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LEVELS OF CORPORATE ENTREPRENEURSHIP INTENSITY, LONGER TERM PERFORMANCE AND ABILITY TO RECOVER (SUMMARY)

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SUMMARY

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Principal Topic

This study investigates the longer-term effects of corporate entrepreneurship intensity on operating profitability, revenue growth and return on equity. Our period of investigation is 2000-2014 and includes periods of economic upturn and downturn. We have four research questions: (1) How stable is EO over the years? (2) Does corporate entrepreneurship intensity (EO) in established firms lead to longer-term financial performance improvement. (3) Does the effect on firm performance differ in times of economic growth and downturn? And (4), are stable levels of corporate entrepreneurship intensity better for firms than fluctuating ones?

Method

Using two surveys, we measured in 2000 the EO and several contextual variables of 216 companies with > 400 fte from different sectors, using the entrepreneurial orientation dimensions 'innovativeness', 'risk taking' and 'pro-activeness'. We repeated this research in 2014 for the 135 companies we could trace from the 2000 sample. Over a period of 14 years, we have three measurements of EO: the first measurement in 2000 (n=216), the second in 2014 (n=96) and a third measurement in retrospect in between, namely in 2007 (n=84). We link these three sets of EO measurement to the financial performance data from annual reports of the 135 companies in the second sample.

Results and Implications

First result from the study is that EO is partly stable and partly fluctuating. We found significant correlation between EO in 2000 and in 2014 (indicating stability), but also significant correlation with environmental fluctuations (in hostility). We did find some support for long-term effects of EO; firms with a lower EO in 2000 had a higher rate of bankruptcy in the 14-year period. However, strongest relationships between EO and performance measures were in the first two years after we measured EO. Furthermore, economic circumstances do moderate the EO – performance relationship. We found that in the first year of a recession, EO had a negative correlation with performance measures, but already in the second year, it became positive. There are indications those coherent changes in environment and EO result in superior performance. Together, these findings give several new insights on longer term EO development and effects, and suggest managers adapt EO to the current or expected market situation.

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