

## Investigation the Effect of Entrepreneurial Orientation on Financial Performance of Restaurants

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### Abstract

With the rapid increase in global developments and the transition from traditional society to an information society, according to new strategies to take advantage of new opportunities and values, business units, and more than ever need to change and today attitudes to entrepreneurship and the factors affecting it has high importance. Since the favorable result of Entrepreneurial Orientation is significant improvement in financial performance in the medium and long-term horizon relevant business and industry will provided. This research, with purpose of investigation the effect of Entrepreneurial Orientation on the Financial Performance of Restaurants has been designed and performed. Statistical population in this study is Managers and owners of restaurants in the city of Sanandaj with number of 200 people which 100 persons of them according to the formula of the limited population, Cochran formula with error coefficient 7% as sample size has been investigated. This study in terms of method, it is descriptive – correlation research, and in terms of purpose, it is apply research and in terms of method of data gathering, it is survey research. Questionnaire reliability by Cronbach's alpha referred to two variables, respectively with 0.718 and 0.832 respectively. The final findings of this research in SPSS and Smart- PLS software has been done, and show that there is significant relationship between Entrepreneurial Orientation (0.460) and its dimensions ; innovation (0.329) with Financial Performance (Case study: Restaurants in Sanandaj city).

**Key words:** Entrepreneurial Orientation, Financial Performance, Restaurants of Sanandaj city

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### Introduction

Today's, environmental conditions and play rules become so cruel competition, complex, dynamic and uncertain organizations not only super-structural changes, such as changing the way systems, structure, technology, and so ensure its long-term survival (Samad Aghaee, 1378). Therefore, today's organizations must create a revolution in the minds of managers and employees. They must provide the conditions so that all employees can easily find entrepreneurial spirit, continuous individually or in groups to carry out their entrepreneurial activities (Amirkabiri, 2007). Ahmad Pour (2004) believed that entrepreneurship is the main factor to change and main driving of development that leads to continual innovation and creativity (Khani Jazani, 2006). For achieving this important organizations employed efficient strategies continuously, (Covin & Slevin (1999) reported that one of the important approaches to link the entrepreneurial process to organization's strategies is Entrepreneurial Orientation (Abbas-Zadeh et al., 2011). The need for Entrepreneurial Orientation strategies of the three basic requirements as increase new competitors, feeling distrust of traditional management practices and exit the best workforce and actions for independent entrepreneurship originated. Miller (1983) believed that organizations with the Entrepreneurial Orientation strategy have features such as innovation in product and market plays a major role in achieving the organization's strategic position in the competitive environment (Miller & Friesen, 1982). Dess et al (1999) stated that for organizations in market, act more competitive, they must have an entrepreneurial approach. Entrepreneurial Orientation for organization's employee is one of essential features for high performance of organization. (Mobini Dehkordi et al., 2012). On other hand, company's financial performance has always been one of the biggest challenges entrepreneurs during its lifespan. There is no generally accepted method for measuring the performance of companies, but usually financial and accounting results are the ultimate goal of many companies (Jiang and Li, 2008).

### Research problem

In an era when changes occur rapidly in various fields and economic development necessary is identify and create opportunities for entrepreneurship, community in field of business in the forefront that can lead entrepreneurship towards the knowledge-based economy (Wu et al 2008: 266). The entrepreneurs or the creation of new knowledge and convert it into innovation, creating value chain that leads to wealth and employment of labor. Thus, one of the factors that can play a crucial role in enhancing the capabilities of human resources and organizational Orientation towards entrepreneurship, the careful evaluation and proper use of intellectual capital. The results show that having employees with high skills and experience, help organizations in creating internal knowledge and acquisition of knowledge from outside the organization is very useful and this improves the learning and innovation (Hsu & Fang, 2009: 673). Entrepreneurial Orientation is accompanied with the creation of new units or parts of the organization and the range of services and operational processes, radical or incremental innovations continuously improve quality, reduce waste and cost of production and accelerate the processes and cycles of production, or take steps in the fields and new fields of business, increase market share and connect with new customers. If the favorable result of Entrepreneurial Orientation is, a significant improvement in financial performance in the medium and long-term

perspective will bring to the industry. Corporate entrepreneurship achievements with operational approach and financial performance often measured in terms of sales or revenues as well as profitability (Covin et al, 2006: 65-67). Continuous change in awareness and the taste of customers, today's organizations require deliver their services and products at suitable level and high and better standards. This monitoring through performance evaluation is possible and is inevitable despite the importance of the manufacturing sector; the service sector is no exception. According to statistics, 60% of the GDP of industrialized countries related to the services sector (Amin et al., 1998).

Financial structure as the most important parameter affecting the valuation of companies and have been proposed for their Orientation in capital markets. Changing environment and the current variable, rating companies in terms of credit also partly related to their financial structure. This strategic plan closes them to choice sources affecting the goal "increase sales and profitability" (Leistikow & Ferguson, 1998). The need for Entrepreneurial Orientation strategy of the three basic requirements of new competitors, feeling distrust of traditional management practices, and spend the best workforce and their actions to independence entrepreneurship have been drawn (Kuratko & Hodgetts, 2001).

## **Research Objectives**

### **Main Objective**

To Investigation the effect of Entrepreneurial Orientation on the financial performance of restaurants and dinings in Sanandaj city

### **Minor Objective**

To identify the effect of innovation on financial performance of restaurants in Sanandaj city

## **Research Hypotheses**

### **Main Hypothesis**

There is significant relationship between Entrepreneurial Orientation and financial performance of restaurants in Sanandaj city

### **Minor Hypothesis**

There is significant relationship between innovation and financial performance of restaurants in Sanandaj city

## **Literature Review**

Farahani et al. (2012) in a research under title of "investigation the effect of Entrepreneurial Orientation and marketing information on performance of SMEs in center province" that sample size was 229 managers in center province. In this research with using of Structural Equation Model (SEM) has been analyzed and all Hypotheses in this research was confirmed. In this study has been concluded that Entrepreneurial Orientation on performance has positive effect. Hosseini (2007) in his research under title "investigation the relationship between Entrepreneurial Orientation and small business performance in Yazd city" found that there is significant and positive relationship between dimension of Entrepreneurial Orientation and small business performance. Eimani Poor and Zeodar (2008) in a research under title "investigation of relationship between Entrepreneurial Orientation and performance among 138 Iran's insurance agencies, with using of Spearman Hypotheses testing, by using of SPSS software they concluded that Entrepreneurial Orientation has positive and significant correlation (amount 0.619) with performance. They represent the fact that whatever the Entrepreneurial Orientation of insurance agencies in Tehran increased and further steps towards higher levels of entrepreneurial Orientation, direct manner, consistent and unidirectional, their performance in terms of financial is improving. (Eimani Poor and Zeodar, 2008). In another study entitled "investigation the effect of Entrepreneurial Orientation on organizational performance in Nano businesses" by Zali and Mehdi Vand in 2011, on 202-business manager of production with the use of linear structured relations found Entrepreneurial Orientation and its dimensions has the significant positive impact on organizational performance. In other hand, Entrepreneurial Orientation improved organizational performance and financial businesses remarkably. (Zali and Mehdi Vand, 2011). Tat ke et al. research results in 2007 in small and medium Enterprise (SMEs) in Singapore confirmed the important role of Entrepreneurial Orientation on the acquisition and use of marketing information and have a direct impact on company performance. The use of information on marketing mix decisions, particularly the promotion and distribution has positive impact on the company's performance and the relationship between Entrepreneurial Orientation and organization performance. (Tat ke et al., 2007). Li et al. in their study by examining 149 manufacturing company in Greece regarding the direct and indirect Entrepreneurial Orientation is positively associated with firm performance and found that changes in product and innovation, as one of the factors affecting the performance is different. In addition, the study of cluster sampling used and the researchers found that the Entrepreneurial Orientation in companies with active business sector in comparison with companies that have disabled entrepreneurial sector has a larger share in the market for the production of new products (Li et al., 2009).

## **Conceptual model**

After the research literature studies, the questionnaire for Altinaee and Wang (2011) to measure Entrepreneurial Orientation and for measuring of financial performance, from questionnaire of Bierly and Daly (2007) was used.

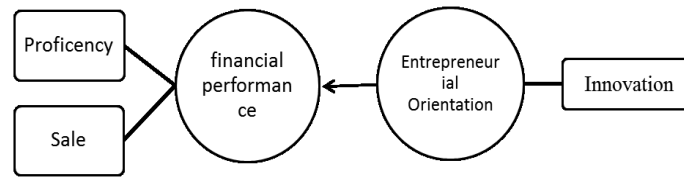


Figure 1: Research Conceptual Model

Source: Entrepreneurial Orientation from Hisrich Model (2002)  
 Financial performance from Bierly and Daly (2007)

**Research type**

According to the main purpose of this research: investigation the relationship between Entrepreneurial Orientation and Financial Performance of business, and measurement of these two variables and their dimensions.this research in terms of the relationship between variables, this research is descriptive and correlational research . In order to assess the status the variables of population sampling, and accordingly, the study conducted by distributing questionnaires. Then extended to the entire population, so in terms of data collection methods, survey research approach prevailed. The results of the present study was to identify factors of Entrepreneurial Orientation and its relation on financial performance is influenced, may be more effective strategic plans managers have developed and effect on the financial performance to optimize the business situation is implicational.

**Statistical population**

In this research, Statistical population is managers of restaurants in Sanandaj city.

**Sample size and sampling method**

In this study, to select the sample random sampling method is used. The sample size for this study is 100 people. As the population in this study is limited to 200 people, to calculate the sample, Cochran formula with an error coefficient 7% has been used.

**Hypotheses testing**

For measuring of the relationship between Entrepreneurial Orientation, innovation with dependent variable; Financial Performance was used by Pearson test.

**Main Hypothesis Testing**

Inorder to investigation of relationship between Entrepreneurial Orientation and Financial Performance, by Pearson correlation test has been used. Based on this hypothesis, the results of Pearson test to measure the correlation between two variables of Entrepreneurial Orientation and financial performance as in table 1 is visible. With attention to these findings, relationship between Entrepreneurial Orientation and Financial Performance, in error level (0.01) and significant level (0.99) is equal to ( $r_p = 0.460$  ),that this coefficient is significant statistically. And because of this coefficient is positive then relationship between Entrepreneurial Orientation and Financial Performance is positive. Therefore with considering (sig = 0.000) in the Pearson test, the hypothesis H1or main Hypothesis, for existence of relationship between the Entrepreneurial Orientation and financial performance is confirmed and Hypothesis H0, (null hypothesis) is not confirmed.

$$\begin{cases} H_0: \rho = 0 \\ H_1: \rho \neq 0 \end{cases}$$

H0: There is not significant relationship between Entrepreneurial Orientation and financial performance.

H1: There is significant relationship between Entrepreneurial Orientation and financial performance.

Table 1: Results of the test of Pearson’s correlation coefficient between Entrepreneurial Orientation and financial performance

	Financial Performance	
Entrepreneurial Orientation	Pearson’s correlation	0.460
	Significance level	0.000
	Number	100

**First Minor Hypothesis Testing**

Inorder to investigation of relationship between innovation and Financial Performance, by Pearson’s correlation test has been used. Based on this hypothesis, the results of Pearson test to measure the correlation between two variables of innovation and financial performance as in table 2 is visible. With attention to these findings, correlation coefficient between innovation and Financial Performance, in error level 0.01 and significant level 0.99 is equal to ( $r_p = 0.329$  ),that this coefficient is significant, statistically. And because of this coefficient is positive then relationship between innovation and Financial Performance is positive .Therefore with considering (sig = 0.000) in the Pearson test, the hypothesis H1 or main Hypothesis, for existence of relationship between the innovation and financial performance is confirmed and Hypothesis H0, (null hypothesis) is not confirmed.

$$\begin{cases} H_0: \rho = 0 \\ H_1: \rho \neq 0 \end{cases}$$

H0: There is not significant relationship between innovation and financial performance.

H1: There is significant relationship between innovation and financial performance.

Table 2: Results of the test of Pearson's correlation coefficient between innovation and financial performance

	Financial Performance	
Innovation	Pearson's correlation	0.329
	Significance level	0.000
	Number	100

### The Findings Resulting from Main Hypothesis Test

In the main Hypothesis we were sought to this issue " investigation of relationship between Entrepreneurial Orientation with Financial Performance of Restaurants in Sanandaj city". For answering to this question ,the first main hypothesis "There is significant relationship between Entrepreneurial Orientation and financial performance of restaurants in Sanandaj city" was designed. The results of analyzing this Hypothesis show that from viewpoint of respondents, there is significant relationship between Entrepreneurial Orientation and financial performance in Restaurants in Sanandaj city. The results of this research are agreed with the studies results of Eimani Poor and Zeodar (2008), Tat ke et al. (2007), Arhi et al. (2010).

### The Findings Resulting from First Minor Hypothesis Test

In the first minor hypothesis we were sought to investigate the relationship between innovation and financial performance of Restaurants in Sanandaj city. For answering of this question, first minor hypothesis "There is significant relationship between innovation and financial performance" was designed. The results of testing this Hypothesis indicate that from respondent's perspective, innovation effects on financial performance of Restaurants in Sanandaj city. Correlation coefficient between these two variables is equal 0.329. The results of this hypothesis "relationship between innovation and financial performance" are confirmed.

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