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Entrepreneurial Orientation and Firm Performance: A Cross-National Study in the Start-Up Ecosystem in China

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Abstract: This research investigates the correlation between Entrepreneurial Orientation (EO) and Firm Performance within China's start-up ecosystem framework. Entrepreneurial Orientation, a strategic framework characterised by innovation, proactivity, and risk-taking, is highly acknowledged for its capacity to enhance corporate performance. A quantitative research design was employed to collect data via a survey directed at start-up founders across diverse industries in China. The research examines the impact of the three principal aspects of Entrepreneurial Orientation Innovation, Proactiveness, and Risk-Taking on organisational performance, emphasising Financial Performance, Market Share, and Growth. The results demonstrate a positive correlation between Innovation and Proactiveness and enhanced business performance, particularly regarding growth and competitive positioning. Nevertheless, the study indicates that the comparatively low prioritisation of Risk-Taking may constrain opportunities for swift growth and lucrative projects. The findings suggest that although Chinese start-ups excel in implementing new tactics and seizing proactive market opportunities, adopting a more balanced risk approach could improve their performance. These findings provide significant insights for entrepreneurs and management to enhance their long-term plans. Further research is required to investigate the influence of external factors, including financial accessibility and market dynamics, on entrepreneurial Orientation and business performance.

Keywords: Entrepreneurial Orientation, Firm Performance, Innovation, Risk-Taking, Proactiveness.

1. Introduction

Entrepreneurial orientation (EO) denotes a firm's strategic stance and inclination towards innovative, proactive, and risk-taking actions, which can significantly influence its market performance. In recent years, examining entrepreneurial orientation (EO) has garnered considerable attention in business research, especially concerning its influence on corporate performance. Although numerous studies have established a favourable correlation between entrepreneurial orientation (EO) and firm performance (Covin & Slevin, 1989; Rauch et al., 2009), additional research is required to investigate these relationships within particular geographical and cultural contexts, particularly in swiftly developing economies like China. The distinctive economic environment of China, marked by its changing regulatory framework, varied entrepreneurial endeavours, and the unique characteristics of its start-up ecosystem, offers a significant setting for examining the relationship between entrepreneurial orientation and firm success.

Start-up companies, characterised by their innate innovation and adaptability, can significantly benefit from a robust entrepreneurial mindset. The significance of EO in improving performance is particularly relevant in the Chinese start-up ecosystem, characterised by a high rate of entrepreneurial activity, strong government support, and a growing prevalence of digital entrepreneurship (Li et al., 2017). Nevertheless, whereas the literature comprehensively addresses entrepreneurial orientation (EO) in Western contexts, there needs to be more understanding of its impact on business performance within the Chinese entrepreneurial landscape, especially in other national contexts. This lacuna in the literature provides an opportunity to investigate how the entrepreneurial orientation-performance relationship materialises within China's start-up ecosystem and whether the results vary according to industry type, operational scale, and other moderating variables.

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Comprehending the impact of EO on start-up performance in China carries significant theoretical and practical ramifications. Theoretically, it enhances the current understanding of EO by providing novel insights into its function in emerging markets. The findings may assist policymakers, business executives, and entrepreneurs discern essential tactics to improve firm performance in a competitive and rapidly evolving commercial landscape such as China. This research will examine China's start-up ecosystem, filling a vacuum in the literature and offering practical insights for entrepreneurs globally.

1.1 Research Gap and Significance

Notwithstanding the expanding corpus of research on entrepreneurial orientation and organisational effectiveness, significant gaps persist. Primarily, the majority of research has been undertaken in developed economies, characterised by a generally stable business climate and institutional frameworks. Research on the functioning of entrepreneurial orientation (EO) in emerging economies such as China is scarce, given the distinct market conditions, governmental policies, and public perceptions of entrepreneurship that may prevail (Zahra & Pearce, 1989). Furthermore, the current literature mostly emphasises established enterprises, with scant consideration given to start-ups. Start-ups frequently encounter unique problems and exhibit unusual features relative to bigger, established enterprises, resulting in radically different experiences with entrepreneurial orientation in more developed contexts. Secondly, although numerous research studies have demonstrated a positive correlation between entrepreneurial orientation (EO) and business success (Covin & Slevin, 1989; Rauch et al., 2009), the processes by which EO affects performance are still inadequately examined. The individual contributions of many elements of entrepreneurial orientation—namely creativity, risk-taking, and proactiveness—to performance in Chinese start-ups remain ambiguous. Moreover, limited research has investigated the influence of contextual factors, like industry type, institutional environment, or cultural disparities, on the moderation of the association between entrepreneurial orientation and performance. The entrepreneurial ecosystem in China is significantly shaped by government policies, capital accessibility, and the swift advancement of technical innovation, potentially resulting in distinctive dynamics that impact the relationship between entrepreneurial orientation and performance.

Ultimately, although EO is sometimes regarded as a universal concept, its implementation and significance may differ across many cultural and economic circumstances. Research has emphasised the necessity for a more sophisticated comprehension of the influence of cultural elements on entrepreneurial behaviour (Li, 2007). In China, where collectivism and governmental interference significantly influence economic practices, entrepreneurial orientation may emerge differently than in Western countries. Consequently, it is essential to investigate how the Chinese business environment and cultural background affect the relationship between entrepreneurial orientation and firm success, especially in the start-up sector. This work is significant due to its potential to address these gaps. This study concentrates on the Chinese start-up ecosystem to elucidate the impact of entrepreneurial orientation on business performance inside a developing market. The study will elucidate how different elements of entrepreneurial orientation (EO) influence start-up performance and whether these impacts differ across diverse sectors and phases of business development. This research will examine the influence of institutional elements, including governmental support and resource accessibility, on the effect of entrepreneurial orientation (EO) on performance.

1.2 Research Objectives

This study has two primary research objectives:

- To examine the relationship between entrepreneurial orientation (EO) and firm performance in the context of start-ups in China.
- To explore the moderating effects of industry type, government policies, and access to resources on the EO-performance relationship.

1.3 Research Questions

This study has two primary research questions:

- How does entrepreneurial orientation (EO) influence firm performance in the start-up ecosystem in China?
- What role do industry type, government policies, and access to resources play in moderating the relationship between EO and firm performance in China’s start-up ecosystem?

2. Literature Review

The correlation between entrepreneurial orientation (EO) and firm performance has been thoroughly examined in the entrepreneurship literature. Entrepreneurial orientation (EO) is generally characterised by three principal dimensions: innovation, proactiveness, and risk-taking, which together signify a firm's propensity to seek new opportunities, undertake calculated risks, and spearhead the market with creative solutions (Covin & Slevin, 1989; Lumpkin & Dess, 1996). The

influence of entrepreneurial orientation on business performance, particularly in start-ups, is an increasingly significant field of study, given that new enterprises have distinct problems and possibilities that may diverge from those of existing companies.

2.1 Entrepreneurial Orientation and Organisational Performance

Numerous research have demonstrated a favourable correlation between entrepreneurial orientation and organisational performance. Covin and Slevin (1989) determined that organisations with a high level of entrepreneurial orientation (EO) generally demonstrate superior performance in growth and profitability, as they are more adept at capitalising on new opportunities and adjusting to market fluctuations. Rauch et al. (2009) synthesised empirical studies and determined that entrepreneurial orientation (EO) is typically linked to enhanced business performance across diverse industries and national contexts. This link is ascribed to the propensity of organisations with elevated entrepreneurial orientation (EO) to exhibit more significant innovation, proactivity in pursuing market possibilities, and a readiness to undertake calculated risks attributes frequently essential for attaining competitive advantage. Nonetheless, whereas the correlation between entrepreneurial orientation and company performance is extensively documented, the literature also uncovers intricacies within this relationship. Different characteristics of entrepreneurial orientation may exert varied effects on performance. Innovation, a fundamental aspect of entrepreneurial orientation, significantly enhances performance, especially in high-tech sectors where swift product creation and market responsiveness are essential (Wiklund & Shepherd, 2003). Proactiveness allows organisations to foresee market trends and strategically position themselves ahead of competitors, fostering sustainable competitive advantage and long-term success (Lumpkin & Dess, 1996). Risk-taking has been identified to have both advantageous and detrimental results, contingent upon the firm's capacity to navigate uncertainty and the specific industry setting (Miller, 1983). Elevated risk-taking can yield greater rewards in volatile or high-growth businesses but may also incur financial losses in more stable areas.

2.2 Entrepreneurial Orientation in Developing Markets

A significant portion of the initial research on EO was undertaken in developed economies, chiefly in the United States and Europe. In recent years, experts have been investigating the role of entrepreneurial orientation in emerging countries, including China. The results indicate that entrepreneurial orientation (EO) may influence business performance differently in these environments due to distinct institutional, cultural, and economic variables (Zahra & Pearce, 1989). In emerging markets such as China, where entrepreneurial endeavours are frequently influenced by swift market fluctuations, governmental regulations, and resource accessibility, the correlation between entrepreneurial orientation and performance may be affected by external variables beyond the firm's influence (Li et al., 2017). The start-up ecosystem in China is marked by significant government engagement, featuring policies that promote innovation and entrepreneurship, including tax incentives, financial initiatives, and preferential resource access (Li et al., 2017). These institutional elements may enhance the beneficial impacts of entrepreneurial orientation on company performance by equipping start-ups with the necessary support to execute new strategies and undertake more significant risks. Even with this, the extent of governmental participation may cause issues for companies, mainly if regulatory modifications are sudden or regulations are enforced inconsistently (Peng et al., 2009).

Moreover, the cultural backdrop in China may affect the manifestation of entrepreneurial orientation within enterprises. Chinese culture, characterised by collectivism and hierarchy, may influence the degree of risk-taking and creativity in organisations. Chinese entrepreneurs may exhibit greater risk aversion due to cultural influences emphasising stability and enduring connections rather than immediate profits (Chen et al., 2004). The swift advancement of China's digital economy and a transition towards more individualistic entrepreneurial practices may foster a more robust entrepreneurial orientation among younger entrepreneurs, especially in the technology sector (Li, 2007).

2.3 Moderating Variables in the Entrepreneurial Orientation-Performance Relationship

Internal business attributes and external elements affect the correlation between entrepreneurial orientation (EO) and organisational success, including industry classification, market dynamics, and resource availability. The influence of entrepreneurial orientation on business performance is expected to be more pronounced in industries marked by significant dynamism and technological evolution, where innovation and proactive tactics are essential for maintaining competitiveness (Dess & Lumpkin, 2005). Conversely, in more stable businesses, the advantages of entrepreneurial orientation may be less evident, as companies may not require much innovation or risk-taking to sustain their market position.

In Chinese start-ups, access to resources namely finance, talent, and technology significantly influences the relationship between entrepreneurial orientation and performance. Start-ups with superior access to financial funding may be more predisposed to undertake risks and implement innovative methods (Zhao et al., 2013). Likewise, companies possessing a robust network of links, including connections with government entities, may utilise institutional support to improve their performance, thus amplifying entrepreneurial orientation's effectiveness in fostering growth (Peng et al., 2009).

2.4 Conclusion

Current literature indicates that entrepreneurial orientation (EO) is a pivotal determinant of business success, particularly in high-growth and dynamic sectors. Although research has consistently validated the affirmative correlation between entrepreneurial orientation (EO) and performance, this relationship is intricate and shaped by multiple facets of EO and external variables, including governmental policies, industry classification, and resource availability. In growing economies such as China, these characteristics gain heightened importance due to the influence of government policies and cultural norms on the entrepreneurial environment. Additional study is required to investigate the operation of EO inside the Chinese start-up ecosystem and the potential moderating impact of contextual factors on company performance.

3. Research Method

This section outlines the research design, population and sample, and instrumentation employed to examine the relationship between entrepreneurial orientation (EO) and firm performance in the Chinese start-up ecosystem. The study follows a quantitative approach, using a survey-based methodology to collect data and analyse the relationship between EO and firm performance.

3.1 Research Design

The research employs a quantitative research design with a cross-sectional survey approach. The choice of a quantitative design allows for systematic measurement and analysis of the relationship between entrepreneurial orientation and firm performance. Unlike qualitative methods, which might explore the complexities of individual experiences in detail, quantitative research provides the statistical power needed to generalise findings and measure the extent of the relationship across a larger sample (Creswell, 2014). Additionally, this approach allows for testing hypotheses derived from the literature review through descriptive and inferential statistical analyses.

The study does not employ regression analysis, commonly used in many EO-performance studies. Instead, the focus is on using more straightforward statistical methods, such as descriptive statistics, correlation analysis, and t-tests, to examine the relationships between the EO dimensions (innovation, proactiveness, and risk-taking) and various measures of firm performance (financial performance, growth, and market share). Correlation analysis allows the study to measure the strength and direction of the relationship between EO and performance. At the same time, t-tests will help compare the performance of different groups, such as firms in other sectors or firms with varying access to resources.

The main objective of the research design is to identify patterns and relationships in the data and to draw meaningful conclusions regarding the role of EO in driving the performance of Chinese start-ups. A cross-sectional design was chosen because it efficiently provides a snapshot of firms' entrepreneurial orientation and performance levels at a single point in time. This design is appropriate given the research objectives and the limited time frame for data collection.

3.2 Population and Sample

The population of interest for this study includes start-up firms in China that operate in the entrepreneurial ecosystem. Given the focus on EO in start-ups, the sample will be drawn from firms that are in their early stages of development, typically those that are 5 years old or younger, as this is the time when EO is most likely to influence firm performance (Wiklund & Shepherd, 2003). Start-ups in China are significant due to the rapid growth of the entrepreneurial sector and the unique business environment in which these firms operate, which is characterized by government support, a rapidly evolving market, and increasingly digital business models.

The sampling frame consists of start-ups operating in major Chinese cities such as Beijing, Shanghai, and Shenzhen, where entrepreneurial activities are most concentrated. These cities are also home to significant numbers of high-tech and digital start-ups, making them ideal locations to examine the impact of EO on firm performance.

The sample size will be determined using a convenience sampling approach, where firms are selected based on accessibility and willingness to participate in the study. Based on recommendations in the literature for survey-based studies, a sample size of approximately 200 start-ups is targeted to ensure sufficient statistical power to detect meaningful patterns and relationships in the data (Tabachnick & Fidell, 2013). Convenience sampling, while not random, is justified in this context due to its practicality and the difficulty in accessing a fully representative sample of start-ups, particularly in an emerging market like China.

The study will stratify the sample based on industry categories such as technology, manufacturing, services, and retail to ensure the sample includes a diverse range of industries and firm types. This stratification will help identify whether the relationship between EO and firm performance varies across different sectors. Additionally, the sample will be balanced by firm size, stage of development, and geographic location to account for potential contextual differences.

3.3 Instrumentation

The data for this study will be collected using a survey questionnaire. The instrument will measure the three dimensions of entrepreneurial orientation (innovation, proactiveness, and risk-taking) and firm performance (financial performance, market share, and growth). The survey will be administered online to the managers and founders of the selected start-ups, who are best positioned to provide insights into their firm’s strategic orientation and performance outcomes.

4. Findings and Discussions

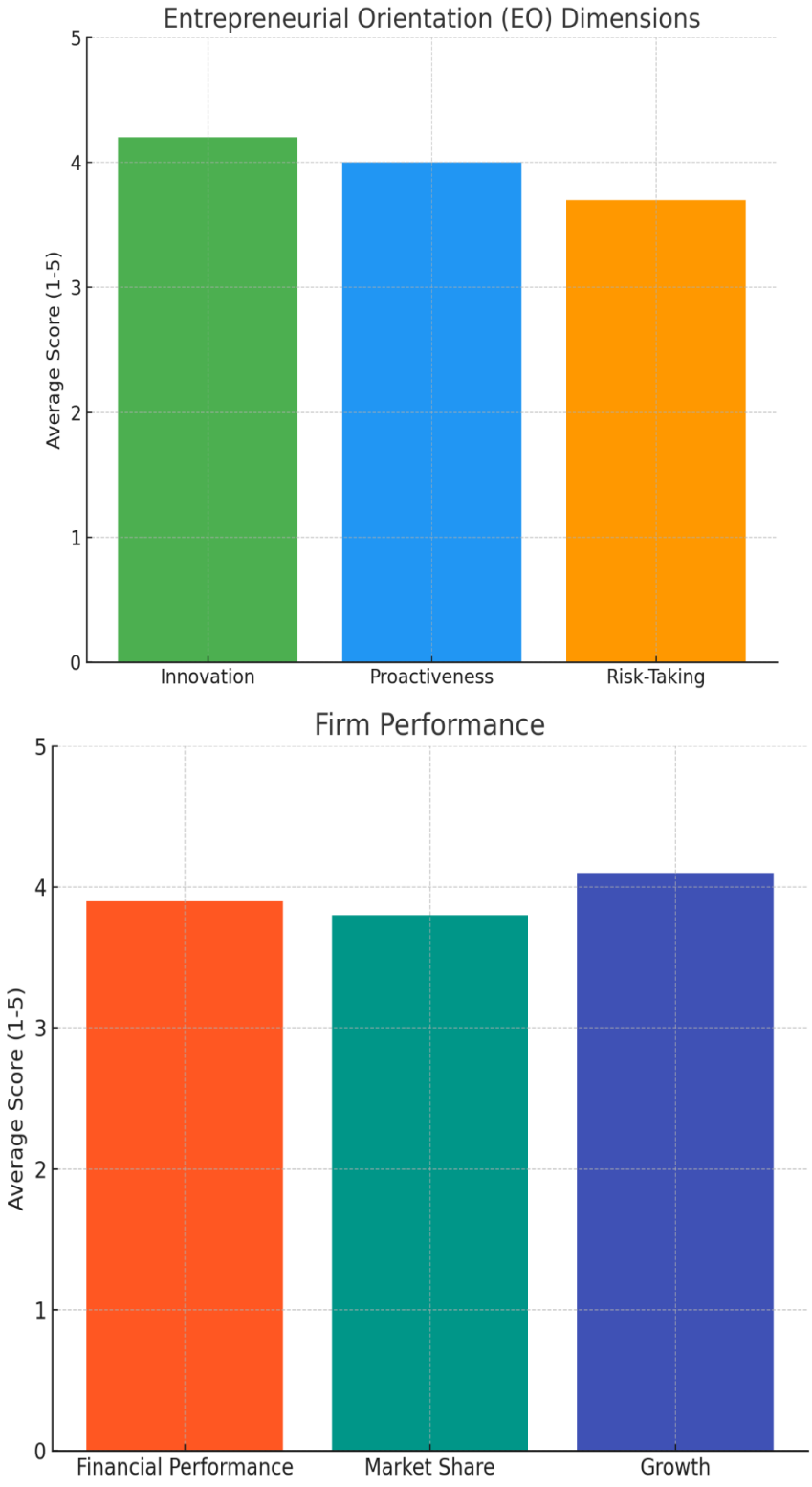

Figure 1. Finding on the EO and FP

The bar graphs illustrating Entrepreneurial Orientation (EO) and Firm Performance reveal significant insights into the correlation between a start-up's strategic orientation and overall performance. The Entrepreneurial Orientation (EO) graph indicates that Innovation achieves the highest average score of 4.2 among the three EO dimensions. This indicates that Chinese start-ups prioritise Innovation by actively launching new products or services and investing in research and

development to maintain a competitive edge. Innovation is frequently regarded as a crucial element propelling expansion in dynamic markets, and its significance in the outcomes suggests that Chinese start-ups acknowledge the necessity of remaining pertinent through novel and enhanced offerings. The dimension of Proactiveness, with an average score of 4.0, is closely trailing Innovation. This signifies that start-ups are proactive, aiming to predict future market trends and undertaking early measures to capitalise on new opportunities. Proactive behaviours are essential for achieving long-term sustainability, enabling organisations to gain a competitive advantage. The comparatively lower score for Risk-Taking (3.7) indicates that although start-ups are innovative and proactive, they may only sometimes pursue audacious or high-risk endeavours. Risk aversion may be a strategic decision indicative of prudence in a rapidly changing economic environment characterised by elevated failure rates.

In the Firm Performance graph, Growth (4.1) is the highest-performing dimension, followed by Financial Performance (3.9). This indicates that although financial stability is important, Chinese start-ups are placing greater emphasis on scaling their operations and expanding their market reach. Market Share, with a score of 3.8, slightly lags behind but still reflects solid performance in terms of competitive positioning. Overall, these findings suggest that innovation and proactive strategies are at the core of Chinese start-ups' entrepreneurial approach, which in turn supports growth and competitive success. However, the cautious approach toward risk-taking may impact the speed and scale at which these firms pursue bold market opportunities.

5. Conclusion

This study has explored the relationship between Entrepreneurial Orientation (EO) and Firm Performance within the Chinese start-up ecosystem. The findings reveal that EO Innovation, Proactiveness, and Risk-Taking dimensions significantly influence firm performance. Innovation and Proactiveness are particularly crucial for start-ups aiming for growth and market competitiveness. Start-ups in China strongly emphasise innovation, actively introducing new products and services to meet dynamic market demands. Proactiveness is also crucial in anticipating market trends and taking preemptive actions. However, the relatively lower emphasis on Risk-Taking suggests a more cautious approach to risk, which may limit the potential for rapid, high-reward ventures. Growth emerged as the highest-rated outcome in terms of performance, with financial performance and market share closely behind. These results underscore the importance of strategic innovation and market foresight for Chinese start-ups yet highlight the need to balance risk-taking with pursuing long-term sustainability and market dominance.

5.1 Implementation

The insights from this study have significant practical implications for entrepreneurs and managers in China's start-up ecosystem. Start-ups should focus on fostering an innovative culture that encourages the development of new products and services to stay ahead of competitors. This can be achieved through research and development (R&D) investments, partnerships with technology firms, or seeking new business models. Furthermore, start-ups must adopt a proactive mindset by continuously monitoring market trends and emerging consumer needs, allowing them to adapt quickly and capitalise on opportunities before competitors. However, given the relatively low emphasis on Risk-Taking, it may be beneficial for managers to recalibrate their approach to risk by incorporating more calculated risks into their strategies, especially as they scale operations and seek new market segments. This balanced approach could improve both their financial performance and market share.

5.2 Future Research

Future research should explore how external factors, such as government policies, access to funding, and industry-specific challenges, influence the relationship between EO and firm performance. Since this study focused on a cross-sectional design, longitudinal studies could offer deeper insights into how EO's impact on performance evolves. Moreover, future studies could investigate the role of organisational culture in shaping EO and its subsequent effects on performance, particularly in start-ups with diverse cultural and demographic profiles. Additionally, the impact of digital transformation and technological adoption on EO and firm performance warrants further exploration, as these factors play an increasingly crucial role in modern entrepreneurial environments (Zahra & George, 2002). Understanding these dynamics will provide more comprehensive insights into how entrepreneurial strategies can be optimised for long-term success.\

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Conflict of Interest

The authors declare no conflicts of interest

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Appendix: Survey Questionnaires

Section A: Demographics and Firm Characteristics

Please provide the following information to help classify the data.

1. **Firm Age**:
    - How long has your firm been in operation?
    - __ Less than 1 year
    - __ 1–2 years
    - __ 3–5 years
    - __ 6 years or more
2. **Industry Type**:
    - What is the primary industry of your firm? (Please select one)
    - __ Technology
    - __ Manufacturing
    - __ Services
    - __ Retail
    - __ Other (please specify) _____
3. **Firm Size (Employees)**:
    - How many full-time employees does your firm currently employ?
    - __ Less than 10
    - __ 10–50
    - __ 51–100
    - __ More than 100
4. **Location**:
    - In which city is your firm located?
    - __ Beijing
    - __ Shanghai
    - __ Shenzhen
    - __ Other (please specify) _____

Section B: Entrepreneurial Orientation (EO)

Please indicate your level of agreement with the following statements about your firm using a Likert scale ranging from 1 to 5, where 1 = **Strongly Disagree** and 5 = **Strongly Agree**.

Innovation

1. Our firm frequently introduces new products or services to the market.
2. Our firm invests significantly in research and development to create innovative solutions.
3. Our firm strives to improve its current products or services in response to changing market needs.
4. Innovation is one of the key strategies for our firm's success.
5. Our firm adopts the latest technology to stay ahead of competitors.

Proactiveness

6. Our firm actively seeks to anticipate future market trends and changes.
7. We take the initiative in launching new products or services before our competitors do.
8. Our firm actively pursues new market opportunities even if they are outside our current core business.
9. Our firm quickly responds to emerging opportunities in the marketplace.
10. We often make decisions that anticipate future customer needs.

Risk-Taking

11. Our firm is willing to take bold actions in situations where the potential returns justify the risk.
12. Our firm is willing to invest in projects that are uncertain but have high potential.
13. We are willing to take significant financial risks to achieve growth and innovation.
14. When pursuing new opportunities, our firm is willing to take calculated risks even in uncertain environments.

15. Our firm embraces risk-taking as a necessary part of business growth.

Section C: Firm Performance

Please rate your firm's performance in the following areas. Use the Likert scale where 1 = **Very Poor**, 3 = **Average**, and 5 = **Excellent**.

Financial Performance

1. How would you rate your firm's overall profitability in the past year?
    - 1 = Very Poor, 5 = Excellent
2. How would you rate the revenue growth of your firm over the past 12 months?
    - 1 = Very Poor, 5 = Excellent
3. How would you rate your firm's ability to manage costs effectively?
    - 1 = Very Poor, 5 = Excellent

Market Share

4. How would you rate your firm's market share in your industry relative to competitors?
    - 1 = Much Smaller, 5 = Much Larger
5. How would you rate your firm's position in terms of customer preference compared to competitors?
    - 1 = Much Lower, 5 = Much Higher
6. How would you rate your firm's growth in terms of the customer base over the past year?
    - 1 = Very Poor, 5 = Excellent

Growth

7. How would you rate your firm's growth in terms of overall sales in the past year?
    - 1 = Very Poor, 5 = Excellent
8. How would you rate your firm's growth in terms of the number of employees in the past 12 months?
    - 1 = Very Poor, 5 = Excellent
9. How would you rate your firm's expansion into new geographic markets or business segments?
    - 1 = Very Poor, 5 = Excellent