LINKING NEW VENTURE ENTREPRENEURIAL ORIENTATION TO FIRM PERFORMANCE: A MULTIDIMENSIONAL MODEL OF ORGANIZATIONAL STRUCTURE MODERATION (SUMMARY)

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Recommended Citation
Wales, William J.; Lumpkin, G. T.; and Ensley, Michael D. (2006) "LINKING NEW VENTURE ENTREPRENEURIAL ORIENTATION TO FIRM PERFORMANCE: A MULTIDIMENSIONAL MODEL OF ORGANIZATIONAL STRUCTURE MODERATION (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 26: Iss. 15, Article 8.
Available at: http://digitalknowledge.babson.edu/fer/vol26/iss15/8

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SUMMARY

LINKING NEW VENTURE ENTREPRENEURIAL ORIENTATION TO FIRM PERFORMANCE: A MULTIDIMENSIONAL MODEL OF ORGANIZATIONAL STRUCTURE MODERATION

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Principal Topic

This study seeks to extend our understanding of how organizational structure moderates the relationship between entrepreneurial orientation (EO) and firm performance. Both EO and organizational structure are conceptualized as multidimensional constructs. Using a sample of high growth new ventures, the theoretical implications of organizational structural control, formalization, centralization, and liaison devices upon the relationships between each individual dimension of EO and firm performance are tested.

Method

This study of entrepreneurial orientation was conducted in two phases. During the first phase data from executive teams representing 428 member firms of the Inc. 500 was collected over multiple time periods to assess each organization's entrepreneurial orientation and organizational structure. EO dimensions investigated in this research include innovativeness, risk-taking, proactiveness, and competitive aggressiveness. During the second phase of the study measures of firm performance were administered to the same group of study participants. In all cases, multiple informants were used for each variable. To test the hypothesized effects, this study employed independent moderated regression analyses for each dimension of EO.

Results and Implications

The results provide significant support for a majority of the hypothesized relationships between the investigated dimensions of EO, attributes of organizational structure, and firm performance. Structural formalization was found to uniformly negatively moderate the EO-performance relationship across all four dimensions of firm entrepreneurial behavior. Structural liaison devices positively moderated both the influence of innovativeness and risk-taking upon firm performance, but had a non-significant impact upon the remaining two dimensions. Structural centralization and control behaved similarly, negatively moderating the innovativeness and risk-taking relationships with performance and conversely, positively moderating the proactiveness and competitive aggressiveness relationships with firm performance.

The study findings support a multidimensional conceptualization of firm entrepreneurial behavior as the individual dimensions of EO were observed to exhibit differing implications for firm performance under similar structural conditions. The results suggest that the organizational structural demands of innovativeness and risk-taking may be at odds with those of proactiveness and competitive aggressiveness. The results support the use of a finer grained conceptualization of organizational structure when investigating the relationship between EO and performance.

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