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TOO MUCH OF A GOOD THING? NON-LINEAR EFFECTS OF ENTREPRENEURIAL ORIENTATION ON VENTURE PERFORMANCE (SUMMARY)

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SUMMARY

TOO MUCH OF A GOOD THING? NON-LINEAR EFFECTS OF ENTREPRENEURIAL ORIENTATION ON VENTURE PERFORMANCE

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Principal Topic

Entrepreneurial Orientation (EO) explains the strategy making processes of firms that are engaged in entrepreneurial activities. Such entrepreneurial activities have shown to contribute towards firm performance (Zara and Covin, 1995; Lumpkin and Dess, 1996; 2001). While much of the literature shows universal benefits of EO, this study proposes that EO may have very different strategic and resource dynamics for smaller firms (<50 employees). This can be true for small firms as the entrepreneurial strategies require considerable financial resources to be successful, thus at a higher level of EO, the gains may not surpass costs from EO at the same rate. Hence, it may be useful to explore particular internal and external factors that may moderate the relationship between EO and performance (Lumpkin and Dess, 2001). The key factor investigated in this study are firm capability, namely, network capability i.e. *firm's ability to develop and utilize inter-organization relations* (Walter et al. 2006) and information and communication technology (ICT) capability i.e. *firm's ability to effectively utilize ICT to manage information within firm* (Tippins and Sohi, 2003) Therefore, this study focuses on the following questions (a) is the relationship between EO and performance linear for small firms? (b) do network and ICT capability reduce the challenges associated with higher level EO for small firms?

Method

This study is based on a survey involving 1500 small technological firms in Sweden, which resulted in 291 usable replies (21% response rate). Our key measurements were based on well established scales in the 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

Results show that small firms have inverted U-shaped (non-linear) relation between EO and performance. However, this effect can be reduced through network and ICT capability, which emphasizes the importance of external networks and ability to internally manage external knowledge *via* ICT. The findings have implications for broader entrepreneurship literature on small firms, as to how they may leverage their resources for gaining better performance. More importantly, the study challenges the widely held assumption that EO has a linear effect on performance irrespective of firm size and environment.

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