The Relationship Among Learning Orientation, Market Orientation, Entrepreneurial Orientation, and Firm Performance of Vietnam Marketing Communications Firms

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This paper examines the relationship among learning orientation, market orientation and entrepreneurial orientation and how these affect firm performance in a transition economy like in Vietnam. A model incorporating the key determinants was tested with a sample of 642 owners, senior managers and CEOs in Vietnam marketing communications firms. Structural equation modeling (SEM) was used to analyze the collected data. The results showed that entrepreneurial orientation and market orientation have a positive impact on firm performance. However, the relationship between learning orientation and firm performance in Vietnam marketing communications firms is not significant. In addition, the results also suggest that senior managers, CEOs, as well as owners in Vietnam marketing communications firms should recognize the importance of concepts in dynamic capabilities to improve their competitiveness into the market-orientation economy. A major limitation of this study is the examination of only three concepts that impact on Vietnam marketing communications firm performance: entrepreneurial orientation, market orientation and learning orientation. Several other concepts of dynamic capabilities may be investigated in other industries apart from marketing communication firms.

Keywords: learning orientation, market orientation, entrepreneurial orientation, firm performance, marketing communications

1 Introduction

Marketing communications industry is relatively new in Vietnam. Marketing and communications, in general, have played an important role in fostering Vietnam’s economic growth and transformation toward a stronger market-orientation. Managers should behave more entrepreneurially in order to improve or maintain their firm performance. Lumpkin and Dess (1996) suggested that internal and external factors of the firm may relate to the relationship between entrepreneurial orientation (EO) and firm performance. Multinational companies dominate the Vietnamese marketing communications industry, however, foreign companies lack a deep understanding of Vietnamese local culture and consumer behavior insights. On one hand, effective engineering solutions require the use of deep understanding and insight about the customer (Clark & Wheelwright, 1993). Consequently, firms that want to gain sustainable competitive advantage would have strong market orientation that creates superior values to customers (Baker & Sinkula, 1999; Celuch, Kasouf, & Peruvemba, 2002; Hult, Hurley, & Knight, 2004; Cavusgil, 2001). On the other hand, the staff and department leaders recognize the usefulness of learning experience from their senior managers and board management. Learning within the organization enhances internal learning orientation, which is positively related to organizational performance (Baker & Sinkula, 1999).

Several research show that learning orientation and market orientation have positive, synergistic effects on firm performance in a transitional economy like Vietnam (Baker & Sinkula, 1999; Nguyen & Barrett, 2006, 2007; Nguyen & Nguyen, 2008). Still, there has been little research investigating the relationship among these four factors: entrepreneurial orientation, learning orientation, market orientation, and firm performance. Further, no such study has been conducted on Vietnam marketing communications firms. Based on multiple in-depth interviews with senior executives and the literature review, the study examines the relationship among learning orientation, market orientation and entrepreneurial orientation as how these affect Vietnam marketing communications firm performance. Ho Chi Minh City was chosen for the survey because more than 70% of local marketing communications operating companies are concentrated there. Furthermore, the study examines and assists Vietnam marketing communications firms in understanding the importance of dynamic capabilities to improve their competitive advantages.

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2 Literature review

There are several theories to explain the competition relating to firm resources, and the older theories of profit and competition are associated with the writings of David Ricardo, Joseph Schumpeter, and Edith Penrose (Grant, 1991). In general, the firm resources are divided into two forms: tangible and intangible. Chamberlin (1933) defined resources to include technical know-how, reputation, brand awareness, and the ability of managers to work together. Schumpeter (1950) characterized competition of firms in the industry by emphasizing the role of company resources in dynamic and competitive markets. In the modern view, the 'five forces' framework of Porter (1979) provided a systematic way of thinking about how competitive forces work at the industry level, and how these forces determine the profitability of different industries and industry segments. The Resource-Based View (RBV) of the firm developed by many researchers (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984) defined the competition of firms based on their own resources in an unpredictable market. Such firm competition embraces a broader new concept of dynamic capabilities in high-velocity markets.

2.1 The Resource Based View (RBV)

The RBV theory indicates that firms are bundles of resources and they possess certain specific characteristics that have the potential to provide sustainable competitive advantage. Unlike Porter's model and instead of focusing on a firm's external competitive environment, RBV focuses on a firm's internal resources, which satisfy the VRIN (valuable, rare, inimitable, and non-substitutable) attributes (Eisenhardt & Martin, 2000). Resources contribute to competitive advantage when they are heterogeneous (i.e., different across firms), imperfectly mobile (i.e., not easily transferred from firm to firm), and cannot be duplicated either prior to or after establishment of the firm's competitive position (Peteraf, 1993). A key ingredient in the relationship between resources and capabilities is the ability of an organization to achieve cooperation and coordination within teams in the firm (Grant, 1991).

2.2 The organizational capabilities and the dynamic capabilities of the firm

2.2.1 The organizational capabilities

Grant (1991) defines capabilities as complex patterns of coordination between people and resources that are learned through competition. Therefore, operational management researchers and firm managers are interested in organizational capabilities because the latter impacts on the firm's ability to identify sources of sustainable competitive advantage (Celuch et al., 2002). Teece and Pisano (1997) identified the capabilities approach that emphasizes the internal processes that a firm utilizes, as well as how they are deployed and how they evolve. Similarly, Amit and Schoemaker (1993) identified the capabilities referring to a firm's capacity to deploy resources in combining, using organizational processes in order to get a desired end. Current managerial writings of Prahalad and Hamel (1994), Grant (1991), or Stalk, Evans, and Shulman (1992) gave further evidence of a continuing interest in core skills and capabilities as a source of competitive advantage.

2.2.2 The dynamic capabilities of the firm

In general, the dynamic capabilities emphasize the development of management capabilities that are difficult to imitate because these are combinations of organizational, functional, and technological skills. Dynamic capabilities are also defined in terms of their effects on performance (Priem & Butler, 2000; Williamson, 2000). They integrate and draw upon research in such areas as the management of research and development, product and process development, technology transfer, intellectual property, manufacturing, human resources, and organizational learning. Further, Teece and Pisano (1997) claimed that dynamic capabilities can be used to enhance existing resource configurations in pursuit of long-term competitive advantage (e.g., RBV's logic of leverage).
Based on the logic of RBV, sustained competitive advantage occurs when capabilities satisfy the VRIN attribute and dynamic capabilities are typically valuable (Eisenhardt and Martin, 2000).

**Entrepreneurial orientation.** Many scholars have utilized the term ‘entrepreneurial orientation’ in their studies (Ginsberg, 1985; Lumpkin & Dess, 1996, 2001; Wiklund, 1999). Miller (1983) proposed a definition of entrepreneurial orientation (EO) that captures its attributes and activities. An entrepreneurial firm “engages in product market innovation, undertakes somewhat risky ventures and is first to come up with proactive innovations, beating competitors to the punch” (Miller, 1983, p. 770). A firm that has high degree entrepreneurial orientation could be seen as a firm that innovates, takes risks, and acts proactively. The more entrepreneurial-oriented a firm is, the more it is able to meet market demands. Furthermore, an entrepreneurial-oriented firm is usually active in business and pioneers in proposing and implementing new ideas and products, in response to the business environment or to move preemptively. Therefore, entrepreneurial orientation is a VRIN factor.

In general, entrepreneurial orientation has five dimensions: autonomy, innovativeness, risk taking, pro-activeness, and competitive aggressiveness (Lumpkin & Dess, 1996). Firms confront a number of risks when competing in their markets. Taking risk means a firm/owner shows its commitment in the business by investing in resources to gain profit. In addition, to gain competitive advantages, a firm needs to conduct market forecasts and to possess the ability to proactively respond to the market’s demand. When a firm changes its strategies, the nature of its entrepreneurial orientation may be changed.

**Learning orientation and market orientation relationship.** Learning orientation and market orientation are two key strategic aspects within an organization. They are conceptualized as second-order constructs, and are viewed as forms of organizational culture and are firm-level resources, which are sources of sustainable competitive advantage. They affect marketing capabilities and firm innovativeness, which in turn affect firm performance (Cavusgil, 2001; Baker & Sinkula, 1999; Celuch et al., 2002; Hult et al., 2004; Slater & Narver, 1995). Both are also related to specific and routine processes that create superior values to customers. However, market orientation influences the scope of market activities, while learning orientation challenges the very nature of the market activities. Therefore, learning orientation is broader in scope than market orientation because it focuses not only on learning about external issues, but also on internal issues (Jaworski & Kohli, 1996).

A high entrepreneurial-oriented firm stimulates the process of knowledge creation and applies such knowledge to its business activities (Zahra, Nielsen, & Bogner, 1999). This process is associated with the process of learning new knowledge and eliminating knowledge that is no longer relevant. This also enables a firm possessing the capability to react to market changes and create its competitive advantage. Thus, entrepreneurial orientation increases the learning orientation of the firm.

Moreover, entrepreneurial orientation has a direct impact on the ability to collect and use information from market (Keh, Nguyen, & Nguyen, 2007). A high entrepreneurial-oriented firm always monitors its market to become the leader in customer service. In addition, it also focuses on responding to competitors and the macro environment (Alvarez & Busenitz, 2001), which contributes to the quality of relationship between customers and business partners. Therefore, entrepreneurial orientation also increases the market orientation of the firm. Thus, the study hypothesizes the following:

Hypothesis 1: In the marketing communications industry, entrepreneurial orientation positively influences learning orientation.

Hypothesis 2: In the marketing communications industry, entrepreneurial orientation positively influences market orientation.

**Learning orientation.** Learning orientation refers to the organization-wide activity of creating and using knowledge to enhance competitive advantage. Learning orientation includes all organization's activities to create knowledge and apply them in production and business activities to enhance competitive advantages (Cavusgil, 2001; Huber, 1991; Sinkula, Baker, & Noordewier, 1997; Nguyen & Barrett, 2006; Nguyen & Nguyen, 2008). A learning-oriented firm creates and encourages a learning environment throughout the firm. Specifically, firms with strong learning orientation encourage or even require employees to constantly question the organizational norms that guide organization actions. Competitors find it difficult to imitate the learning orientation of another firm.
because firm-specific knowledge creation and knowledge sharing happen internally to the firm. Results of previous studies also showed that learning orientation contributes both directly and indirectly to firm performance (Nguyen & Nguyen, 2008; Nguyen & Barrett, 2006). However, in the Vietnamese context, very few companies are ready to invest in organizational learning to improve their competitive advantages.

Learning orientation comprises three components: commitment to learning, open-mindedness, and shared vision (Sinkula et al., 1997). In the marketing communications sector with distinctive resources, firm performance is created based on knowledge creation as well as open-mindedness to the fast and continuing changing market. Therefore, the study proposes:

Hypothesis 3: In the marketing communications industry, learning orientation impacts positively on market orientation.

**Market orientation.** In an unpredictable landscape, market orientation creates the necessary behaviors for the creation of a superior value for buyers by acquiring knowledge about the market and responding to it, and continuously delivering superior performance for the business (Baker & Sinkula, 1999; Kohli & Jaworski, 1993; Naver & Slater, 1990). It drives organizational market information processing activity, as well as how it is used in the firm’s strategy. It orients firms outward, towards customers and competitors. Further, market orientation exists on a continuum qualified by the degree to which firms obtain and react to feedback from customers and competitors. For instance, market-oriented firms continuously collect information about target customers’ needs and competitors’ capabilities, and then utilize this information to continuously create superior customer value. Therefore, market orientation is related to specific and routine processes that create superior values to customers and assist firms in gaining sustainable competitive advantage.

Market orientation comprises three behavioral components: customer orientation, competitor orientation, and inter-functional coordination (Slater & Narver, 1995). Competitors also find difficulty in imitating market orientation in terms of having firm-specific information management and strategic management. Therefore,

Hypothesis 4: In the marketing communications industry, market orientation impacts positively on firm performance.

Hypothesis 5: In the marketing communications industry, learning orientation and market orientation impact positively on firm performance.

Hypothesis 6: In the marketing communications industry, entrepreneurial orientation impacts positively on firm performance.
3 Method and Measurement

3.1 Sampling and Data collection

The study comprised of two phases, a pilot and a main survey. The survey was undertaken in Ho Chi Minh City, where more than 70% of local marketing communications operating companies are concentrated. The pilot survey was conducted through in-depth interviews with 26 senior executives and CEOs. This phase aims to examine whether the survey questions are appropriate before implementing the main survey. In the quantitative pilot study, the author undertook face-to-face interviews with 390 senior executives and CEOs to refine the measures. Then, the main survey was implemented by using in both face-to-face interviews and direct mailing to a broader scope of owners, CEOs and senior executives.

To test the proposed model, the researcher recruited a sample of 700 respondents that included business owners, CEOs, and senior executives of Vietnam marketing communications firms. There were 642 valid respondents. Cronbach alpha reliability and Exploratory Factor Analysis (EFA) were used to preliminarily assess the scales. Confirmatory Factor Analysis (CFA) was used to test the measurement models and the structural equation modeling (SEM) was used to test the theoretical model. The firm ownership in the study sample consisted of limited companies (51.6%) and joint-stock companies (36.3%). The rest were private companies, state-owned companies, and joint ventures companies (12.1%). In terms of nationality, 91.1% of top management (e.g., owner, chairman, CEO, senior executives) was Vietnamese. In terms of educational level, company leaders comprised of pre-graduate (9.5%), graduate (60.1%), postgraduate (25.2%), and doctorate degree holders (5.1%).
3.2 Measurement

Entrepreneurial orientation is measured by six observed items and divided into active capability and capability in business venture. The active capability is measured by three observed items: (1) be consistent in attacking competitors; (2) always to have a product/service before competitors; and (3) always attacking competitors. Capability in business venture is also measured by three observed items: (1) participating in many high-risk projects but have the opportunity to get high-profit; (2) accepting challenges from the market to achieve business goals; and (3) taking risk in order to gain competitive advantages in business (Covin & Slevin, 1989; Keh et al., 2007; Nguyen & Nguyen, 2008).

Learning orientation consists of three observed items that measure the point of learning inside the enterprise: (1) commitment to learning, (2) shared vision, and (3) open-mindedness (Wu & Cavusgil, 2006). Two items were added in the study to match the conditions in the field of Vietnam marketing communications: (1) always encouraging to sharing of experience, and (2) vision among staff in the company.

Market orientation consists of six items on needs assessment and market-oriented behavior of reciprocal market information: (1) always handle the needs of customers; (2) view the needs of customers as mainly company's objectives; (3) always acknowledge competitors in the industry; (4) always drive initiatives in competitive strategies; (5) coordination among internal functional departments in order to meet customer needs; and (6) customer information is always updated among functional departments (Kohli & Jaworski, 1993).

Firm performance is the degree of enterprise's achievement that is expressed as profits, market share growth, sales and strategic objectives in the enterprise (Cyert & March, 1992; Keh et al., 2007; Wu & Cavusgil, 2006). This scale includes five items: (1) achieving the desired profit margin; (2) achieving the desired revenue growth; (3) achieving desired market share; (4) increasing more desired-market; and (5) increasing new desired products/services. All items were measured by using 7-point Likert scale, anchored by 1 = strongly disagree and 7 = strongly agree.

3.3 Measurement Refinement

The measures were refined via Cronbach’s alpha reliability and exploratory factor analysis (EFA), using the data collected from the 390 participants in the quantitative pilot study. The results indicated that all scales satisfied the requirement for reliabilities. The Cronbach’s alpha of all scales were higher than 0.70, respectively. Specifically, the Cronbach’s alpha of component firm performance was highest with 0.92, while the lowest one was learning orientation with 0.77. The EFA results using Principal Components with Varimax rotation indicated that all scales satisfied the requirement for factor loadings (>50%) and the number of factors extracted. These measures were used in the main survey.

3.4 Data Analysis

Based on assumptions, the study conducted Exploratory Factor Analysis (EFA) following Principal Axis Factoring. The process analysis was conducted in two phases. Phase 1 involved conducting the EFA on three scales: (1) learning orientation, entrepreneurial orientation, and market orientation. The results eliminated the less significant items during measurement and form important factors in the process of testing the relationship among concepts in the proposed research model. Phase 2 involved the analysis of factors that form the concept of firm performance in the research model. KMO verification and Barlett’s test for KMO index value reached 0.71, and test for Sig attention reach 0%. These indices are meaningful to the research model in exploring high relevance analysis.

Confirmatory Factor Analysis (CFA) results showed that the model achieved the data compatibility with high appropriate indicators, such as Chi-square = 146.2, df = 57, GFI = .966, TLI = .973 and CFI = 0.980 (Bentler & Bonett, 1980). These indices showed that the data was consistent with the market data in this study. Adjusted Chi-square index (Chi-square/df) reached 2.565 (Carmines & Mc Iver, 1981), combined with RMSEA = 0.049, indicating that the data is consistent (Steiger, 1990). Factor analysis that identified the CFA was performed on AMOS. CFA loadings of all variables were greater than 0.5 (the minimum factor loading is 0.653), which confirmed unidimensionality and the value of convergence (Gerbing & Anderson, 1988). Testing of the
correlation coefficient between factors showed that all of them were less than 1, which was statistically significant. Therefore, all concepts achieved distinct value (Steenkamp & Vantrijp, 1991).

Testing of composite reliability and average variance extracted of each factor. Reliability synthesis $\rho_c$ and $\rho_{vc}$ were calculated in the Figure 1 based on key factors in the estimated model to determining CFA. The results showed that all concepts were single-direction and achieved satisfactory reliability synthesis (> 50%) (in this study the minimum is 76.1%), and gained variance extracted for each factor (> 50 %) (in this study the minimum is 51.5%). The estimation results showed that the theoretical model was consistent with market data: Chi-square with $df = 54$, $p = .000$ at value 1009.06, GFI = .975, TLI = .982, RMSEA =.040, and CFI = .988 (see Figure 2).

4 Results

SEM was used to test the hypotheses. In Vietnamese marketing communications companies, consistent with H1, entrepreneurial orientation was found to positively influence learning orientation, $\beta = 0.179$, $p < 0.001$. H2 that posited a positive relationship between entrepreneurial orientation and market orientation, $\beta = 0.295$, $p < 0.001$ was supported. H3, which proposed a positive relationship between entrepreneurial orientation and firm performance, was also supported, $\beta = 0.262$, $p < 0.001$. H4 posited a positive relationship between learning orientation and market orientation, $\beta = 0.248$, $p < 0.001$. Finally, H6 posited a positive relationship between market orientation and firm performance, $\beta = 0.473$, $p < 0.001$.

However, for H5, the relationship between learning orientation and firm performance was not significant, $\beta = -0.12$, $p = 0.789$. In the analysis, there were some observation items with less significant and were eliminated in the model. The process of exclusion was conducted according to the following items: KD7, HH4, HH3, KD2, HH5, TT6, TT2, TT5, KD1, KD3.

5 Discussion and Implications

In the transition economies, such as Vietnam, activities of firms are affected by continuous changes in knowledge, limitation of resources, unpredictable risks, tough competition, and so on. Consistent with previous research, findings indicate that learning orientation, market orientation and
entrepreneurial orientation are components of dynamic capabilities, and they impact on the firm performance (Nguyen & Nguyen, 2008; Nguyen & Barrett, 2007; Keh et al., 2007). Research results also prove that dynamic capabilities have been built and tested on the international market through adjustment and supplementation. For example, this study examines factors in dynamic capabilities of a typical service sector like that of Vietnam marketing communication firms.

However, in this study, learning orientation did not significantly affect firm performance but it has a direct and significant impact to the market orientation in the internal enterprise. To improve learning orientation, local firms should pay attention to the enterprise perspectives of learning as follows: (1) learning is a key point to help enterprise’s survival and development; (2) the ability to learn is the key to maintain its competitive position; (3) the learning of employees is a company’s long-term investment, it is not a cost; (4) the learning environment is always created to motivate and encourage the application of knowledge as well as new ideas to real work; (5) the learning environment is always created to encourage sharing of experience and vision of enterprise staff.

The results also demonstrate that in the context of Vietnam being a member of the World Trade Organization (WTO), the role of market orientation in creating competitive advantage has become extremely important. Local firms in Vietnam marketing communications industry have had low marketing orientation for some time. Such situation may continue if Vietnamese firms delay planning and implementing strategies that enhance market orientation. In the process of planning and implementation action plans, Vietnamese firms should focus on information related to the following variables: (1) deep knowledge and understanding of market, customer, and competitors; (2) superior value to customers in order to gain market-share and competitive advantages; and (3) the efficient market orientation to assist local firms to become a pioneer in market information and to effectively respond to risks.

To increase competitive capabilities, Vietnamese firms should pay attention to the role of entrepreneurial orientation. The high entrepreneurial-oriented firms are usually active in their markets and are ready to take risks in every business. Therefore, they should: (1) always set specific business goals and pursue them with high determination; (2) be always consistent and proactive in the market with new services before competitors; (3) participate actively in high profitable projects after considering full risk analysis in order to get opportunities, as well as accept market challenges to achieve business goals; and (4) constantly survey market to take advantages of business opportunities.

6 Conclusions and limitations

Many scholars have investigated the relationships of the dynamic capabilities of firms that create sustainable competitive advantage and how these capabilities affect firm performance. However, very little research on the theory of dynamic capabilities has been conducted in Vietnam. This study aimed to explore and measure the importance of three dynamic capabilities factors for Vietnam marketing communications firms. On the basis of the verification model and the analysis of research findings, this study also proposed solutions on how Vietnamese firms can develop their competitiveness in the world trade environment.

This study has a number of limitations. First, the study conducted and tested the three factors that applied to Vietnam marketing communications firms. Conducting a similar study in other sectors or industries may not achieve similar results. Second, since the survey was undertaken only in Ho Chi Minh City, a similar study may be conducted in other typical Vietnam markets such as Hanoi, Da Nang, or Can Tho. Finally, this study investigated and tested three components: learning orientation, market orientation and entrepreneurial orientation and their impacts on firm performance. Other factors that belong to dynamic capabilities, such as marketing capability or innovation capability, could be tested in the communication industry or other industries. Finally, future researchers could broaden the scope of this study to include other constructs relating to dynamic capabilities theory to capture more comprehensive pictures in other Vietnamese firms in other industries.
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