

Article

2025 2nd International Conference on Business Economics, Education, Arts and Social Sciences (EASS 2025)

# Exploring the Impact of CEO Entrepreneurial Orientation on Corporate Innovation

Zhen Liu <sup>1,\*</sup> and Dhakir Abbas Ali <sup>1</sup>

<sup>1</sup> Lincoln University College Malaysia, Selangor, Malaysia

\* Correspondence: Zhen Liu, Lincoln University College Malaysia, Selangor, Malaysia

**Abstract:** This paper meticulously explores the influence of CEO entrepreneurial orientation (EO) on corporate innovation. EO, featuring risk acceptance, innovation pursuit, and opportunity identification, is highly significant in the corporate world as it represents a culture and stance driving companies to seek growth. Corporate innovation covers new product introduction, process improvement, etc. The CEO, central in the organization, is responsible for strategy, team leadership, culture, and market response. Through integrating theories and research, this study finds that CEO's EO profoundly impacts corporate innovation. It catalyzes resource acquisition, fosters a learning environment, promotes technological innovation, and aids market development. The CEO's personal experience, organizational culture, industry, and strategy jointly shape EO and its impact. Understanding this guides enterprises to enhance innovation for sustainable development.

**Keywords:** chief executive officer; entrepreneurial orientation; corporate innovation

## 1. Introduction

In the contemporary highly competitive and volatile business arena, the prosperity of a company is frequently predicated upon its proficiencies in innovation, risk-taking, and opportunity recognition. These capabilities predominantly emanate from the entrepreneurial orientation of the firm's leaders, especially the CEO. This research is dedicated to scrutinizing the impact of CEO's entrepreneurial orientation on corporate innovation, with particular emphasis on the functions of organizational flexibility and environmental dynamics in this context [1].

## 2. Theoretical Framework and Conceptualization

### 2.1. Concepts and Connotations of Entrepreneurial Orientation

Entrepreneurial Orientation (EO) epitomizes an organizational culture and strategic disposition that accentuates risk acceptance, innovation, and opportunity identification. To commence with, EO is centered around innovation, risk-taking, and opportunity spotting, which are of paramount importance for organizational growth and success. In the current cutthroat business landscape, EO has evolved into an objective avidly pursued by a multitude of organizations. It transcends the realm of a mere mindset and functions as an actionable guide that empowers organizations to discern opportunities and attain triumph in the perpetually fluctuating marketplace [2].

Received: 24 February 2025

Revised: 27 February 2025

Accepted: 03 March 2025

Published: 04 March 2025



**Copyright:** © 2025 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

### 2.1.1. Entrepreneurial Orientation Emphasizes Acceptance of Risk

In contrast to traditional enterprises, companies imbued with an entrepreneurial orientation exhibit a greater proclivity for risk-taking. They are cognizant of the fact that only by embracing risks can they harvest more substantial rewards. Failures do not daunt them; instead, they are perceived as invaluable learning and growth opportunities. For illustration, when confronted with a decision regarding market entry into uncharted territories, an entrepreneurially oriented company is more liable to take the plunge despite the inherent uncertainties.

### 2.1.2. Entrepreneurial Orientation Focusing on Innovation

Companies with an entrepreneurial orientation regard innovation as the linchpin of survival and growth. They actively foster an environment that stimulates employees to conceive novel ideas and solutions, thereby continuously enhancing products and services to satiate customer needs. Moreover, they are inclined to allocate resources to research and development endeavors to fuel innovation. For instance, they might institute innovation labs or institute incentive mechanisms to reward employees' creative contributions [3].

### 2.1.3. Entrepreneurial Orientation Emphasizes Opportunity Identification

Such companies possess an acute awareness of market opportunities and are prompt in capitalizing on them. They not only fixate on immediate opportunities but also proactively seek out prospective ones. Additionally, they are adept at dissecting market trends and foreseeing latent opportunities ahead of their competitors. For example, they might detect nascent consumer trends and promptly develop corresponding products or services.

## 2.2. *Concepts and Connotations of Enterprise Innovation*

Enterprise innovation encompasses the continuous introduction of new products, novel processes, innovative organizational forms, state-of-the-art management methods, or the substantial improvement and elevation of existing processes, strategies, and business models during the operational trajectory of an enterprise. It embraces not only product-level innovation but also technological innovation, organizational innovation, and a plethora of other aspects.

### 2.2.1. By Introducing New Products or Improving Existing Ones

Companies can effectively cater to the evolving demands of consumers and augment the competitiveness of their products. This is primarily because new or enhanced products can proffer enhanced features and functionalities, thereby alluring a larger customer base. For instance, a technology firm might roll out a new smartphone equipped with advanced camera capabilities, which can confer a competitive edge in the market.

### 2.2.2. By Introducing New Technologies or Improving Existing Ones

Companies can augment productivity, curtail costs, and engineer more competitive products. Furthermore, the adoption of new technologies can also ameliorate the quality of products and services. For example, a manufacturing enterprise might implement cutting-edge automation technologies to streamline production processes and minimize errors.

### 2.2.3. Through Changes in Organizational Structure, Management Style, and Corporate Culture

Organizations can enhance the efficiency of internal collaboration and galvanize the creativity and innovation of employees. Additionally, a more flexible and open organizational culture can embolden employees to share ideas and venture into uncharted territories. For instance, certain companies adopt a flat organizational structure to facilitate seamless communication and collaboration among diverse departments.

### 2.3. Roles and Responsibilities of the Chief Executive Officer

The Chief Executive Officer (CEO) occupies the apex position within an organization and shoulders the responsibility of formulating and implementing strategies, as well as shepherding the organization through the vicissitudes of change and challenges.

#### 2.3.1. Formulation and Implementation of Corporate Strategy

As the leader of a company, the CEO is required to possess a farsighted vision to devise a lucid corporate strategy that can be dynamically adjusted and optimized in response to the ever-shifting market environment. To this end, the CEO must meticulously analyze market trends, competitor dynamics, and fluctuations in consumer demand to formulate a strategic blueprint that aligns with the company's development aspirations. For example, if the market is undergoing a paradigm shift towards more sustainable products, the CEO should astutely incorporate sustainability into the company's strategic framework.

#### 2.3.2. Leadership and Management Teams

The CEO is tasked with leading and managing the organization's management team, orchestrating the efforts of various departments to ensure the seamless operation of the business. The CEO should inspire team members, unlock their latent potential, and furnish the requisite resources and support. Moreover, the CEO should also cultivate a collaborative and innovative team culture. For instance, the CEO can organize regular team-building activities and training sessions to fortify team cohesion and enhance skillsets.

#### 2.3.3. Establishment and Maintenance of a Corporate Culture

The CEO is responsible for erecting and nurturing a positive corporate culture that galvanizes active employee participation and bolsters corporate cohesion. The CEO should serve as an exemplar to disseminate the company's core values and code of conduct and foster a sense of belonging and loyalty among employees through a diverse array of means. Additionally, the CEO can promote a culture of innovation by rewarding creative ideas and initiatives. For example, the CEO can institute an innovation award program.

#### 2.3.4. Monitoring and Responding to Market Changes

The CEO needs to vigilantly monitor market changes and expeditiously adjust corporate strategies to adapt to market fluctuations. Furthermore, the CEO should also be proactive in anticipating future market trends and priming the company in advance. For instance, if there are harbingers of a potential economic downturn, the CEO might take preemptive measures to retrench costs and augment the company's financial resilience.

### 2.4. The Relationship between CEO Entrepreneurial Orientation and Firm Innovation

The entrepreneurial orientation of CEOs wields a significant influence on firm innovation. To begin with, CEOs with an entrepreneurial orientation are more inclined to investigate innovative activities within their firms. They tend to foster a corporate culture that is conducive to innovation, encouraging employees to generate novel ideas and solutions

to problems, thus facilitating the innovation process within the firm. Such CEOs also place a premium on opportunity identification and innovation. They are capable of astutely discerning market opportunities and taking timely actions to capitalize on them. They not only pay heed to current issues and challenges but also actively explore future trends and directions to carve out more opportunities for the organization. CEOs with an entrepreneurial orientation typically cultivate a corporate culture that emphasizes teamwork and knowledge sharing, encourages communication and cooperation among employees, and provides training and development opportunities to stimulate their creativity and potential.

### **3. Analysis of Factors Influencing CEO Entrepreneurial Orientation**

The personal attributes and experiences of CEOs exert a substantial impact on their entrepreneurial orientation. CEOs with prior entrepreneurial experience are more likely to possess a heightened entrepreneurial orientation. This is because they have acquired a profound understanding of innovation and risk through their previous endeavors and are more disposed to experiment with novel business models or technologies. The valuable insights and lessons gleaned from their own entrepreneurial escapades render them more audacious in risk-taking and more zealous in innovation pursuit. Additionally, the organization's culture, rules, and values also play a decisive role in shaping the CEO's entrepreneurial orientation. If the organizational culture places a premium on innovation and risk-taking, CEOs with an entrepreneurial orientation are more apt to play an active and catalytic role within such an organization and drive innovative activities. They can infuse novel ideas and concepts into the organization, stimulate the creativity and innovation of employees, and thereby propel the company forward. Moreover, industry characteristics and competitive dynamics also impinge on a CEO's entrepreneurial orientation. In highly competitive or rapidly evolving industries, CEOs are more prone to exhibit an entrepreneurial orientation as they are compelled to ceaselessly seek new opportunities and competitive advantages to meet market challenges. They need to be acutely attuned to market changes and trends and make timely adjustments to the firm's strategy and direction to maintain competitiveness and achieve sustainable growth. Last but not least, corporate strategy and objectives also exercise a significant influence on the entrepreneurial orientation of the CEO. If the corporate strategy accentuates innovation and change, the CEO is more likely to adopt an entrepreneurial orientation to drive the company towards the attainment of its strategic goals. This necessitates innovative thinking and acute market insights to identify new business opportunities and growth points and translate them into tangible action plans. It also requires leadership and teamwork skills to motivate employees to actively engage in innovative activities and collaborate towards the realization of the organization's growth aspirations.

### **4. Mechanisms of CEO Entrepreneurial Orientation on Firm Innovation**

#### *4.1. Resource Acquisition and Allocation*

The entrepreneurial orientation of CEOs has a profound impact on the acquisition and allocation of corporate resources. To start with, CEOs with an entrepreneurial orientation are more disposed to actively seek and procure new resources, encompassing capital, technology, talents, and the like, and allocate them judiciously to the innovative activities of the enterprise to foster its innovative development. They usually possess sharp market insights and forward-looking thinking, enabling them to promptly capture market opportunities and fulfill market demands through effective resource allocation. For example, they might identify emerging technologies and strategically invest in research and development to secure the necessary technological resources.

#### *4.2. Organizational Learning and Knowledge Management*

The entrepreneurial orientation of CEOs has a salutary impact on organizational learning and knowledge management. Initially, CEOs with an entrepreneurial orientation are more inclined to construct an organizational climate that encourages learning, promotes knowledge sharing and exchange among employees, and enhances the firm's innovation capacity and responsiveness to market changes. They typically focus on cultivating employees' innovative awareness and learning ability and encourage them to continuously learn and explore new knowledge and apply it to the innovative practices of the enterprise. For instance, they might organize internal training seminars or knowledge sharing forums to facilitate the dissemination of knowledge within the organization.

#### *4.3. Technological Innovation and Product Development*

The entrepreneurial orientation of CEOs has a crucial impact on the technological innovation and product development of enterprises. Firstly, CEOs with an entrepreneurial orientation are more predisposed to vigorously promote the technological innovation and product development activities of the enterprise and enhance the enterprise's competitiveness and meet market demand through continuous technological innovation and product upgrading. They usually possess a discerning eye and astute judgment regarding new technologies and can timely grasp the trend of technological development and apply it to the products and services of the enterprise. For example, they might invest in research and development of new materials or technologies to enhance the performance of their products.

#### *4.4. Market Development and Customer Relationship Management*

The entrepreneurial orientation of CEOs also has a significant impact on the market development and customer relationship management of the firm. Initially, CEOs with an entrepreneurial orientation are more likely to foster a customer-centric organizational culture, actively explore new markets, and improve the quality of customer service to augment the market competitiveness of the enterprise. They usually have an in-depth understanding and perspicacious insight into customer needs and can promptly adjust their marketing strategies and product positioning in response to changes in the market and customer needs. For instance, they might conduct market research to identify new customer segments and formulate targeted marketing campaigns.

#### *4.5. Organizational Structure and Management Processes*

The entrepreneurial orientation of a CEO has a substantial impact on the organizational structure and management processes of a firm. To begin with, CEOs with an entrepreneurial orientation are more inclined to erect a flat and efficient organizational structure and flexible and efficient management processes to adapt to market changes and promote the innovative development of the firm. They usually focus on simplifying decision-making hierarchies, enhancing decision-making efficiency, and reducing redundant and inefficient management processes. For example, they might eliminate superfluous bureaucracy and streamline the decision-making pipeline.

### **5. Conclusion**

The entrepreneurial orientation of CEOs can expedite the acquisition and allocation of resources, catalyze organizational learning and knowledge management, accelerate technological innovation and product development, optimize market development and customer relationship management with a customer-centered ethos, and construct organizational structures and management processes that are attuned to market changes. The impact of CEOs' entrepreneurial orientation on corporate innovation is not a straightforward linear relationship. It is influenced by a multiplicity of factors, including organizational environment, industry characteristics, and corporate strategy.

## References

1. Y. Liu, M. Xi, Y. Jia, and X. Geng, "Chief Executive Officers entrepreneurial orientation, dynamic capabilities, and firm performance: The moderating effect of the manufacturing industry," *Front. Psychol.*, vol. 12, p. 707971, 2021, doi: 10.3389/fpsyg.2021.707971.
2. X. Zhang, Y. Liu, X. Geng, and D. Wei, "The digital entrepreneurship era: How to motivate innovativeness in middle management teams? The vertical organisational pervasiveness of chief executive officer entrepreneurial orientation," *Front. Psychol.*, vol. 13, p. 775558, 2022, doi: 10.3389/fpsyg.2022.775558.
3. M. Mrabet and H. Barka, "Entrepreneurial orientation and innovation performance: The moderating effects of the CEO's characteristics," *Am. J. Ind. Bus. Manag.*, vol. 13, pp. 1024-1043, 2023, doi: 10.4236/ajibm.2023.1310057.

**Disclaimer/Publisher's Note:** The statements, opinions and data contained in all publications are solely those of the individual author(s) and contributor(s) and not of GBP and/or the editor(s). GBP and/or the editor(s) disclaim responsibility for any injury to people or property resulting from any ideas, methods, instructions or products referred to in the content.