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The Developing Framework On The Relationship Between Market Orientation And Entrepreneurial Orientation To The Firm Performance Through Strategic Flexibility: A Literature Perspective

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Abstract

This paper develops a conceptual framework for an intended study which will examine the relationship between market orientation and entrepreneurial orientation on the firm performance. Previous study has shown that market orientation and entrepreneurial orientation is directly related to organizational performance. However, another studies indicate that the significance of the relationship between variables must be mediated by other variables. Some authors argue that environmental dynamics play a important role in the achievement of the firm performance. Therefore, this article try to fills a gap that exists on the relationship between market orientation and entrepreneurial orientation on the firm performance. In developing framework, we integrate strategic flexibility as a variables which mediates that relationship. This paper provide recommendations for entrepreneurs of how their market orientation and entrepreneurial orientation related with firm performance through strategic flexibility. The limitations and implications are discussed.

Keywords: Market Orientation, Entrepreneurial Orientation, Strategic Flexibility, Firm Performance

1. Introduction

In the dynamic environment, organizations are regularly called upon to adapt to environmental change. Consequently, it cause a firm must be developed a greater competitive advantage compared with competitors. Day (1994) state that the a firm will be able to anticipate from the conditions encountered can expect to gain a competitive advantage in the long run and earn superior profits. Improvement strategies compete to achieve superior performance has to do with changing the behavior in the conduct of the competition. Therefore, understanding the role of market orientation and entrepreneurial orientation represents a key objective for both business interests, in their efforts to face the dynamic environment (Gima and Anthony Ko., 2001; Benito, *et al*., 2009; Pinto, 2009).

Market orientation is focuses the current and future needs of the customer, increase the level of intelligence in the organization and make the organization for the responsiveness (Kohli and Jaworski, 1990). From the cultural perspectives, market orientation contains three major components: (1) *customer orientation*, the continuous understanding of the needs of both the current and potential target customers and the use of that knowledge for creating customer value; (2) *competitor orientation*, the continuous understanding of the capabilities and strategies of the principal current and potential alternative satisfiers of the target customers and the use of such knowledge in creating superior customer value; and (3) *interfunctional coordination*, the coordination of all functions in the business in utilizing customer and other market information to create superior value for customers (Narver and Slater, 1990).

In recent years, study of the market orientation and entrepreneurial orientation has became an interesting topic from scholar by any author. Previous studies have shown that market orientation and entrepreneurial orientation is positively related on organizational performance (Benito, *et al*,. 2009). From replication study, some researchers has found that market orientation is directly related on organizational performance (see. Narver and Slater, 1990; Kohli and Jaworski, 1993; Greenley, 1995; Kumar *et al*., 2002; Matsuno *et al*., 2002; Morris *et al*., 2002; Tse *et al*., 2003; Sin, *et al*. 2005; Amirkhani and Fard, 2009; Mahmoud, 2011). However, other studies showed different results and the relationship of them is not very clear (Lado and Olivares 2001). Qu *et al*., (2005) stated that although some studies have found, but there is a presumption that market orientation does not always have a positive impact on performance. Several recent articles suggest that the relationship between market orientation and performance is affected by various factors, such as market conditions, changes in technology (Kohli and Jaworski, 1993, Greenley

1995). Other researchers found that market orientation will be affect on performance with mediated by specific variables. With mediated by strategic flexibility, Johnson *et al*., (2003); Javalgi *et al*. (2005); Combe (2012), shown the indirect effect of market orientation to the performance of the organizations.

An entrepreneurial orientation refers to the processes, practices, and decision-making activities that lead to new entry (Lumpkin and Dess, 1996). The key dimensions that characterize an entrepreneurial orientation include a propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities. Entrepreneurial orientation is the degree of the phenomenon of companies that demonstrate a process, practice and decision-making activities that will lead the company to become a leader in the newly entered the business (Kroeger, 2007). Business oriented organizations will enchance the entrepreneurial orientation behavior in the form innovative, willing to take risks and always trying to produce new products through proactive behavior in order to capture market opportuniy (Covin and Slevin, 1991; Wiklund and Sheperd, 2005).

Pursuing new opportunities in an innovative, risk-taking and proactive manner is closely related to the concept of entrepreneurial orientation. In the study literature, entrepreneurial orientation has become a very important component and specifically used as research material by some researchers (Wiklund, 1999). Generally, the findings from previous study shows that entrepreneurial orientation has significantly impact on the organizational performance (Covin and Slevin, 1991; Smart and Conant, 1994; Loss and Coulthard, 2006; Naldi, *et al*,. 2007; Li, *et al*., 2009). Nonetheless, some researchers (such. Covin and Slevin, 1991; Lumpkin and Dess, 1996; Weaver, *et al*., 1998; Mason, 2006; Kraus, *et al*., 2012) assume that the complexity of the environmental factors play a role against the strength of the relationship between entrepreneurial orientation and performance. Hence, the relationship between entrepreneurial orientation and performance can be mediated by other variables. Consistent with that argument, Some researchers (such, Wiklund, 1999; Li, *et al.,* 2011; Yu, 2012; Arief, et al., 2012) offers the strategic flexibility as a variables that can mediate the relationship between entrepreneurial orientation on the performance. They argue that the environment will lead to a firm must be flexible in crafting a strategy that will be used. Thus, strategic flexibility will be lead by a firm to adapt with environmental changes through continous improvement (Yu, 2012).

With this paper, we attempt to contribute additional empirical evidence that clarifies the relationship among market orientation and entrepreneurial orientation on organizational performance. We argue that the difference findings from the several studies of the above led to the emergence of the gap can be traced further. Furthermore, some authors argue that the relationship between market orientation (Homburg, 2004; Narver and Slater, 1990) and entrepreneurial orientation (Wiklund and Sheperd, 2005; Yu, 2012) may be more complex and the impact caused cannot be viewed in a simple manner. This issue has led researchers to recognise the convenience of expanding research to different scopes (Cervera, *et al*., 2001). By integrating strategic flexibility, this article tries to link the new chain of consequences brought about by market orientation and entrepreneurial orientation in organizational performance.

2. Theoretical Background : Market Orientation and Entrepreneurial Orientation

2.1 Market Orientation

Market orientation reflects the firm's propensity to adopt the marketing concept (Baker and Sinkula, 2009). As a central element for marketing phylosophy, market orientation will determine an organization sustainable competitive advantage (Kumar, *et al.,* 2011). The marketing concept states that if a business is to achieve profitability and/or satisfy its objectives, the entire organization must be oriented towards satisfying consumer needs, wants, and aspirations (Blankson and Cheng, 2005). At this stage, market orientation derives from the application of the marketing concept.Therefore, the market orientation constructs is widely used as the basis for the development of modern marketing concepts and are often used as subjects of research (Grinstein, 2008). Market orientation related to abilities and actions taken by the company in the study of customers, competitors and members of the group to be based on the existing market trends at the moment (Day, 1994). Thus, market orientation will involve capability that are owned by a firm respond to changes in market needs through the introduction of new products and services (Hoa, *et al.,* 2010; Adis and Jublee, 2010), and a firm's ability to demonstrate an innovative behavior (Han, *et al.,* 1998; Schlosser and McNaughton, 2004).

Market orientation describes a firm's orientation toward the promotion and support for the collection, dissemination, and responsiveness to market intelligence to serve customer needs (Kohli and Jaworski 1990). From other perspectives, Narver and Slater (1990) states that the market orientation is the process of creating superior value and increasing performance. That explanation implies that the basic concept of this market orientation is to satisfy the customer needs and requirements for the improvement of business performance. Narver and Slater (1990) explains that market orientation consists of three behavior components, i.e., customer orientation, competitor orientation, and interfunctional coordination. Furthermore explained that there are two criteria for decisions on market orientation, that longer-term focus and profitability. In some empirical studies that have been conducted, the long-term focus and profitability is considered as a measure of corporate performance.

Customer Orientation

Narver and Slater (1990) define customer orientation as the sufficient understanding of one's target buyers to be able to create superior value for them continuously. This definition provides an understanding that customer orientation includes the overall activity which conducted to meet the needs and desires. With such understanding, a firm must provide information on the products offered and the extent to which the product is able to meet the needs and wants of customers. Customer orientation requires the company to gather information about a customer, and understanding the whole value chain customer (Day and Wensley, 1988).

Competitor Orientation

Competitor orientation refers to a timely and accurate understanding of the firm's current and future competitors (Narver and Slater 1990). Some researchers state that the customer orientation will put customers as a part of the organization, so that, this component is considered to be a very important factor of concept market orientation implementation (Deshpandey and Farley, 1998). Based on Narver and Slater perspective, other researchers argue that the competitor orientation focuses on the strengths and weaknesses that are owned by competitors (Deshpande, *et al*., 1993). Competitors orientation will lead an organizations can serve customers better than the competition (Zhang and Bruning, 2007).

Interfunctional coordination

Interfunctional coordination the company's resource utilization is coordinated in order to create superior value for customers target (Narver and Slater, 1990). Interfunctional coordination allows searches for ideas that will be streamed to the rest of the organization through an increase in the company's ability to produce new products. Furthermore, Narver and Slater (1990) explains that the coordination function will be run effectively if each Department in the company is able to provide a fast response from any changes.

The Study Literature Of Market Orientation

NO	Authors	Research Variable	Finding
1.	Narver and Slater (1990)	*Competitor orientation, Customer orientation, Interfunctional coordination*	*There is a relationship between market orientation and performance on high growth, low competition environment that will weaken the low growth rates and high competition market.*
2.	Kohli and Jawroski (1990)	*The generation of market Intelligence, Intelligence dissemination, Responsiveness to market intelligence*	*Market orientation is related to top management emphasis on the orientation, risk aversion of top managers, interdepartmental conflict and connectedness, centralization, and reward system orientation.*

3.	Ruekert (1992)	*Customer focus, Competitor focus, Market intelligence, Marketing strategic*	*A positive relationship exists between market orientation and performance, although market orientation varies across business units of a single organization.*
4.	Day (1994)	*Firm capability , Competitive advantage*	*A firm's MO and marketing capabilities may interact to enable the firm to align its resource deployments with its market environment better than its rivals*
5.	Kumar, *et al.*, (2002)	*Market Orientation, Long-Term Focus, Differentiation Strategy, Low-Cost Strategy*	*The orientation of the market influence positively on the performance of the organizations that implement a strategy of differentiation of the organizations that implement leadership strategies price*
6.	Liu, Luo and Shi (2003)	*Market orientation, Learning Orientation, Entrepreneurship, Organizational performance*	*Organizations with higher level of market orientation tend to be more learning-oriented, emphasize more on entrepreneurship, and be able to achieve higher level of organizational performance, than those with a lower level of market orientation*
7.	Greenley, Hooley, Rudd (2005)	*Marketing Capabilities, Assets, Superior customer value*	*Marketing capabilities and assets are both different and similar among executives with a market focus in their msops, and those with other msops.*
8.	Sin, Tse, Heung and Yim (2005)	*Market orientation, Business performance*	*Market orientation is positively and significantly related to the performance of marketing and financial performance.*
9.	Morgan, Vorhies and Mason (2009)	*Market Orientation, Marketing capabilities , Firm Performance*	*Market orientation and marketing capabilities are complementary assets that contribute to superior firm performance*
10.	Grinstein (2008)	*Customer orientation, Innovation consequence, Competitor orientation*	*This study found that there is a relationship between market orientation and innovation*
11.	Zhou, Chao and Huang (2009)	*Intelligence Generation (IG), Interdepartmental Information Dissemination (ID), Intelligence Responsiveness (IR)*	*The results of the study provide some new insights on what managers in non-profit organizations (NPOs) can do in implementing marketing strategies to improve organizational effectiveness through a greater emphasis on MO*

12.	Kumar, Venkatesan, and Leone (2011)	*Market Orientation, Technological Turbulence, Market Turbulence, Competitive Intensity, Industry Growth, Business performance*	*Market orientation has a positive effect on business performance in both the short and the long run.*
13.	Raju, Lonial and Crum (2011)	*Organizational Structure, Organizational Culture, Market Orientation, Performance*	*These studies generally show a positive link between MO and organizational performance. This paper examines MO specifically in the context of small and medium sized enterprises (SMEs).*

2.2 Entrepreneurial Orientation

Basically, the concept of entrepreneurship is not a new field in business ventures. It's just that, some of the authors had previously use different terms in the explain conception of entrepreneurship. For example, Mintzberg (1973) wrote about entrepreneurial firms, referring to them as “entrepreneurial organizations” in the case of former. Miller and Freisen (1982; pp.1 – 2) describes 'entrepreneurial' firms may try to obtain a competitive advantage by routinely making dramatic innovations and taking the concomitant risks. Miller (1983; pp. 3) describes an entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures, and is *first* to come up with "proactive" innovations, beating competitors to the punch.

In the development, some of the further authors explained entrepreneurship concept operationalizations to describe levels that exist in the organization. They call it entrepreneurial orientation. Covin and Slevin (1989) defines an entrepreneurial orientation as the processes, structures, and behaviors of firms that are characterized by innovativeness, proactiveness, and risk taking. The third dimension of the entrepreneurial orientation have been studied extensively and widely accepted, for example, Quince (2003); Galetić and Milovanović (2004); Avlonitis and Salavou, (2007); Naldi, et al., (2007); Kropp, et al., (2008); Okpara (2009); Xaba and Malindi (2010).

Innovativeness

Schumpeter (1942, cited in Krauss, 2012) was one of the first to point out the importance of innovation in the entrepreneurial process. Furthermore, this author also suggest that innovations typically represent an improvement in terms of product or process utility and as a result create greater buyer interest and overall economic activity. In the context of entrepreneurship, innovation is the key for managers to explore existing opportunities (Miller, 1983; Wiklund and Sheperd, 2005) and to gain a competitive advantage (Day and Wensley, 1988; Knight, 1997). Innovativeness reflects a tendency to support new ideas, novelty, experimentation, and creative processes, thereby departing from established practices and technologies (Lumpkin and Dess, 1996). Enhance innovativeness is important factor for a firm to survival and create business growth (Hurley and Hult, 1998; Hitt, et al., 2001). Based on the above explanation, we argue that innovativeness refers a firm ability to show a creative behavior related with the effort to solve the problem and for the long term to gain a competitive advantage. This includes the new product development, new processes and used the technology for supporting firm performance.

Proactiveness

Proactiveness may be crucial to an entrepreneurial orientation because it suggests a forward-looking perspective that is ac-companied by innovative or new-venturing activity (Lumpkin and Dess, 1996). Proactiveness refers to processes aimed at anticipating and acting on future needs by "*seeking new oppor-tunities which may or may not be related to the present line of operations, introduction of new products and brands ahead of competition,* *strategi-cally eliminating operations which are in the mature or declining stages of life cycle*" (Lumpkin and Dess, 1996). In addition, this author suggest that proactiveness was the most important factor for determine of entrepreneurial orientation. A firm with strong proactiveness will be able to shaping the environment by anticipating and pursuing new opportunites so they can create a competitive advantage.

Risk Taking

Miller and Friesen (1978; 923) defined risk taking as "*rates the degree to which managers are willing to make large and risky resource commitments-i.e. those which have a reasonable chance of costly failure*". Furthermore, Davis, et al., (1991; 44) state that the risk-taking dimension involves the willingness of management to commit significant resources to opportunities having a reasonable chance of costly failure. In short, entrepreneurial firms tend to develop creative and innovative projects in anticipation of the opportunities in the environment and to beat competitors' actions, and their expectations of reward involve significant but calculated risks (Benito, *et al*., 2009). Entrepreneur tend to take risks, even though it restricted the type of low-risk, not extreme risks. Even so, entrepreneur believe that risk taking able to improve the search an opportunities so that the impact on business growth.

The Study Literature Of Entrepreneurial Orientation

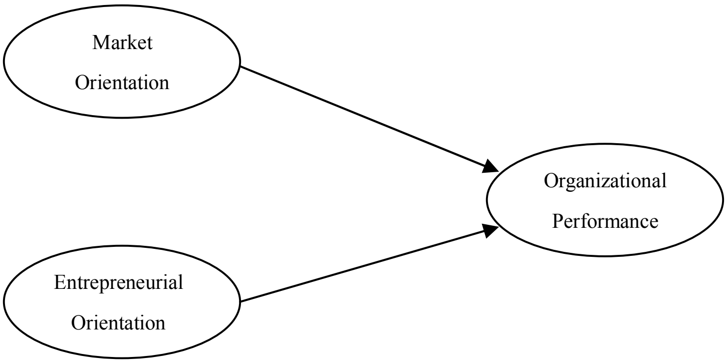
NO	Authors	Research Variables	Findings
1.	Covin and Slevin (1991)	*Innovativeness, Risk taking, Proactiveness, performance*	*The study proposed model of antecedents and consequences of entrepreneurial orientations as well as variables that moderate the relationship between entrepreneurial orientation towards performance.*
2.	Lumpkin and Dess (1996)	*Autonomy, Innovativeness, Risk taking, Proactiveness, Competitive aggressiveness*	*In his studies, the authors use alternative models (the impact of moderation, mediation) from entrepreneurial orientation in order to test the relationship between entrepreneurial orientation with respect to the company's performance.*
3.	Wiklund (1999)	*EO, Performance, Environmental dynamism, Capital availability*	*The study indicate that there is a positive relationship between EO and performance.*
4.	Quince (2003)	*Innovativeness, Pro-activeness, Risk-taking, Firm performance*	*This paper explores the extent to which differences in motives, intentions and personal objectives held by entrepreneurs were reflected in organisational behaviour relating to the dimensions of EO.*
5.	Galetić and Milovanović (2004)	*EO, Performance*	*There is a positive relationship between the dimensions of entrepreneurial orientation on performance on hotels in Croatia, with the performance criteria are sales growth, cash flow and net profit.*

6.	Wiklund and Shepherd (2005)	*EO, Access to capital, Environmental dynamism, Performance*	*EO positively influences small business performance,relying solely on this main effect relationship provides an incomplete understanding of small business performance.*
7.	Loss and Coulthard (2006)	*EO, Performance*	*Entrepreneurial dimension ; innovation and autonomy were not prominent as in past studies, suggesting quality solution to enhance performance outcomes were less important in the current paradigm.*
8.	Naldi, *et al.* (2007)	*Innovativeness, Risk taking, Proactiveness, Firm performance*	*Taking risks is an important dimension in the EO in the company of his family and this dimension is positively related to the proactive and innovative.*
9.	Hui Li, et al. (2009)	*EO, Knowledge creation process, Firm performance*	*The results of the study indicate that entrepreneurial orientation positively correlated with company performance and knowledge creation processes mediate this relationship.*
10.	Okpara (2009)	*EO, Performance*	*Results of the study showed that companies can adopt entrepreneurial orientation proactively so as to generate superior performance*
11.	Martens *et al.* (2010)	*Innovativeness, Risk-taking, Proactiveness, Autonomy , Competitive aggression*	*It is generally found that entrepreneurial orientation characterized through several dimensions that exist and not all companies will use the entrepreneurial orientation are the same.*
12.	Simon *et al.*, (2011)	*Sales growth, EO, Commitment to Objectives*	*The research found that EO and commitment to objectives enhanced sales growth.*

3. The Relationship Between Market Orientation And Entrepreneurial Orientation on Organizational Performance Through Strategic Flexibility

From previous empirical studies showed that the direct effect between market orientation (see. Narver and Slater, 1990; Kohli and Jaworski, 1993; Greenley, 1995) and entrepreneurial orientation (see. Covin and Slevin, 1991; Smart and Conant, 1994; Loss and Coulthard, 2006; Naldi, *et al*,. 2007; Li, *et al*., 2009) gives rise to consequences on organizational performance. The outcome of some research can be described in Figure 1. Nevertheless, when the influence of market orientation and entrepreneurial orientation was made into a model, then the direct influence became less meaningful. Some authors (such, Wiklund and Sheperd, 1995; Johnson *et* al., 2003; Yu, 2012) assume that turbulence on the environment will cause the influence brought about by market orientation and entrepreneurial orientation in organizational performance are becoming increasingly complex.

Figure 1. Direct Effects of Market Orientation and Entrepreneurial Orientation on organizational performance



Studies conducted by Barrett and Weinstein (1998) states that market-oriented company will push to make the identification of market awareness, organizational flexibility, strategic vision and trying to understand the external environment as a critical component in shaping the company's ability. With the changes that occur at the subcriber, then the organization's flexibility will allow to provide quick reaction. Organization that are in dynamic environment should demonstrate the strategic flexibility to counter the power of environmental change (Sushil, 2005; Matthyssens, *et al.,* 2005; Supara, *et al*., 2007). Johnson, *et al*., (2003) stated that strategic flexibility is rarely discussed in the literature marketing mainly deals with strategic importance lingking the activities of the market. To bridge the gap in the literature, Johnson *et al*., (2003) proposed a conceptual model, which they think is appropriately called the strategic flexibility of the market focused. The proposed model, rooted in the theory of ability, choice theory, and the view of resource-based companies. The model shows how the market orientation of the firm relating to strategic flexibility and how this relationship is mediated by environmental turbulence.

In the context of entrepreneurship, Okpara (2009) explains that one of the characteristics inherent in it is the flexibility in taking a decision. The flexibility that exists on the organization caused due to the limitations of traditional societies, so that the organization can not adapt to the environment that is always changing. The flexibility that is owned by an organization is a very important component in the face of environmental changes (Ferreira, et al., 2007). Implicitly, some idea of the organization's strategy on the flexibility shown in the process of implementation of marketing activities, since the conception of marketing organizations demanding to be able to meet the needs of customers who are always subjected to change (Combe, 2012). To achieve this, it organizations need strategic decision-making in the choice and application of flexible strategy is indispensable in conditions like this. Studies conducted by Hill (2001) pointed out that in carrying out marketing activities, entrepreneurial need to have a flexible organization, so as to devise strategies that are able to adapt and adjust to changes in the environment. Within the theoretical perspective, entrepreneurial orientation which consists of behaviors that are innovative and dare to take risks, require organizations to demonstrate flexible behaviour (Simon, et al,. 2011).

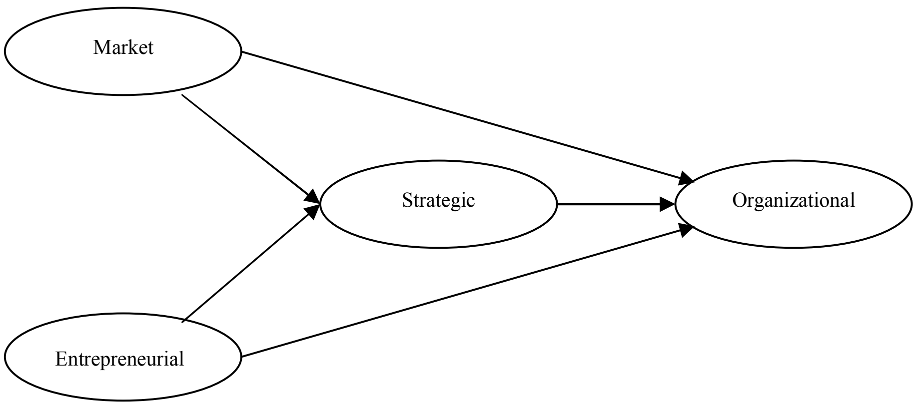
4. Model Development

In developing a conception of the relationship between entrepreneurial orientation and market orientation to business performance, variable strategic flexibility can be used as variables of mediation. The use of the strategic flexibility as variables that mediate the relationship between entrepreneurial orientation and market orientation and business performance based on the explanation given by some of the researchers in advance, where a component of the environmental factors that will affect the performance of organizations, such Covin and Slevin (1991); Lumpkin and Dess (1996); Sushil (2005); Matthyssens, *et al., (*2005); Voola and Muthaly (2005); Zhang (2005); Mason (2006); Ferreira, *et* al., (2007); Supara, *et al*., (2007); Kraus, *et* al., (2012); Yu (2012); Arief, et al., (2012). In particular, strategic flexibility will be mediate the relationship between entrepreneurial orientation and market orientation based on the study conducted by Shimizu and Hitt (2004).

Implicitly, some form of strategic flexibility related to the concept of marketing and market orientation (Gylling, et al., 2012). The implementation of the concept of marketing assumes that the company should make changes to maintain and meet the needs of customers (Combe and Greenley, 2004). market orientation emphasised on the company's efforts to always put the customer as the primary purpose. Customer needs are always changing, so a market-oriented company will undertake the collection of market information in a more systematic way, filled with calculation and more anticipatory attitude compared to competitor (Day, 1994).

The development of the relationship between market orientation and strategic flexibility carried out by Johnson et al. (2003). In his study, Johnson, et al. (2003) showed a integrative model that explicitly illustrates strategic flexibility mediation focused on the market within the framework of marketing strategies. The use of the concept of flexibility on market strategy of the focused to demonstrate the company's ability to rapidly make changes directly and specify the return form strategies that will be applied, in particular with the products and markets that will be served (Johnson et al., 2003, p. 74).

Figure 2. Proposed Direct and Indirect Effects of Market Orientation and Entrepreneurial Orientation on organizational performance



Strategic flexibility described about the company's ability to perform allocation and reconfiguration of resources belonging to cope with environmental change (Sanchez, 1995). Furthermore, Li, et al,. (2011) explained the statement issued by arguing that the strategic flexibility may be able to serve as mediation of the relationship between entrepreneurial orientation and performance. The role of strategic flexibility as mediators of the relationship between entrepreneurial orientation and business performance relates to the decision-making is done by the Manager, the ability to manage risks, and ability to communicate that can motivate employees in an effort to find problem solving (Matthyssens, *et* al., 2005).

The conception of strategic flexibility places emphasis on understanding the organization of the psychological aspects of the organization that may pose obstacles to produce optimum performance and objectivity of the managers in the organization's commitment to improve. Understanding of the psychological and objectivity is particularly troubled by the high uncertainty of the environment in which the organization conducts operational activity. With a very uncertain environment, then the Organization will have a little market information that would have an impact on the achievement of performance. To cope with an uncertain environment, organizations can enhance attention (attention), valuation (assessment) and action (action). Based on that explanation, the basic model of the relationship between market orientation and entrepreneurial orientation in organizational performance can be described as follows.

5. Conclusion

Previous research suggests a relationship between market orientation and entrepreneurial orientation on organizational performance, such Narver and Slater (1990); Kohli and Jaworski (1990); Wiklund (1999); Covin and Slevin (1991). Even so, some of the last article suggested that the positive relationship between market orientation and performance is affected also by a variety of factors, such as market conditions, changes in technology (Kohli and

Jaworski, 1993, Greenley, 1995). While the replication of the study that was done (see. Wiklund and Shepherd (2005); Frank, Kessler and Fink (2010), shows that entrepreneurial orientation will have the relationship positively on performance if a dynamic environment combined with ease of access in the financial and capital gain when a stable environment combined with the difficulty of accessing financial capital.

From some previous studies, both market orientation and entrepreneurial orientation will be positively associated if mediated by specific variables. Explicitly, some researchers such as Covin and Slevin (1991); Lumpkin and Dess (1996); Sushil (2005); Matthyssens, *et al., (*2005); Voola and Muthaly (2005); Zhang (2005); Mason (2006); Ferreira, *et* al., (2007); Supara, *et al*., (2007); Kraus, *et* al., (2012); Li, *et al.,* 2011; Yu (2012), provide recommendations that the significance of the relationship between entrepreneurial orientation and market orientation of the performance can be achieved through the mediation of the variable strategic flexibility.

Following our discussion of the relationship between market orientation and entrepreneurial orientation on organizational performance, we argue that the organization must enhance the flexible behavior in determine a strategy. As a consequence, organizations can follow the dynamic environment, will eventually affect the performance of the organization as a whole. The dimensions on the market orientation and entrepreneurial orientation provide the basis for the organization in determining the flexible behavior to compose a strategy. Such a strategy further provides the foundation for a sustainable competitive advantage

Based upon the preceding discussion, we offer the following research propositions :

P 1 : Market orientation related indirectly to the organization performance through the mediation of the strategic flexibility.

P 2 : Entrepreneurial orientation related indirectly to the organization performance through the mediation of the strategic flexibility.

Studies conducted by Shimizu and Hitt (2004) used as the operational framework of the strategic flexibility that mediate the relationship between entrepreneurial orientation and market orientation on organizational performance. From the study, strategic flexibility is measured from the level of *attention*, *Assessment* and *Action*. The development of this framework based off some arguing the concept that can support the statement that the relationship between entrepreneurial orientation and market orientation on performance can be mediated by the variable strategic flexibility. Although the dynamic environmental factors can also affect the relationship between entrepreneurial orientation and market orientation with the performance (such, Kohli and Jaworski, 1993, Greenley, 1995), but at this articles environmental factors not included in the development of the framework. Our rationale is that statement put forth by Johnson et al., (2003) that the strategic flexibility is rarely discussed in the literature marketing mainly deals with strategic importance linking the activities of the market. Whereas in so doing marketing, entrepreneurial activities need to have a flexible organization, so as to devise strategies that are able to adapt and adjust to changes in the environment (Hill, 2001).

Even though the conception of the relationship between entrepreneurial orientation and market orientation on organizational performance has can be developed, but this article has a number of limitations. *Firstly*, previous studies indicate that environmental factors play a role in moderating the relationship between variables. On the other hand, environmental factors are not included as a component that can develop the relationships between variables. Therefore, in future research can be developed further the role of environmental factors that can moderate the relationship between entrepreneurial orientation and market orientation with the performance. *Secondly*, Framework strategic flexibility described by Shimizu and Hitt (2004) aimed at the large scale companies. Large scale companies which are used as a basis in the arguments put forward are likely to have the staying power of influence of the environment and are relatively stable. Therefore, in future research, this framework can be proven by taking the unit of analysis on a SMEs. *Thirdly*, although this propositions is persuasive, there is as yet no empirical evidence to support it. We know little about the interactive effect of market orientation and entrepreneurial orientation on organizational performance, an important competence variable in turbulent environments.

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