note: the table shows the β = Beta value; SD = Standard Deviation; t- values; the effect size of the model

5. DISCUSSIONS

The main objective of this study is to examine the influence of EO's dimensions on business and social performance. Thus, the causal link between innovativeness, proactiveness and risk taking with business and social performance were hypothesized to achieve the research objectives. Although the literature concurred the critical role of EO on organizational performance (50), the findings of this study indicated a varying effect of EO dimension on the business and social performance. As shown in Table 7, from six hypothesis, 3 hypothesis (H1, H2 and H3) were significant while the other three hypothesis (H4, H5 and H6) were found to be insignificant.

The findings for hypothesis 1 and hypothesis 2 were expected as it was in line with the findings of other research that found positive relationship between innovativeness of EO on business performance (25,51) and social performance (52). Furthermore, the result was consistent with (39) that found positive relation of proactiveness and business performance in the context of Malaysian SMEs. Additionally, some research has shown that the impact of each EO dimension on firm performance varies depending on the research context. For example, a multigroup analysis on SMEs in China, Mexico and Spain indicated that the effect innovativeness, proactiveness and risk-taking each have different effect on SMEs performance in each country (53).

Furthermore, although the findings revealed an insignificant relationship between of risk-taking with both business and social performance (H5 and H6) is not as expected, yet the result is also consistent with other research findings. To shed some light on this, some researchers have found negative effect of risk taking of risk-taking of EO on business performance (25,39,54), and social performance (55). This is further supported by (26) that found a weak relationship between risk taking and social performance. Moreover, (56) found that from the three dimensions of EO only risk taking has negative relation with competitive advantages of organizations. This suggests for organizations not to embark on high-risk investment blindly.

Based on the profile data, several demographic factors may influence the findings of this study. Firstly, majority of the respondents are among the top management groups. The literature shows that leadership in SOEs are shadowed by the political or government influences (57,58). The bureaucratic structure and processes in SOEs influence leadership effectiveness and the decision making process incline toward top down approach (2,58,59). It was argued that rather than taking decisions that are bold and risky, the leadership are more likely to favor stability (5). Secondly, majority of the organizations in the survey were in service sectors. The service providers are among the key players in the industry such as transportation, utilities, and others. The companies in this sector experience low competition among SOEs and private-owned companies and they are well supported by the government (60). However, this situation often leads to complacency that reduce the drive to seek opportunity and to

innovate, and is more likely to be risk averse (12,61).

Despite the essential role of EO in influencing performance of organizations (5,14), however as shown in Table 7 not all dimensions of EO influenced performance which is consistent with other research (5,53). It can be concluded from the findings of this study that innovativeness is the most relevant dimension of EO in predicting both business and social simultaneously while proactiveness is important in influencing business performance. Thus, this implies that combination of innovativeness and proactiveness would help organizations in improving profitability, efficiency, productivity, and market share and simultaneously create public values by improving its welfare toward the employees and societies.

6. RESEARCH IMPLICATIONS

This study adds new knowledge to the existing literature on the role of EO in influencing the achievement of performance of organizations from business and social aspect simultaneously. This study is based on the approach that explore EO as multidimensional consist of innovativeness, proactiveness and risk-taking. Although many researchers concurred that EO should be treated as single construct (14,35), however based on the literature there a variation in the impact of each of EO dimensions (37). The findings of this study signify that combination of innovativeness and proactiveness of EO are essential for value creation process that will benefit all the stakeholders as the findings revealed that innovativeness has the highest effect on social performance while proactiveness on business performance. This can be achieved by being the leader in new product of services development, leveraging on current technology and reengineering old process and procedures.

Furthermore, research that investigate the effect of EO in the context of SOEs' performance is still limited in literature. Additionally, this study is among the first to investigate the role of EO as multidimensional construct in influencing business and social performance simultaneously in the context of SOEs. This study provides empirical evidence on which EO dimensions that should be the focus area in order for organizations to enhance the value creation process and to fulfill the interest of all stakeholders. Moreover, by examining EO dimensions as dynamic capability and its

importance in value creation process, the empirical findings of this study contribute new knowledge to the RBV and EO literature.

Furthermore, this study provides new insight to the policy makers and the management of SOEs on how to improve the value creation process and therefore meeting the business and social goals. Although business and social goals are arguably in literature in conflict with each other (5,9,27), the findings of study signify that by increasing EO capability especially in innovativeness and proactiveness aspect of EO will help organizations in finding solutions to every problem or conflict. By improving the achievement of business and social goals through EO implies that the interest of all stakeholders can be met simultaneously. The role of EO in resolving conflict between business and social goals has been long noted by researchers (20)(cite). Moreover, through EO, it will encourage organizations to proactively explore new approaches and look for new opportunities simultaneously to increase the effectiveness in meeting organizational goals.

As a whole, SOEs should invest more in developing EO since the findings of this study that is supported by various research indicate that EO is critical in improving performance of organizations. Since the findings of this study indicate that innovativeness and proactiveness are more functional in predicting business performance. This suggest that the management of SOEs should increase the level of innovativeness and constantly create new values such as to experiment in developing new product or service, new market and be more proactiveness in seeking opportunities which can be transformed into values that benefits the stakeholders.

7. LIMITATION AND FUTURE RESEARCH

This study has several limitations which in turn present opportunities for future research. This study used cross sectional design where data is collected at specific point of time. The cross sectional design is limited in establishing the causal effect relationship. Therefore, longitudinal study can be applied for future research as it allows detection of any changes and provides clearer understanding of the findings which is more useful to achieve the objective of this study. Additionally, the business and social performance are measured based on respondents' perceptions where they may be bias in answering the survey. In would be more

insightful if factual data on GLCs performance which is based on published report is used to compare with the survey data of this study. Moreover, this study is also limited by relatively small numbers of GLCs that may also affect the outcomes of this study.

Furthermore, as mentioned earlier that the study of the impact of EO on business and social performance relationship has been carried out in various context. This study is an effort to find a solution to the conflict between business and social performance faced by most organizations, especially the SOEs through EO. There is a future research opportunity since research that explore the effects of EO dimensions on business and social performance simultaneously is still limited in literature. Moreover, qualitative research can be applied to gauge deeper understanding of the issues of conflicting priorities of SOEs and the extent to which EO can resolve the issues. Moreover, the subjective measure of qualitative research can be used to complement the objective findings of this study.

In addition, the role of EO in influencing business and social performance can be further refined by including other types of unit analysis such as the lower and middle management levels to obtain different perception on the role of EO in organizations. Moreover, the current unit analysis which is the top level management may overstate their survey responses. Lastly, the conceptual model of this study focuses on EO dimensions as the independence variables. It would be more meaningful if the model is further expanded by including moderator or mediator.

8. CONCLUSION

EO has been recognized as an essential factor that influence dual performance. However, the literature is still uncertain about the relationship of each dimension of EO with business and social performance. Therefore, this study will fill this void by examining EO as multidimensional construct and examined the direct effect of innovativeness, proactiveness and risk taking on business and social performance. For this purpose, this study uses Malaysian SOEs (GLCs) as the background of research since it has been established for several decades and has gone through various economic and political situations.

The findings of this study support prior views that EO dimensions differ in their effect on firm performance. Moreover, the study confirmed that there is a direct positive effect of innovativeness on business and social performance, and the effect of proactiveness on business performance. This suggests that more focus should be given to increase innovativeness to create values for all the stakeholders while proactiveness is useful in creating values for the shareholders. This also implies innovativeness and proactiveness can complement with other to strengthen the value creation process. In conclusion, the findings of this research contributed new knowledge to the vast literature, and for future, research model should include other factors including moderator or mediator to provide a better understanding of the complexity in value creation process by SOEs.

REFERENCES:

- [1] N.A. Rahman, M.W.M. Razali, "Board Characteristics and Firm Performance: Malaysia's Government-Linked Companies (GLCS) Compliance to Green Book", *International Journal of Academic Research in Business and Social Sciences*, Vol. 9, No. 1, 2019, pp. 174–90.
- [2] M.I. Asnawi, B.N. Nasution, N. Sirait, Sunarmi, "State-Owned Enterprise Financial Governance: Dilemma of State Wealth Separation", *IOP Conference Series*, 2020, pp. 3–8.
- [3] N. Nazaruddin, R.M. Yunos, N.S.M Razi, "Capital Structure of Malaysian Government Linked Companies During the GLC Transformation Program", *International Conference on Accounting Studies (Icas)* 2017, 2017, pp. 52–8.
- [4] M. Zhu, Y. Qi, D. Belis, J. Lu, B. Kerremans, "The China Wind Paradox: The Role of State-Owned Enterprises in Wind Power Investment Versus Wind Curtailment", *Energy Policy*, Vol. 127 (October 2018), 2019, pp. 200–12.
- [5] I.A. Putra, R. Rofiaty, D. Djumahir, "Investigating the Influence of Entrepreneurial Orientation and Transformational Leadership on Organizational Performance With the Mediation of Innovation: Evidence from a State-Owned Electricity Company in Indonesia", *International Journal of Innovation Management*. Vol.24, No. 7, 2020.
- [6] A. Calabrò, G. Campopiano, R. Basco, T. Pukall, "Governance Structure and Internationalization of Family-Controlled Firms: The Mediating Role of International Entrepreneurial Orientation", *European Man. J.*, Vol. 35, No. 2, 2017, pp. 38–48.
- [7] S.S. Alzahrani, "Role of Entrepreneurial Orientation in Firm Performance Through Project Success; Moderating Role of Absorptive Capacity in SMEs of KSA", *International Journal of Advanced and Applied Sciences*; Vol. 8, No. 7, 2021, pp. 14–22.
- [8] P. Susanto, M.E. Hoque, N.U. Shah, A.H. Candra, N.M.H.N. Hashim, N.L. Abdullah, "Entrepreneurial Orientation and Performance of SMEs: The Roles of Marketing Capabilities and Social Media Usage", *Journal of Entrepreneurship in Emerging Economies*, Vol. 15, No. 2, 2023, pp. 379–403.
- [9] M. Mbo, C. Adjasi, "Drivers of Organizational Performance in State Owned Enterprises", *International Journal of Productivity and Performance Management*, Vol. 66, No. 3, 2017, pp. 405–23.
- [10] E.K. Bothale, "Corporate Governance in State-Owned Enterprises in Lesotho", *Social Responsibility Journal*, Vol. 17, No. 3, 2020, pp. 429–443.
- [11] F. Marimuthu, "Government Assistance to State-Owned Enterprises: A Hindrance to Financial Performance", *Investment Management Finance Innovations*, Vol. 17, No. 2, 2020, pp. 40–50.
- [12] H. Wu, B. Xu, "Did State-Owned Enterprises Do Better During COVID-19? Evidence From a Survey of Company Executives in China", *Journal of Economic and Business*, Vol 115, 2021.
- [13] Z. She, Q. Li, J. Zhou, "How CEO Workaholic Influences Firm Performance: The Roles of Collective Organizational Engagement and TMT Power Distance", *Frontiers in Psychology*, Vol. 12, 2021, pp. 1–10
- [14] J. Tang, Z. Tang, B.J. Cowden, "Exploring the Relationship Between Entrepreneurial Orientation, CEO Dual Values, and SME Performance in State-Owned vs. Nonstate-Owned Enterprises in China", *Entrepreneurship Theory and Practice*, Vol. 41, No. 6., 2017, pp. 883–908.

- [15] U. Sedyowidodo, F. Basbeth, E.T. Sule, "Entrepreneurial Orientation and Business performance: The Mediating Role of Organizational Learning and Innovation in State Owned Enterprise (SOE) in Indonesia", *Journal of Engineering and Applied Sciences*, Vol. 12, No. 2, 2017, pp. 417–29.
- [16] J. Barney, "Firm Resources and Sustained Competitive Advantage", *Journal of Management*, Vol. 17, No. 1, 1991, pp. 99–120.
- [17] I. Khan, T. Bashir, "Market Orientation, Social Entrepreneurial Orientation, and Organizational Performance: The Mediating Role of Learning Orientation", *Iranian journal of Management Studies*, Vol. 13, No. 4, 2020, pp. 673–703.
- [18] R.J. Correia, J.G. Dias, M.S. Teixeira, S. Campos, "Building Competitive Advantages and Business Success: the Role of Learning Orientation, Reward Systems and Entrepreneurial Orientation", *European Business Review*, Vol. 35, no. 1, 2023, pp.92–119.
- [19] Y.H. Al-Mamary, M.A. Alwaheeb, N.G.M. Alshammari, M. Abdulrab, H. Balhareth, Soltane H Ben, "The Effect of Entrepreneurial Orientation on Financial and Non-Financial Performance in Saudi Smes: A review", *Journal of Critical Review*, Vol 7, No.4, 2020, pp. 200–8.
- [20] L.E. Valdez-Juárez, D. Gallardo-Vázquez, E.A. Ramos-Escobar, "Entrepreneurial Orientation and CSR: A Dynamic Capability in the Corporate Performance of Mexican SMEs", *Entrepreneurship and Sustainability Issues*, Vol. 8, No. 3, 2021, pp. 654–80.
- [21] S.H. Khan, A. Majid, M. Yasir, A. Javed, H.A. Shah, "The Role of Social Capital in Augmenting Strategic Renewal of SMEs: Does Entrepreneurial Orientation and Organizational Flexibility Really Matter?", *World Journal of Entrepreneurship, Management and Sustainable Development*, Vol. 17, No. 2, 2020, pp. 227–45.
- [22] D. Miller, "The Correlates of Entrepreneurship in Three Types of Firms", *Management Science*, Vol. 29, No. 7, 1983, pp. 770–91.
- [23] G.T. Lumpkin, G.G. Dess, "Clarifying the Entrepreneurial Orientation Construct and Linking It to Performance", *Academic of Management Review*, Vol. 21, No. 1, 1996, pp. 135–72.
- [24] N. Venkatraman, V. Ramanujam, "Measurement of Business Performance in Strategy Research: A Comparison of Approaches", *Academy of Management Review*, Vol. 11, No.4, 1986, pp. 801–14.
- [25] Y.H. Cho, J.H. Lee, "Entrepreneurial Orientation, Entrepreneurial Education and Performance", *Asia Pacific Journal of Innovation and Entrepreneurship*, Vol. 12, No. 2, 2018, pp. 124–34.
- [26] L. Brändle, S. Golla, A. Kuckertz, "How Entrepreneurial Orientation Translates Social Identities into Performance", *International Journal of Entrepreneurial Behavior and Research*, Vol. 25, No. 7, 2019, pp. 1433–51.
- [27] A. Gupta, S. Kumar, "Comparing the Performance of Public and Private Enterprises: Case for a Reappraisal – Evidence From India", *International Journal of Public Sector Management*, Vol. 34, No. 1, 2021, pp. 87–100.
- [28] A. Fontana, S. Musa, "The Impact of Entrepreneurial Leadership on Innovation Management and Its Measurement Validation", *International Journal of Innovation Science*, Vol, 9, No.1, 2017, pp. 2–19.
- [29] A.B. Lopes de Sousa Jabbour, N.O. Ndubisi, B.M. Roman Pais Seles, "Sustainable Development in Asian Manufacturing SMEs: Progress and Directions", *International Journal of Production Economics*, Vol. 225 (July 2019), 2020.
- [30] A. Naderi, L. Nasrolahi Vosta, A. Ebrahimi, M.R. Jalilvand, "The Contributions of Social Entrepreneurship and Transformational Leadership to Performance: Insights from Rural Tourism in Iran", *International Journal of Sociology and Social Policy*, Vol. 39, No. 9, 2019, pp. 719–37.
- [31] R. Kusa, "Measuring Entrepreneurial Orientation in the Social Context", *Entrepreneurial Business and Economics Review*, Vol. 4, No. 3, 2016, pp.117–29.
- [32] R.N. Sari, D. Junita, R. Anugerah, S.T. Nanda, "Social Entrepreneurship, Transformational Leadership and Organizational Performance: The Mediating Role of Organizational learning", *Polish Journal of Management Studies*, Vol. 23, No. 2, 2021, pp. 464–80.

- [33] P. Escamilla-Fajardo, J.M. Núñez-Pomar, F. Calabuig, "Does Size Matter? Entrepreneurial Orientation and Performance in Spanish Sports Clubs", *Sport in Society*, 2021, pp. 1–19.
- [34] S.H. Singh, B. Bhowmick, D. Eesley, B. Sindhav, "Grassroots Innovation and Entrepreneurial Success: Is Entrepreneurial Orientation a Missing Link?" *Technological Forecasting and Social Change*, Vol. 164 (February 2019), 2021.
- [35] J.M. Phillips, J.H. Kang, D.Y. Choi, G.T. Solomon, "Transformational Leadership and Attorneys' Performance in Law Firms: An Examination of Multilevel Moderated Mediation", *International Journal of Entrepreneurial Behaviour and Research*, Vol. 26, No. 4, 2020, pp. 749–70.
- [36] G.T. Lumpkin, W.J. Wales, M.D. Ensley, "Entrepreneurial Orientation Effects on New Venture Performance: The Moderating Role of Venture Age", *Knowledge, Action and the Public Concern*, 2006; pp. 1–7.
- [37] F. Hernández-Perlines, M.A. Ibarra Cisneros, D. Ribeiro-Soriano, H. Mogorrón-Guerrero., "Innovativeness as a Determinant of Entrepreneurial Orientation: Analysis of the Hotel Sector", *Economic Research-Ekonomska Istrazivanja*, Vol. 33, No.1, 2020, pp. 2305–2321.
- [38] H. Hartelina, "The Dimensions of Entrepreneurial Orientation and Its Impact on Business Performance", *Advance Economics and Business Management Research*, 2016;15, pp.898–902.
- [39] W. Loong Lee, A.L. Chong, T. Ramayah, "The Effects of Entrepreneurial Orientation on the Performance of the Malaysian Manufacturing Sector", *Asia-Pacific Journal of Business Administration*, Vol. 11, No. 1, 2019, pp. 30–45.
- [40] P.M. Podsakoff, S.B. MacKenzie, J.Y. Lee, N.P. Podsakoff, "Common Method Biases in Behavioral Research: A Critical Review of the Literature and Recommended Remedies", *Journal of Applied Psychology*, Vol. 88, No.5, 2003, pp. 879–903.
- [41] J.G. Covin, D.P. Slevin., "Strategic Management of Small Firms in Hostile and Benign Environments", *Strategic Management Journal*, Vol. 10, No.1, 1989, pp.75–87.
- [42] M.S. Kim, B. Thapa, "Relationship of Ethical Leadership, Corporate Social Responsibility and Organizational Performance", *Sustainability (Switzerland)*, Vol. 10, No. 2, 2018.
- [43] Q. Zhu, J. Liu, K.H. Lai, "Corporate Social Responsibility Practices and Performance Improvement Among Chinese National State-Owned Enterprises", *International Journal of Production Economics*, Vol. 171, pp. 417-426.
- [44] The Putrajaya Committee on GLC High Performance (PCG), "GLCs Successfully Complete and Graduate from 10 Year GLC Transformation Programme", *The Putrajaya Committee on GLC High Performance (PCG)*. 2015 [cited 2021 Oct 21]. Available from: <https://www.khazanah.com.my/media/uploads/2020/02/glc10.pdf>
- [45] J.F. Hair, M.H. Tomas, C. Ringle, M. Sarstedte, "A Primer on Partial Least Squares Structural Equation Modeling (PLSM-SEM)", 2nd Ed. SAGE Publications Inc. Sage Publications; 2017.
- [46] C. Fornell, D.F. Larcker, "Evaluating Structural Equation Models with Unobservable Variables and Measurement Error", *Journal of Marketing Research*, Vol. 18, No. 1, 1981, pp. 39–50.
- [47] J.F. Hair, G.T.M. Hult, C.M. Ringle, M. Sarstedt, "A Primer on Partial least Squares Structural Equation Modeling", SAGE Publications Ltd., 2014.
- [48] J.F. Hair, J.J. Risher, M. Sarstedt, C.M. Ringle, "When to Use and How to Report the Results of PLS-SEM", *European Business Review*, Vol. 31, No. 1, 2019, pp. 2–24.
- [49] J. Álvarez-García, E. Hormiga-Pérez, P.O. Sarango-Lalangui, del Río-Rama M de la C., "Leaders' Sustainability Competences and Small and Medium-Sized Enterprises Outcomes: The Role of Social Entrepreneurial Orientation", *Sustainable Development*, Vol. 30, No.5, 2022; pp. 927–43.
- [50] S. Chang, M. Jeong., "Does Leadership Matter in Performance of Social Enterprises in sSouth Korea?", *Sustainability (Switzerland)*, Volume 13, No. 20, 2021, pp. 1–19.
- [51] N.T. Loan, M. Brahmi, L.T. Nuong, L.T. Binh, "Do Innovation and Proactiveness Impact the Business Performance of Women-Owned sSmall and Medium-Scale Enterprises in Vietnam? A study using the PLS-SEM approach", *Nurture*, Vol. 17, No. 3, 2023, pp.253–71.

- [52] E. Yadegaridehkordi, B. Foroughi, M. Iranmanesh, M. Nilashi, M. Ghobakhloo, "Determinants of Environmental, Financial, and Social Sustainable Performance of Manufacturing SMEs in Malaysia", *Sustainable Production Consumption*, Vol. 35, 2023, pp.129-149.
- [53] R. Basco, F. Hernández-Perlines, M. Rodríguez-García, "The Effect of Entrepreneurial Orientation on Firm Performance: A Multigroup Analysis Comparing China, Mexico, and Spain", *Journal of Business Research*, Vol. 113, 2020, 409-421.
- [54] J. Rezaei, R. Ortt, "Entrepreneurial Orientation and Firm Performance: the Mediating Role of Functional Performances", *Management Research Review*, Vol. 41, No 7, 2018, pp. 878–900.
- [55] J. Seo, J. Lee, S. Jung, S. Park, "The Role of Creating Shared Value and Entrepreneurial Orientation in Generating Social and Economic Benefits: Evidence from Korean SMEs", *Sustainability (Switzerland)*, Vol. 5, No. 7, 2023.
- [56] M.A. Ibarra-Cisneros, J.B. Vela-Reyna, E.I. Ríos-Nequis, "The Link Between Entrepreneurial Orientation, Total Quality Management and Corporate Social Responsibility", *Tourism and Hospitality Management*, Vol. 28, No. 2, 2022, pp. 315–42.
- [57] N. Cong Phuong, T. Dinh Khoi Nguyen, H. Phuoc Vu, "Politics and Institution of Corporate Governance in Vietnamese State-Owned Enterprises", *Management Auditing Journal*, Vol. 35, No 5, 2020, pp. 667–84.
- [58] K.S. Redding, E. Xie, Q. Tang, "Institutionalization to Internationalization: The Transformational Dynamics and Outward Foreign Direct Investment of State-Owned Enterprises", *International Journal of Public Sector Management*, Vol. 31, No. 2, 2018, pp. 241–64.
- [59] F. Donkor, D. Zhou, "Complexity leadership theory: A Perspective for State-Owned Enterprises in Ghana", *International Journal of Education Leadership and Management*, Vol. 7, No. 2, 2019, page 39–70.
- [60] W. Apriyantopo, A. Aprianingsih, M.L. Kitri, "State-Owned Enterprises' Performance in Indonesia: a Strategic Typology Perspective", *Competitiveness Review*, Vol. 33, No. 4, 2022, pp. 759–786.
- [61] H. Yang, H.K. Steensma, T. Ren, "State Ownership, Firm Innovation and the Moderating Role of Private-sector Competition: the Case of China", *Competitiveness Review*, Vol. 31, No. 4, 2020, pp. 729–46.