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Employees' perceptions of strategic orientation and turnover intention in Vietnamese Micro, Small, and Medium Enterprises

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Abstract
Employee turnover poses a disproportionate challenge to micro, small, and medium enterprises (MSMEs), whose limited staffing and financial resources make the loss of experienced employees particularly costly. Although strategic orientation is widely examined as a driver of organizational performance, its employee-level implications remain underexplored. This study investigates whether employees' perceptions of market orientation and innovation orientation reduce turnover intention in Vietnamese MSMEs. Survey data from 361 employees were analyzed using partial least squares structural equation modeling. The measurement model demonstrated satisfactory reliability and validity. Market orientation had a significant negative effect on turnover intention ($\beta = -0.140$, $t = 3.690$, $p < 0.001$), while innovation orientation produced a stronger negative effect ($\beta = -0.219$, $t = 4.390$, $p < 0.001$). The findings indicate that strategic orientation is not only a firm-level competitive posture but also an organizational signal that shapes employees' evaluations of clarity, support, learning opportunities, and future prospects. The study extends strategic-orientation research to employee retention in an emerging-economy MSME context and suggests that managers should combine market responsiveness with adequate coordination, resources, psychological safety, and opportunities for employee participation.

Keywords: Strategic orientation, market orientation, innovation orientation, turnover intention, MSMEs, Vietnam

Introduction

Employee turnover remains a persistent challenge because it increases recruitment and training costs, disrupts operations, weakens team continuity, and contributes to the loss of organizational knowledge (Hom *et al.*, 2017) [5]. These consequences are especially serious for micro, small, and medium enterprises (MSMEs). Compared with large firms, MSMEs typically operate with lean staffing structures, limited financial reserves, less formalized human resource systems, and greater dependence on a small number of experienced employees. The departure of even one capable employee can therefore affect customer relationships, service quality, production continuity, and organizational learning.

Turnover intention, defined as an employee's conscious and deliberate willingness to leave an organization, is widely regarded as the most immediate cognitive precursor to actual voluntary turnover (Mobley, 1977; Tett & Meyer, 1993) [9, 11]. Prior research has primarily explained turnover intention through leadership, job satisfaction, organizational commitment, compensation, career development, and working conditions. These explanations are important, but they give less attention to how employees interpret the organization's strategic direction. Employees experience strategy through daily practices: what information is shared, how priorities are set, whether customer demands are coordinated, whether new ideas are welcomed, and whether learning and experimentation are supported. Strategic orientation may thus influence not only firm performance but also employees' willingness to remain.

This study focuses on two dimensions of strategic orientation that are directly observable to employees: market orientation and innovation orientation. Market orientation involves generating and disseminating market intelligence and coordinating organizational responses to customers and competitors (Kohli & Jaworski, 1990; Narver & Slater, 1990) [7, 10]. Innovation orientation reflects an organizational commitment to creativity, experimentation, learning, and the adoption of new ideas (Hurley & Hult, 1998; Lumpkin & Dess, 1996) [6, 8]. Both orientations have been studied mainly in relation to innovation, competitive advantage, and organizational performance. Their employee-level consequences, particularly turnover intention, have received comparatively limited attention.

The omission is important in Vietnamese MSMEs. Their flatter structures and close interactions between owners, managers, and employees make strategic priorities highly visible in everyday work. A coherent market orientation can clarify customer expectations and coordinate responses across functions, while an innovation orientation can provide opportunities for voice, learning, and professional growth. Conversely, market responsiveness without adequate resources may intensify workload, and innovation demands without psychological safety may create uncertainty. It is therefore necessary to examine whether employees experience these orientations primarily as supportive organizational resources or as additional demands.

Accordingly, this study examines the effects of employees' perceived market orientation and innovation orientation on turnover intention in Vietnamese MSMEs. It makes three contributions. First, it extends strategic-orientation research from firm-level outcomes to employee retention. Second, it applies Social Exchange Theory to explain how employees reciprocate strategically embedded organizational resources through a lower intention to leave. Third, it provides evidence from MSMEs in an emerging economy, where resource constraints and informal organizational arrangements may shape the employee consequences of strategic orientation.

Theoretical Background

1. Social Exchange Theory

Social Exchange Theory proposes that relationships develop through reciprocal exchanges of valued resources (Blau, 1964) [1]. Within organizations, employees form judgments about whether the organization values their contributions and supports their well-being. Favorable treatment, useful information, recognition, development opportunities, and reliable support encourage employees to reciprocate through positive attitudes and behaviors. When the exchange is perceived as unfavorable, employees may reduce their involvement or consider leaving.

Strategic orientation can be understood as part of this exchange because strategy is translated into practices that employees encounter directly. Market information, coordination mechanisms, responsiveness to external change, support for new ideas, learning opportunities, and tolerance for responsible experimentation are organizational resources. When employees experience these practices as useful and supportive, they are more likely to view the organization as competent, future-oriented, and willing to invest in their work. Reduced turnover intention is therefore a plausible form of reciprocation.

2. Strategic Orientation and Employee Outcomes

Strategic orientation refers to the principles and behavioral tendencies that guide how an organization interprets its environment, allocates resources, and pursues competitive priorities (Gatignon & Xuereb, 1997) [2]. Although the construct is usually located at the organizational level, employees observe its implementation through management decisions and work routines. Strategic orientation affects the availability of information, the consistency of priorities, the coordination of tasks, opportunities to contribute ideas, and perceptions of organizational viability.

This employee-centered view is particularly relevant to MSMEs. In smaller organizations, formal policies may be limited, but employees interact closely with decision makers and can readily observe whether stated priorities are supported in practice. Consistent implementation can reduce uncertainty and strengthen confidence in the organization. Inconsistent implementation can instead create ambiguity and weaken attachment.

3. Market Orientation and Turnover Intention

Kohli and Jaworski (1990) [7] conceptualized market orientation as the organization-wide generation of market intelligence, dissemination of that intelligence, and coordinated responsiveness. Narver and Slater (1990) [10] emphasized customer orientation, competitor orientation, and interfunctional coordination. From an employee perspective, these practices clarify customer expectations and organizational priorities, help employees understand how their work contributes to customer value, and reduce confusion about responses to market change.

Market orientation may also signal organizational competence. Employees who believe that their firm understands customers and adapts to market conditions may have greater confidence in its future viability and in the stability of their employment. Information sharing and cross-functional coordination can further reduce role ambiguity and prevent employees from carrying customer-related problems alone. Under Social Exchange Theory, these resources are likely to be reciprocated through stronger attachment and a lower intention to leave.

Market orientation can nevertheless become a source of pressure when customer responsiveness is pursued without adequate staffing, information, or managerial support. Its employee consequences therefore depend on implementation. In this study, market orientation is expected to function predominantly as a supportive capability that provides clarity and coordination.

H1: Employees' perceived market orientation has a negative effect on turnover intention.

4. Innovation Orientation and Turnover Intention

Innovation orientation reflects an organization's openness to new ideas, experimentation, learning, and change (Hurley & Hult, 1998; Lumpkin & Dess, 1996) [6, 8]. Employees experience it through opportunities to suggest improvements, try new approaches, learn from unsuccessful attempts, and participate in the development of products, services, or processes. These practices can strengthen autonomy, competence, voice, and work meaningfulness.

Innovation orientation may be especially relevant to retention in MSMEs because smaller firms often offer fewer hierarchical promotion opportunities. Employees may instead evaluate career prospects through skill development, participation, challenging assignments, and the opportunity to make a visible contribution. An innovation-supportive environment signals that the organization is forward-looking and willing to invest in learning. Employees may reciprocate these benefits by remaining with the organization.

However, innovation demands can increase stress when employees lack time, resources, training, or tolerance for reasonable failure. The expected retention benefit therefore concerns a supportive innovation orientation rather than continuous change imposed without resources.

H2: Employees' perceived innovation orientation has a negative effect on turnover intention.

5. Research Model

The proposed model specifies two direct effects on turnover intention. Market orientation is expected to reduce turnover intention by enhancing strategic clarity, market information sharing, coordination, and confidence in organizational adaptability. Innovation orientation is expected to reduce turnover intention by supporting employee voice, learning, experimentation, and future development.

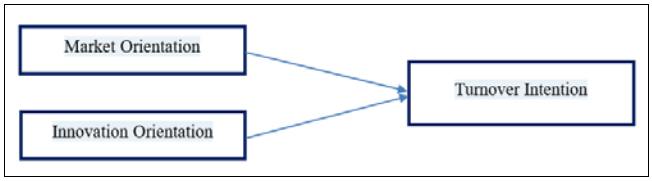


Fig 1: Proposed Research Model

1. Research Design and Data Collection

The study used a quantitative, cross-sectional design. A structured questionnaire was administered to employees of MSMEs in selected urban and peri-urban areas of northern Vietnam. Eligible respondents were at least 18 years old and had worked in their current organization for at least six months, ensuring sufficient experience to assess organizational practices.

A stratified approach was used to include enterprises of different sizes and industries. Questionnaires were distributed electronically and in paper form with assistance from organizational contacts. Participation was voluntary, and respondents were informed of the academic purpose of the research, the anonymity of their responses, and their right not to participate. The English questionnaire was translated into Vietnamese and pilot-tested with 30 MSME employees. Feedback was used to improve clarity and contextual appropriateness. After screening for completeness, 361 valid responses were retained.

2. Sample

The sample included employees, supervisors, managers, and owner-managers from manufacturing, trade, service, and other MSMEs. The diversity of positions, sectors, enterprise sizes, and organizational tenure supported an employee-level assessment of strategic orientation across a broad MSME setting.

Table 1: Respondent and Enterprise Profile (n = 361)

Characteristic	Category	Frequency	%
Gender	Male	186	51.5
	Female	164	45.4
	Other/prefer not to disclose	11	3.0
Position	Employee/staff	164	45.4
	Team leader/supervisor	90	24.9
	Manager	92	25.5
	Owner-manager	15	4.2
Industry	Trade	99	27.4
	Services	90	24.9
	Manufacturing	88	24.4
	Other	84	23.3
Firm size	Fewer than 10 employees	103	28.5
	10–49 employees	86	23.8
	50–199 employees	86	23.8
	200–299 employees	86	23.8
Tenure	Less than 1 year	92	25.5
	1–3 years	87	24.1
	3–5 years	81	22.4
	More than 5 years	101	28.0

3. Measurement

All constructs were measured with multiple items on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). Market orientation was measured with eight items adapted from Kohli and Jaworski (1990) [7] and Narver and Slater (1990) [10]. The items captured customer feedback, changing preferences, competitor monitoring, responsiveness, internal information sharing, customer satisfaction, use of market data, and regular market review. Innovation orientation was measured with seven items based on the innovation-orientation literature (Hurley & Hult, 1998; Lumpkin & Dess, 1996) [6, 8], covering encouragement of ideas, experimentation, openness to change, the strategic importance of innovation, resource allocation, learning from failure, and fair evaluation of ideas.

Turnover intention was measured with seven items reflecting thoughts of leaving, job-search intentions, plans to leave, and the perceived probability of departure, consistent with Mobley's (1977) withdrawal framework. Item wording was adjusted to the Vietnamese MSME context without changing the intended construct meaning.

4. Data Analysis

Partial least squares structural equation modeling (PLS-SEM) was used to assess the measurement and structural models. The measurement model was evaluated through outer loadings, Cronbach's alpha, composite reliability (CR), average variance extracted (AVE), and the heterotrait–monotrait ratio (HTMT) (Hair *et al*., 2022; Henseler *et al*., 2015) [3, 4]. Statistical significance was assessed through bootstrapping. The focal coefficients reported in this article were estimated within the broader dissertation model, which also included leadership variables, emotional intelligence, and interaction terms. Consequently, the market- and innovation-orientation coefficients represent their net effects after accounting for the other predictors in that model.

Results

1. Descriptive Results

Market-orientation item means ranged from 2.97 to 3.09, indicating largely neutral employee assessments. Innovation-orientation means were slightly higher, ranging from 3.12 to 3.60. Turnover-intention item means ranged from 2.58 to 2.88. Thus, respondents did not report uniformly strong market-oriented practices, while perceptions of innovation were somewhat more favorable and average turnover intention remained below the scale midpoint.

2. Measurement Model

All indicators of the three focal constructs exceeded the recommended loading threshold of 0.70. Cronbach's alpha and composite reliability values were above 0.90, demonstrating strong internal consistency. AVE values exceeded 0.50, supporting convergent validity. The HTMT values among market orientation, innovation orientation, and turnover intention were all below 0.85, supporting discriminant validity.

Table 2: Reliability and Convergent Validity of the Focal Constructs

Construct	Items	Loading range	Cronbach's α	CR	AVE
Market orientation (MO)	8	0.734–0.830	0.904	0.923	0.599
Innovation orientation (IO)	7	0.780–0.899	0.933	0.946	0.714
Turnover intention (TI)	7	0.726–0.876	0.911	0.930	0.655

Table 3: Discriminant Validity Based on HTMT

Construct pair	HTMT	95% confidence interval
MO–IO	0.276	0.155–0.399
MO–TI	0.455	0.339–0.566
IO–TI	0.570	0.459–0.670

Hypothesis Testing

The structural-model results supported both hypotheses. Market orientation had a negative and statistically significant effect on turnover intention ($\beta = -0.140$, $t = 3.690$, $p < 0.001$; 95% CI [−0.221, −0.077]), supporting H1. Innovation orientation also had a negative and statistically significant effect on turnover intention ($\beta = -0.219$, $t = 4.390$, $p < 0.001$; 95% CI [−0.304, −0.124]), supporting H2. The absolute coefficient for innovation orientation was larger, suggesting that learning, experimentation, and support for ideas had a stronger association with employees' intention to remain than market orientation in the estimated model. The effect sizes were small for both predictors ($f^2 = 0.041$ for MO; $f^2 = 0.084$ for IO), indicating meaningful but incremental contributions alongside other organizational and individual determinants.

Table 4: Structural Model Results

Hypothesis	Path	β	t	p	95% CI	f^2	Decision
H1	MO → TI	−0.140	3.690	< 0.001	[−0.221, −0.077]	0.041	Supported
H2	IO → TI	−0.219	4.390	< 0.001	[−0.304, −0.124]	0.084	Supported

Note: The focal paths were estimated within the broader structural model reported in the dissertation. MO = market orientation; IO = innovation orientation; TI = turnover intention.

Discussion

1. Market Orientation and Turnover Intention

The negative relationship between market orientation and turnover intention supports the view that market-oriented routines can influence employees as well as organizational performance. Employees who receive timely information about customers and competitors, understand organizational priorities, and experience coordination across units are better able to connect their tasks with customer value. This clarity can reduce ambiguity and strengthen confidence in the organization's ability to respond to external change.

The result is consistent with Social Exchange Theory. Market intelligence and coordinated responsiveness are not merely technical routines; they provide employees with information and operational support. Employees may interpret these resources as evidence that the organization is competent and that their work is connected to a coherent purpose. In return, they become less inclined to leave. However, the small effect size indicates that market orientation is only one part of the retention process. If customer responsiveness is translated into unrealistic targets, constant urgency, or emotional pressure without adequate resources, its positive employee effects may be weakened.

2. Innovation Orientation and Turnover Intention

Innovation orientation had a stronger negative effect on turnover intention than market orientation. This finding suggests that employees place substantial value on opportunities to contribute ideas, learn, experiment, and participate in improvement. These opportunities can enhance autonomy, competence, recognition, and confidence in future career development. They may be particularly important in MSMEs, where formal promotion ladders are often limited.

From a social-exchange perspective, support for innovation signals organizational investment in employees. When managers listen to suggestions, provide resources for improvement, and treat reasonable failure as a learning opportunity, employees are more likely to perceive a favorable exchange relationship. Innovation orientation can therefore function as a retention resource even when firms cannot match the pay or formal career structures of larger organizations. Yet managers should distinguish genuine support for innovation from simply demanding more ideas or more change. Innovation without time, training, resources, or psychological safety can become an additional burden.

3. Theoretical Contributions

The study extends strategic-orientation research in three ways. First, it shifts attention from conventional firm-level outcomes to an employee-level outcome. Market and innovation orientations are often treated as strategic postures that improve competitiveness; the findings show that they also shape employees' intention to remain.

Second, the study positions strategic orientation as an organizational signal and resource within Social Exchange Theory. Market information, coordination, opportunities for voice, and support for learning communicate organizational competence and investment. Employees' lower turnover intention can be understood as a reciprocal response to these resources.

Third, the study distinguishes the employee effects of two strategic orientations. Both were significant, but innovation orientation had the larger coefficient. This difference suggests that strategic orientations should not be treated as interchangeable. In resource-constrained MSMEs, learning opportunities and meaningful participation may be especially salient retention mechanisms.

4. Managerial Implications

MSME managers should implement market orientation as an internal coordination capability rather than only as external customer pressure. Customer and competitor information should be translated into clear priorities, shared across relevant employees, and accompanied by realistic workloads and authority to respond. Short weekly market reviews, simple customer-feedback records, and cross-functional problem-solving meetings can improve clarity without requiring expensive information systems.

Managers should also make innovation orientation visible in daily work. Employees need accessible channels for submitting ideas, timely feedback, opportunities to test low-cost improvements, and recognition for useful contributions. Small experiments can be supported through limited time allowances, modest budgets, peer learning, and after-action reviews. Fair evaluation and tolerance for well-designed unsuccessful trials are essential for psychological safety.

Retention benefits are unlikely to arise from strategic slogans alone. Employees evaluate whether market and innovation priorities are supported by resources, coordination, learning, and managerial behavior. MSMEs should therefore monitor not only customer or innovation outcomes but also employee perceptions of workload, role clarity, voice, development opportunities, and support.

Limitations and Future Research

The study has several limitations. First, its cross-sectional design does not establish temporal causality. Longitudinal studies could examine whether changes in strategic orientation precede changes in turnover intention and actual turnover. Second, all variables were measured through employee self-reports, which are appropriate for perceptual constructs but may introduce common-method concerns. Future research should combine employee surveys with managerial assessments, archival indicators, and actual turnover records.

Third, the sample was drawn from MSMEs in northern Vietnam, which may limit generalizability to other regions, countries, or large enterprises. Comparative studies could test whether resource availability, labor-market conditions, industry, or organizational size alters the observed relationships. Fourth, this article focuses on two strategic orientations. Future research could examine mediating mechanisms such as role clarity, perceived organizational support, work engagement, organizational commitment, and learning opportunities, as well as boundary conditions including leadership, workload, psychological safety, and digitalization.

Conclusion

This study demonstrates that employees' perceptions of market orientation and innovation orientation are significantly associated with lower turnover intention in Vietnamese MSMEs. Market orientation appears to support retention by providing clearer priorities, useful information, coordination, and confidence in organizational adaptability. Innovation orientation has a stronger effect and appears to provide valued opportunities for learning, voice, experimentation, and professional development. Strategic orientation should therefore be understood not only as a means of improving market performance but also as part of the employee experience. For MSMEs, the practical lesson is to implement market responsiveness and innovation through supportive routines, realistic resource allocation, and meaningful employee participation.

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