LINKING FIRM CAPABILITIES TO ENTREPRENEURIAL ORIENTATION AND FIRM PERFORMANCE: EVIDENCE FROM SMALL SWEDISH TECHNOLOGICAL FIRMS (INTERACTIVE PAPER)

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INTERACTIVE PAPER

LINKING FIRM CAPABILITIES TO ENTREPRENEURIAL ORIENTATION AND FIRM PERFORMANCE: EVIDENCE FROM SMALL SWEDISH TECHNOLOGICAL FIRMS

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Principal Topic

In an uncertain and challenging environment, the small firm’s capability to better utilize their limited resources and capabilities can be a source of competitiveness. In this context two capabilities are of special importance, namely dynamic capability and ICT (Information and Communication Technology) capability. Dynamic capability is defined as a firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments (Teece et al., 1997). During our literature review of dynamic capability, we identified three sub-parts, namely absorptive capability, adaptive capability, and networking capability. Using sub-facets to capture dynamic capability is consistent with prior research (Ahmed and Wang, 2007). Further, for small technological firms ICT capability also seems important for competitive advantage (Johannessen et al., 1999). We define ICT capability as a firm’s ability to mobilize and deploy IT-based resources in combination with other resources and capabilities (Bharadwaj, 2000). As both these concepts are a possible source for a firm’s competitive advantage, we expect them to influence the firm’s strategic orientation - conceptualized as entrepreneurial orientation (EO) - and ultimately firm performance. Thus, the overall purpose for this paper is to investigate the influence dynamic capabilities and ICT capabilities have on EO and firm performance.

Method

This study is based on a survey to Swedish ICT related small firms resulting in 291 usable replies (21% response rate). Our key measurements were based on well established scales in literature and the questionnaire was pre-tested using small firm managers in similar industries as the targeted. Factor and regression analysis were used for data analysis.

Results and Implications

The results show that ICT capability does not directly influence EO and firm performance. However, ICT affects dynamic capability, and all three sub-facets of dynamic capability strongly influence either EO or firm performance. This implies that ICT has a role of enhancing other capabilities which in turn can be useful for better performance. For dynamic capability we can conclude that being able to absorb external knowledge, acting flexibly, and utilizing inter-firm relations makes the firm more competitive. Finally, we add further evidence for the EO – performance link.

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