THE EXHIBITION OF ENTREPRENEURIALLY-ORIENTED BEHAVIORS AS A PREDICTOR OF NEW ENTRY IN SMALL FIRMS (SUMMARY)

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SUMMARY

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Principal Topic

Lumpkin and Dess (1996) theorize the launching of new ventures to constitute the principal defining outcome of an EO. However, to date the major concern for previous research has been the relationship between EO and performance without consideration of the causal mechanism of how the processes, practices, and decision-making activities associated with an EO are linked to performance. In this paper, we posit the launching of new market entries to constitute an explanatory, mediating influence in the relationship between EO and firm performance.

Method

The data for this study were collected from a stratified sample of managing directors from Swedish small-medium sized enterprises (SMEs) over three consecutive years. Out of the 808 firms in the initial sample, 413 SMEs provided complete, usable responses. EO was measured in year one using Miller and Friesen’s (1982) original scale. Whether the firm had setup a new organization, entered a new market, or launched a new product were captured as indicators of new market entry in year two. Finally, in year three four indicators of growth were utilised to measure firm performance; sales growth, employment growth, sales growth compared to competitors, and market value growth compared to competitors.

Results and Implications

The results of our longitudinal analysis support the supposition that the undertaking of new market entries represents an important linkage in the relationship between EO and firm performance. The results indicate that the presence of EO in year one predicts the extent to which firms’ engaged in new entry measured a year later. In turn, both year one EO as well as year two new entry predicted firm growth in year three, with a stronger effect of EO than new entry on firm growth suggesting that EO operates through other mechanisms than new entry alone. Results suggest that as a driver of firm-level entrepreneurship, EO may influence performance through outcomes other than solely new entry as posited by Lumpkin and Dess (1996). To speculate, it is conceivable that EO may also contribute to firm performance through other corporate entrepreneurial outcomes such as strategic renewal (e.g., Guth & Ginsberg, 1990). A line of inquiry offered as a potentially fruitful area for future research.

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