ENTREPRENEURIAL ORIENTATION: A THEORETICAL AND EMPIRICAL EXAMINATION OF THE CONSEQUENCES OF DIFFERING CONSTRUCT REPRESENTATIONS (SUMMARY)

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SUMMARY

ENTREPRENEURIAL ORIENTATION: A THEORETICAL AND EMPIRICAL EXAMINATION OF THE CONSEQUENCES OF DIFFERING CONSTRUCT REPRESENTATIONS

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Principal Topic

Entrepreneurial Orientation (EO) has become a key construct in the entrepreneurship literature. While most researchers have utilized the scale items developed by Covin and Slevin (1989) to measure EO, there has been much debate regarding the dimensionality of the EO construct and the interdependence among the sub-dimensions. This has resulted in different measurement models being used to test hypotheses involving EO. However, these different models represent significantly different theoretical representations of the EO construct.

This paper examines three different measurement models of the EO construct and describes the theoretical implications of each model. These models will include a formative-reflective model, a reflective-reflective model, and a multiplicative, or synergistic, model.

In addition to the theoretical discussion, an empirical analysis is conducted in order to examine how a model misspecification may affect the empirical results and conclusions of studies utilizing the EO construct.

Method

To illustrate the implications of model misspecification for EO, a random data set with 500 observations is generated from a known population, representing EO as a second-order formative construct with three sub-dimensions. This data was then analyzed in Lisrel 8.72 using both formative and reflective models of EO.

Results and Implications

The analysis showed that the unstandardized structural relationships between EO and other constructs can be inflated by more than 100% if EO is modeled as a second-order reflective construct, as is common in empirical studies, when a formative model is theoretically correct. In addition, standard error of the parameter estimates are deflated by as much as 63%, which greatly increases the chances of making Type I errors of inference when analyzing the relationships. It was also found that for both models indicated an acceptable fit by traditional standards, illustrating that fit statistics will not necessarily allow researchers to identify model misspecification.

As noted by Wiklund and Shepherd (2005), empirical support of a positive relationship between EO and firm performance has been inconsistent. While this has prompted researchers to examine a variety of potential moderators of the EO-Performance relationship, it is also possible that the lack of consistency in previous results is due to the different ways in which the EO construct has been modeled and analyzed.

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