

# The Influence of Environmental Sustainability Orientations on organizational Performance: A Review

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## ABSTRACT

This comprehensive review addresses a critical research gap concerning the relationship between Entrepreneurial Orientation (EO), Environmental Sustainability Orientation (ESO), and organizational performance. The study advocates for future research to delve into this uncharted territory, providing valuable insights for organizations and policymakers to promote entrepreneurship and sustainable business practices. It suggests a deeper examination of EO, specifically Innovativeness, Proactiveness, and Risk-Taking, as independent variables, alongside organizational performance as the dependent variable. The review emphasizes the pivotal mediating role of ESO, highlighting its strategic significance in differentiating firms and enhancing performance. It affirms the positive influence of EO on ESO, subsequently improving organizational performance. The review stresses the managerial implications of integrating EO dimensions into strategies for a competitive advantage, along with the importance of embracing ESO for reputation enhancement and cost reduction through eco-friendly practices. The study encourages future researchers to explore additional EO variables and utilize diverse data analysis tools to enhance understanding of the intersection of entrepreneurial and sustainability orientations.

**Keywords:** entrepreneurial orientation, sustainability, performance, organization, developing countries

## Introduction

Entrepreneurship is a fundamental driver of economic development and growth, playing a pivotal role in providing solutions to various economic challenges. Entrepreneurial Orientation (EO) is a significant contributor to an organization's success, encompassing three major dimensions: innovativeness, proactiveness, and risk-taking

(Meekaewkunchorn et al., 2021). Innovativeness reflects a firm's willingness to generate new ideas and products, while proactiveness involves forward-looking behavior and the ability to seize emerging opportunities. Risk-taking represents the practice of making bold decisions to pursue unique and creative ideas, with the potential to lead to either success or failure. The integration

of these dimensions into a firm's strategic posture can significantly impact its growth and financial performance (Virglerova et al., 2020).

## **Statement of Problem**

In recent years, research on the relationship between entrepreneurial orientation and environmental sustainability has gained momentum (Adomako & Tran, 2022), with a focus on the integration of green entrepreneurial orientation and environmental performance in organizations. The concept of green entrepreneurial orientation reflects a company's tendency to integrate economic, environmental, and social benefits in its entrepreneurial activities (Roxas & Chadee, 2012), to achieve coordinated and sustainable development (Roxas, Ashill & Doren, 2017). The involvement of manufacturing organizations in sustainability management requires active decision-making (Adomako et al., 2019), and the cognitive level of managers largely influences the decision-making process. Green entrepreneurial orientation is a cognitive choice of top managers of enterprises and is a determinant of sustainable firm performance (Danso et al., 2019). This draws attention to conducting research based on the review to recommend pragmatic solutions and analyze the scope for empirical research.

## **Research Objective**

The objective of this review paper is to explore the relationship between entrepreneurial orientation and environmental sustainability, with a specific focus on the integration of green entrepreneurial orientation and its impact on the environmental performance of organizations. Additionally, the paper aims to investigate the moderating role of environmental dynamism and the strategic orientation of green entrepreneurship in achieving a sustainable competitive advantage.

## **Methodology**

The methodology adopted for the comprehensive review involved a systematic process to synthesize and analyze a collection of scholarly articles related to the themes of innovativeness,

risk-taking, and environmental sustainability orientation (ESO) concerning firm performance. The primary steps in the methodology are outlined below:

## **Review of Literature**

Conducted an extensive search across reputable academic databases such as PubMed, IEEE Xplore, ScienceDirect, JSTOR, and Google Scholar. Utilized relevant keywords and phrases such as "innovation and firm performance," "risk-taking in business," "environmental sustainability orientation," and "small business performance."

## **Article Selection Criteria**

Applied specific inclusion criteria to select articles, ensuring relevance to the topics of innovativeness, risk-taking, and ESO with firm performance. Included articles published in peer-reviewed journals, conference proceedings, and scholarly books.

## **Review Scope Definition**

Focused the review on specific subsections, namely, Innovativeness and Firm Performance, Risk-Taking and Firm Performance, and Environmental Sustainability Orientation (ESO) and Firm Performance.

## **Data Extraction**

Extracted relevant information from selected articles, including key findings, methodologies employed, sample characteristics, and implications for firm performance.

## **Synthesis of Findings**

Systematically organized and synthesized the findings from each selected article to present a coherent narrative on the themes of innovativeness, risk-taking, and ESO with firm performance.

## **Citation Tracking**

Tracked and included relevant citations from seminal works to provide a historical context and ensure a comprehensive understanding of the topics.

### **Quality Assessment**

Assessed the quality of each selected article based on factors such as research design, sample size, statistical methods, and the reputation of the publishing source.

### **Thematic Categorization**

Categorized the findings thematically to highlight patterns, trends, and contradictions across the selected articles.

### **Critical Analysis**

Conducted a critical analysis of the literature, identifying gaps, limitations, and opportunities for future research within the field.

### **Review Compilation**

Compiled the synthesized information into a comprehensive review structured around the identified subsections. By adhering to this systematic methodology, the review aims to provide a robust and insightful analysis of the literature on innovativeness, risk-taking, and environmental sustainability orientation in the context of firm performance.

### **Results Based on Review**

The concept of green entrepreneurial orientation reflects a company's inclination to integrate economic, environmental, and social benefits into its entrepreneurial activities to achieve coordinated and sustainable development (Mishra & Aithal, 2022). The involvement of manufacturing organizations in sustainability management necessitates active decision-making, and the cognitive level of managers significantly influences this process (Mishra & Aithal, 2023a). Green entrepreneurial orientation is a cognitive choice made by top managers of enterprises and is a determinant of sustainable firm performance. The relationship between entrepreneurial orientation and sustainable firm performance has been studied, with innovation output playing a mediating role in the relationship. The integration of green entrepreneurial orientation and environmental performance in organizations has been a prominent topic in the field of sustainability, focusing on the moderating

role of environmental dynamism. The strategic orientation of green entrepreneurship has been found to significantly affect sustainable competitive advantage, through the integration of market orientation and environmental orientation in green entrepreneurial activities. The involvement of manufacturing organizations in sustainability management demands active decision-making, though they have also given serious attention to construction (Mishra & Rai, 2017; Mishra, 2018; Mishra, 2019). For all these reasons, ethical capital is of utmost importance (Mishra & Aithal, 2023b).

### **Entrepreneurial Orientation and Firm Performance**

Hossain and Asheq (2019) conducted a study in Bangladesh, specifically focusing on the role of Entrepreneurial Orientation (EO) in organizational performance. The research, based in Dhaka with 300 samples, revealed that among the five dimensions of EO, competitive aggressiveness was insignificant. However, all other EO dimensions exhibited a positive impact on organizations. The study emphasized the need for entrepreneurs to leverage their capabilities through training initiatives to strengthen EO and capitalize on potential opportunities.

Despite its valuable insights, it is important to note that the research is confined to a single city and specific organizations in the boutique and clothing business, limiting its generalizability to broader contexts. Future research should consider diverse sectors and locations to enhance the applicability of findings.

Rezaei and Ortt (2018) explored the mediating role of functional performance between EO and firm performance. Their study, based on 279 organizations, demonstrated a positive relationship between EO dimensions (innovativeness, pro-activeness, and risk-taking) and functional performances (R&D, production, and marketing/sales). Notably, innovativeness positively correlated with R&D, and pro-activeness with marketing/sales, but risk-taking showed a negative relationship with production.

In Italy, Fadda (2018) surveyed the impact of EO dimensions on performance in the tourism sector. The study aimed to determine if EO dimensions remained significant determinants for performance after controlling for confounding factors. The results, based on self-reported data from Sardinian accommodations, indicated a positive relationship between innovation, pro-activeness, autonomy, and firm performance.

Fayaz and Shah (2017) investigated the relationship between EO and firm performance in Khyber Pakhtunkhwa, involving 193 organizations. The study introduced the moderation of transformational leadership, highlighting its significance. The results emphasized the positive impact of transformational leadership on the relationship between EO and firm performance.

Magaji, Baba, and Entebang (2017) examined the linkage between EO and financial performance in Nigerian organizations, incorporating environmental factors as moderating variables. The study, which focused on innovativeness, pro-activeness, risk-taking, and competitive aggressiveness, highlighted the importance of considering environmental dynamics in understanding the EO-firm performance relationship.

Hussain, Ismail, and Akhtar (2015) explored the positive influence of EO on business performance in organizations, emphasizing the role of entrepreneurs in fostering growth. The study recommended organization managers and owners embrace EO dimensions to achieve superior performance and sustainable competitive advantage.

Zehir, Can, and Karaboga (2015) delved into the mediating role of differentiation strategy and innovation performance in the relationship between EO and firm performance. The study, conducted among 991 middle and senior managers in Turkish manufacturing firms, revealed that both differentiation strategy and innovation performance mediated this relationship.

Arshad et al. (2014) investigated the impact of EO on business performance within Malaysian organizations, incorporating innovativeness, pro-activeness, risk-taking, autonomy, and competitive aggressiveness. While finding correlations between innovativeness, pro-activeness, risk-taking, competitive aggressiveness, and firm performance, the study highlighted limitations, including a focus on technology-based organizations and restricted management levels.

Mahmood and Hanafi (2013) explored the relationship between EO and firm performance in women-owned organizations. The study revealed a significant association between EO and firm performance, with competitive advantage partially mediating this relationship. The findings suggested that women organization owners should adopt an entrepreneurial orientation to remain competitive in the market.

Kreiser and Davis (2010) studied the relationship between firm-level entrepreneurship, organizational structure, and environmental characteristics. Utilizing EO dimensions (innovativeness, pro-activeness, and risk-taking), the study indicated that specific environmental and organizational configurations create favorable situations for firm performance.

Lee and Lim (2009) focused on the impact of owner's attributes on small and medium-sized service business performance, particularly in Japanese food restaurants. The study identified competitive aggressiveness and business size as major factors influencing firm performance. While positive, the study's scope could be broadened for more meaningful comparisons across various sectors.

Li, Huang, and Tsai (2009) examined the connection between EO, the knowledge creation process, and firm performance among 164 entrepreneurs. Using LISREL analysis, the study demonstrated a positive relationship between EO and firm performance, mediated by the knowledge creation process's socialization, externalization,

combination, and internalization dimensions. The findings emphasized the importance of investing in the knowledge creation process for enhanced firm performance.

Avlonitis and Salavou (2007) explored EO profiles in organizations, identifying active and passive entrepreneurs among 149 manufacturing companies in Greece. Active entrepreneurs displayed a higher concern for new products, highlighting the impact of an entrepreneurial mindset on business aspects.

In a meta-analysis, Carina and Lomborg (2017) employed commonality analysis to decompose the variance in performance into unique effects and shared effects. The study, encompassing low-tech, high-tech, and multi-sector firms, proposed an extension of theoretical views on EO, emphasizing the empirical relevance of unique and shared effects.

Wei Yu (2021) delved into the relationship between Attention Deficit Hyperactivity Disorder (ADHD) symptoms and entrepreneurship. Using samples from the United States and Spain, the study revealed that impulsive and hyperactive symptoms positively impacted firm performance through entrepreneurial orientation. Inattention symptoms, however, did not contribute to performance advantages.

Gupta (2016) explored the EO-performance relationship among small-and-medium-sized enterprises (SMEs) in India. The study, based on data from 198 Indian organizations, identified a strong positive linkage between EO and firm performance. Environmental contingencies, such as demand growth and competitive intensity, were found to moderate this relationship.

Xu Jiang (2018) applied a network approach to investigate the mediating mechanism of resource acquisition through networks in the relationship between entrepreneurial orientation and firm performance. The study, based on 251 firms, highlighted the unique value of leveraging a

network approach to understand the performance-enhancing mechanism of entrepreneurial orientation.

Cemal Zehir (2015) focused on the mediating role of innovation performance and differentiation strategy in the EO-firm performance relationship among 991 middle and senior managers in Turkish manufacturing firms. The results indicated that both differentiation strategy and innovation performance mediated the relationship between EO and firm performance.

Carolin Palmer (2019) integrated firm-level entrepreneurial orientation and CEOs' individual traits to predict firm performance. The study, involving 723 CEOs in small firms, highlighted the essential role of CEOs' dominance and self-efficacy in addition to strategic decisions aligned with entrepreneurial orientation.

In short, the reviewed studies collectively contribute to understanding the nuanced relationship between entrepreneurial orientation and firm performance across various contexts, industries, and methodologies. While each study provides valuable insights, future research could benefit from addressing limitations and considering diverse factors influencing this complex relationship.

### **Innovativeness and Firm Performance**

Innovation stands out as a pivotal element for the effective operation and sustainability of firms. Hogan and Coote (2014) investigated the cultural processes supporting organizational innovation. Their study involved collecting data from 100 principals of law firms, revealing the crucial role of norms, artifacts, and innovative behaviors within layers of organizational culture. The mediating effects of values supporting innovativeness on firm performance were also highlighted. The study aimed to encourage innovative behavior by leveraging theory and practices related to organizational culture, showcasing a positive effect of innovation on firm performance within the layers of organizational culture.

Brockman, Jones, and Becherer (2012) explored the relationship between customer orientation and performance, considering the moderating influence of risk-taking, innovativeness, and opportunity focus in small firms. The study, conducted among 180 small firms, found a significant positive effect of customer orientation on performance. The conclusion emphasized that customer orientation positively influences small firm performance, especially under strong levels of risk-taking, innovativeness, and opportunity focus.

Loof and Heshmati (2002) delved into the relationship between innovation and performance, considering growth rate dimensions. The study employed estimation methods, performance measures, firm classification, types of innovation, and data sources to analyze the factors causing variations in effects. However, it noted unreliable data when analyzing growth regression.

Ordanini (2016) addressed the scarcity of empirical evidence on the link between new product development capabilities, open innovation (OI) practices, and new product innovativeness. Their framework, drawing on the knowledge-based view, conceptualized OI practices at different stages of the new product development process. The study identified development-centric OI and commercialization-centric OI practices, emphasizing the role of R&D, market information management, and launch capabilities. Empirical analysis combining survey data from 239 firms with secondary data supported the hypotheses, highlighting the need to differentiate among various OI practices.

Rosali and Saad (2018) assessed the mediating role of organizational capability in the relationship between proactiveness, innovativeness, and organizational performance. Their study, based on 305 manufacturing organizations in Nigeria, demonstrated that organizational capability serves as a crucial mechanism through which proactiveness and innovativeness indirectly influence organizational

performance. The findings underscored the importance of developing organizational capability to enable firms to respond swiftly to market changes and enhance performance in dynamic and competitive business settings.

Abubakar (2020) proposed a framework linking market-sensing capability, firm innovativeness, brand management systems, and firm performance. Drawing on resource-based theory and dynamic capability theory, the framework positioned firm innovativeness and brand management systems as mediators in the relationship between market-sensing capability and firm performance. Additionally, environmental factors, such as competitive intensity and market dynamism, were proposed to moderate this relationship.

Meral and Dulger (2016) focused on the role of learning orientations in firms, specifically their effects on product innovativeness and firm performance. Findings from hierarchical regressions with data from 121 firms in Turkey indicated significant effects of internally focused learning and market-focused learning on product innovativeness. Moreover, internally focused learning and product innovativeness emerged as key predictors of firm performance, particularly in fast-paced and unpredictable market environments.

Tehseen (2019) explored the mediating effect of entrepreneurial innovativeness in the relationship between network competence and firm performance, including financial performance, non-financial performance, and business growth. The study, based on data from 150 Malaysian Chinese wholesalers, revealed positive and significant mediating influences of entrepreneurial innovativeness on the relationship between network competence and firm performance.

Samwel, Macharia, and Chege (2020) investigated the association between technology innovation and firm performance in Kenya,

considering the impact of entrepreneur innovativeness. The study, based on a sample of 240 enterprises, revealed a positive influence of technology innovation on firm performance. Recommendations included the development of innovative strategies by entrepreneurs and government policies to improve ICT infrastructure and support small and medium-sized enterprises.

Arda, Bayraktar, and Tatoglu (2019) researched the mediating role of integrated quality and environmental management practices on firm performance. Their study, involving 208 Turkish firms, found full mediation on the relationship between integrated quality and environmental management systems and firm performance. While enhancing the understanding of factors affecting the integration of different management systems, the study acknowledged limitations in generalizability due to a single-country sample collected only from managers.

Yeniaras and Unver (2016) investigated the role of business ties and competitive intensity as mediating effects of entrepreneurial behavior on the proactiveness-performance relationship. Their study, based on data from 344 organizations, explored the direct effect of proactiveness on new product performance through exploratory and exploitative innovation. However, limitations included data collection from only four industries, restricting the generalizability of the research.

Ward, Leong, and Bayer (1994) examined the operational definition of manufacturing proactiveness and its connection to performance. The study, based on data from 65 businesses across five industries, highlighted the significance of proactive postures in the link between proactiveness and business performance. However, the limited sample size and industry focus were acknowledged as constraints in the study.

### **Risk-Taking and Firm Performance**

Risk-taking constitutes a crucial facet of decision-making, wielding significant influence over firm performance. The strategic choice to

undertake risks can potentially lead to higher returns, albeit with an increased risk of failure. Conversely, risk-averse firms may forego growth and innovation opportunities. Extant research underscores the importance of balanced risk-taking, as moderate levels have been shown to correlate with enhanced firm performance. Such calculated risks foster innovation, adaptability to market changes, and the attainment of a competitive advantage. Moreover, organizations benefit from the learning and experience derived from risk-taking, facilitating improved decision-making in subsequent endeavors.

In the context of small and medium-sized enterprises (organizations), customer orientation emerges as a vital factor for success. Brockman, Jones, and Becherer (2012) investigated the relationship between customer orientation and performance among 180 small firms, incorporating moderating variables such as innovativeness, risk-taking, and opportunity focus. Their findings affirmed the positive influence of customer orientation on performance, though a more nuanced exploration of diverse risk-taking types and qualities could have added depth to the study.

Lechner and Vidar (2014) delved into entrepreneurial orientation, firm strategy, and small-firm performance. Their research explored the impacts of individual entrepreneurial orientation dimensions on the relationship between competitive strategy and firm performance. Notably, the study revealed distinct effects of individual entrepreneurial orientation dimensions on competitive strategy, with innovativeness exhibiting a strong association with differentiation strategy. Risk-taking and competitive aggressiveness, however, displayed negative associations with both differentiation and cost leadership strategies, while both strategies correlated positively with performance.

Peng's (2015) research on 'Risk Taking and Firm Growth' scrutinized the relationship between capital structure, risk-taking, and firm

performance across small and medium-sized enterprises and large private firms. The study highlighted variations in risk propensity among domestically-owned entrepreneurial private firms and foreign-owned affiliated private firms. Although leverage was not strongly associated with reduced corporate risk-taking, it significantly influenced corporate investment. The study emphasized the substantial effects of risk-taking on corporate growth and earnings, especially during credit crises.

Tsai and Luan (2016) adopted a risk-taking capability perspective to study the determinants of risk-taking behavior, introducing the concept of "risk-taking capabilities." Absorptive capacity, network resources, and organizational slack were posited as key components influencing risk-taking behavior. Their study, utilizing data from Taiwan's high technology industries, supported the threat rigidity hypothesis and demonstrated the positive correlation between risk-taking capabilities and firms' risk-taking behavior. Additionally, risk-taking capabilities were found to moderate the relationship between past performance and risk-taking behavior.

Gursoy and Aydogan (2002) explored the ownership structure of Turkish nonfinancial firms listed on the Istanbul Stock Exchange and its impact on performance and risk-taking behavior. The study characterized Turkish corporations as highly concentrated and family-owned, emphasizing the significant impact of ownership concentration and ownership mix on both performance and risk-taking behavior. Higher ownership concentration correlated with better market performance but lower accounting performance, while family-owned firms demonstrated lower performance with lower risk.

Bhuiyan, Cheema, and Man (2021) empirically examined the impact of stand-alone risk committees on corporate risk-taking and firm value. Their research argued that the existence of a stand-alone risk committee enhances corporate governance quality, resulting in reduced

corporate risk-taking and enhanced firm value. The study found significant declines in various measures of risk-taking for firms with stand-alone risk committees compared to those with joint audit and risk committees. Furthermore, the presence of a stand-alone risk committee was positively associated with firm value, supporting the idea that such committees effectively evaluate potential risks and implement proper risk management systems.

A study by Zhang and Kaumeboonsuke (2022) explored the impact of technological innovation on firm performance, focusing on 1166 listed companies in China from 2012 to 2020. The research revealed that technological innovation significantly reduces firm performance, with risk-taking identified as a crucial transmission path for corporate technological innovation affecting performance. The analysis indicated that technological innovation diminishes firm performance by improving risk-taking capacity. Notably, a heterogeneity test suggested a significantly stronger negative impact of technological innovation on the performance of non-state-owned enterprises compared to state-owned enterprises. The findings underscored the need for a comprehensive understanding of the impact of enterprise technological innovation on firm performance, offering practical implications for R&D management, risk mitigation, and modern enterprise systems.

### **Environmental Sustainability Orientation (ESO) and Firm Performance**

Small businesses in developing countries are increasingly adopting sustainable business practices, prompting exploration into the motivations behind these practices and their impact on performance. Drawing on the natural resource-based view of the firm, this section examines the connection between environmental sustainability orientation (ESO) and firm performance, emphasizing the role of entrepreneurial orientation.

Adomako et al. (2019) contribute to the discourse on ESO's impact, focusing on family and non-family firms in Ghana. The study indicates a significant impact of ESO in non-family firms, while no impact is observed in family firms. The research suggests that higher ESO positions non-family firms for enhanced performance, with age also influencing the positive association between ESO and firm performance.

Roxas and Chadee (2012) explore the relationship between environmental sustainability orientation and financial resources in small manufacturing firms in the Philippines. The study, involving 166 small manufacturing firms, utilizes multiple regression models to highlight the multidimensional nature of ESO. It reveals that small businesses, even with limited resources, can effectively develop sustainable business practices. However, the study's limited sample size and focus on small manufacturing firms in the Philippines call for caution in generalizing its findings.

Giacosa (2022) contributes to the discourse on ESO and corporate social responsibility (CSR) by examining the mediating effect of green capability on environmental performance. The study, based on survey questionnaires from the construction and manufacturing industry in Malaysia, reveals significant associations between ESO, green capability, and environmental performance. However, CSR's direct influence on environmental performance is not observed, emphasizing the mediating role of green capability in this relationship.

Danso (2019) extends the discussion on the link between entrepreneurial orientation (EO) and performance by introducing environmental sustainability orientation (ESO) as a mediator. The study explores how stakeholder integration moderates the relationship, finding that high levels of stakeholder integration strengthen the indirect relationship between EO and new venture performance.

Lee and Lim (2009) surveyed Japanese food restaurants to examine the impact of owners' personal attributes on small and medium-sized service business performance. The study highlights the positive influence of entrepreneurial orientation, emphasizing the significance of developing EO for success. Competitive aggressiveness and business size emerge as major factors influencing firm performance.

Li, Huang, and Tsai (2009) investigate the connection between EO, the knowledge creation process, and firm performance. The survey of 164 entrepreneurs reveals a positive relationship between EO and firm performance, mediated by the knowledge creation process. The study emphasizes the importance of managers understanding and supporting the knowledge creation process for enhancing valuable knowledge assets.

Gupta (2019) explores entrepreneurial orientation (EO) and its relationship with organizational performance among small- and medium-sized enterprises in India. The study, based on data from 198 Indian organizations, establishes a strong positive linkage between EO and firm performance. The research also introduces environmental contingencies, such as demand growth and competitive intensity, as moderators influencing the EO-performance relationship.

These studies collectively contribute to our understanding of the complex interplay between environmental sustainability orientation, entrepreneurial orientation, and firm performance, offering valuable insights for future research and public policy considerations for small businesses.

## Discussion

The review reveals a notable gap in the existing research literature regarding the relationship between Entrepreneurial Orientation (EO) and Firm Performance, particularly when considering the mediating role of Environmental

Sustainability Orientation (ESO). While many studies conducted in developed countries emphasize a significant positive relationship between EO and firm performance, there exists a divergence of findings.

Some studies in the literature indicate an insignificant relationship between EO and firm performance, introducing a nuanced perspective on the presumed direct correlation. Furthermore, the research landscape showcases a variety of results, with some studies illustrating a direct link between EO and firm performance, while others propose an indirect relationship. This variability in outcomes suggests complexity in understanding the dynamics of EO and its impact on firm performance.

Importantly, a substantial number of studies introduce mediating variables to elucidate the positive relationship between EO and firm performance. However, the literature also acknowledges that an excessively high or low degree of EO may not always be desirable, emphasizing the need for a contextual understanding within specific markets.

### **Specific Gap in the Context of Developing Countries**

The gap becomes more pronounced when transitioning to the context of developing countries, with a specific focus on Nepal. In these economies, the lack of resources often constrains businesses from adopting risk-taking behavior, creating a complex environment that negatively affects the degree of proactiveness. Despite the growing economy of Nepal, very few studies have explored the relationship between EO and Firm Performance, particularly with the mediating effects of ESO.

The dearth of research in this area presents a significant opportunity for investigation, especially considering the unique challenges and opportunities that organizations in Nepal face. The study acknowledges the crucial role of organizations in contributing to economic

growth, generating innovative ideas, and reducing unemployment in Nepal.

### **Implications and Recommendations for Future Research**

The findings underscore the importance of conducting further research to fill the identified gap. Specifically, future studies should focus on exploring the relationship between EO and Firm Performance in the context of developing countries, with a spotlight on the mediating effects of ESO. Such research can provide valuable insights into the implications of different dimensions of EO on firm performance in specific geographical and economic contexts.

Moreover, the study suggests that the results will not only benefit organizations in understanding the implications of EO and ESO on firm performance but will also aid policymakers in developing strategies to promote entrepreneurship in Nepal. The call for future research is reinforced by the need to contribute to the existing literature and develop a model of the EO and business performance relationship tailored to the unique conditions of Nepal.

Addressing the Broader Research Gap. Despite the growing interest in understanding the impact of EO and ESO on organizational performance, the broader research landscape reveals a need for comprehensive investigations. Previous studies have predominantly focused on examining individual effects, lacking a holistic exploration of the combined influence of EO and ESO on organizational performance. Future research should delve deeper into this unexplored territory to provide a more nuanced and comprehensive understanding of the joint effects of these orientations and their potential synergies or trade-offs. This will contribute significantly to the evolving discourse on the integration of entrepreneurial and sustainability orientations in the pursuit of both economic growth and environmental responsibility.

In further research, the following variable needs to be studied,

### **Independent Variables**

#### ***Entrepreneurial Orientation (EO)***

Comprising Innovativeness, Pro-activeness, and Risk-Taking.

#### ***Innovativeness***

Focuses on continuous efforts to explore new ideas, technology, and processes, aiming for novel products or services and market opportunities.

#### ***Proactiveness***

A future-oriented perspective that seeks opportunities, introduces new products and services ahead of competitors, and shapes the future corporate environment.

#### ***Risk-Taking***

Involves the degree of uncertainty in achieving returns, reflecting the organization's proclivity for risk, resource allocation, and decision-making process.

### **Dependent Variable:**

#### ***Organizational Performance***

Measured through both financial indicators (profitability, sales growth) and non-financial indicators (quality, market share, satisfaction, new product development, and market effectiveness). Numerous studies affirm a significant positive relationship between EO and firm performance, applicable across large, medium, and small businesses in developing countries.

### **Mediating Variables**

#### ***Environmental Sustainability Orientation (ESO)***

Integrates environmental concerns into culture, decision-making, strategy, and business operations. ESO is a source of competitive advantage, contributing to firm performance improvement. Considered a strategic capability that differentiates the firm from competitors.

The non-Western context of Nepal presents a valuable opportunity to enrich the literature on entrepreneurial orientation and firm performance

by offering unique insights and perspectives. By focusing on Nepal, researchers can demonstrate how contextual factors specific to non-Western settings influence entrepreneurial behavior and outcomes, contributing to a more diverse and inclusive body of literature. This emphasis on non-Western contexts like Nepal not only broadens the scope of entrepreneurship research but also promotes cross-cultural understanding and collaboration within the field.

The study in Nepal can contribute significantly to the broader literature on entrepreneurial orientation and firm performance by shedding light on how factors specific to this context shape entrepreneurial practices and outcomes. This research can serve as a bridge to connect diverse perspectives and enhance the understanding of entrepreneurship in varied cultural settings.

### **Conclusions**

This review-based study affirms a positive and significant impact of entrepreneurial orientation on environmental sustainability orientation, subsequently leading to enhanced organizational performance among enterprises. The findings underscore the crucial role of entrepreneurial orientation in fostering innovation, pro-activeness, and risk-taking, which collectively contribute to the overall sustainability and performance of organizations.

### **Managerial Implications**

The study holds important managerial implications, suggesting that fostering entrepreneurial orientation, including innovativeness, pro-activeness, and risk-taking, is instrumental in elevating organizational performance. Organizations are encouraged to incorporate these dimensions into their strategies to gain a competitive edge. Furthermore, embracing an environmental sustainability orientation not only enhances reputation through proper waste management but also reduces operational costs by adopting eco-friendly practices such as material reuse and recycling.

## Research Implications

This research opens avenues for future exploration, encouraging researchers to delve into additional variables of entrepreneurial orientation, such as autonomy and competitive aggressiveness. The study's insights can guide future research endeavors, providing a valuable foundation for literature reviews. Moreover, researchers are encouraged to employ diverse data analysis tools and techniques to measure the impact of entrepreneurial orientation on organizational performance, considering the mediating role of environmental sustainability orientation. Such endeavors will contribute to a more nuanced understanding of the dynamics at play in the intersection of entrepreneurial and sustainability orientations.

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