AT THE EDGE OF ENTREPRENEURIAL ORIENTATION: IDENTIFYING IMPEDIMENTS OF SME GROWTH (INTERACTIVE PAPER)

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INTERACTIVE PAPER

AT THE EDGE OF ENTREPRENEURIAL ORIENTATION: IDENTIFYING IMPEDIMENTS OF SME GROWTH

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Principal Topic

Entrepreneurial orientation (EO) is often assumed to underpin firm growth and the concept is frequently scrutinized on several levels of analyses: Founder, firm, corporate setting and industry. Although many firms may find that EO is underpinning firm growth, for instance in innovation and creativity activities in multinational firms, its application most often is limited to particular departments or teams of employees. Moreover, in further inspection of the concept, it might be relevant to ask whether EO always is facilitating firm growth, or whether it under some conditions even is inhibiting growth. In large firms, the hindering probably is an isolated phenomenon in some divisions and departments. In small and medium sized enterprises (SMEs), larger amplitude is expected, due to the more concentrated context, and therefore the hindrance may be devastating, in that growth of the whole firm is halted. This project focuses empirically on SMEs and theoretically on innovation processes; the latter are assumed to carry the artefacts of the limitations of EO. A firm’s core competences are likely to be applied in the processes, and therefore their inclusion is important. The existence of core competences in SMEs is a blind spot in previous research. Therefore, we adopt Prahalad & Hamel’s (1990) criteria for core competence identification and add a customer verification procedure (Ljungquist, 2007) to fit the SME context, for one reason due to the large dependency of the business environment.

Method

A survey is sent out to CEOs in 2000 Swedish SMEs in three industries, which are expected to indicate differences relevant, for instance in competence development (Duhan, Levy & Powell, 2001). The industries are: Research-oriented, service-producing and goods-producing. The data is analyzed through structural equation modelling in Lisrel by a hypothesis testing approach.

Results and Implications

The project adds to the existing entrepreneurship literature by advancing our comprehension of EO related to growth issues and it contributes by combing the theoretical perspectives of entrepreneurship and strategy. The results are expected to show that EO is underpinning growth up to a certain firm size. EO is expected to flourish in firms having high dependence in technology/marketing competences and low dependence on integrative competence. Beyond that limit, it is assumed that EO is substituted with components that bring structure to a growing firm, and we expect systems and routines to be possible indicators. Further, we expect some components to prosper beyond the EO-limit: Degree of complexity of the identified core competence; degree of innovating capability; and new product development.

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