A LONGITUDINAL ASSESSMENT OF THE EFFECT OF ENTREPRENEURIAL ORIENTATION ON ORGANIZATIONAL LEARNING AND FIRM PERFORMANCE (SUMMARY)

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SUMMARY

A LONGITUDINAL ASSESSMENT OF THE EFFECT OF ENTREPRENEURIAL ORIENTATION ON ORGANIZATIONAL LEARNING AND FIRM PERFORMANCE

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Entrepreneurial orientation (EO) refers to specific aspects of a firm’s strategy, capturing deep-seated values, methods, and practices that guide the pursuit of new opportunities (Barringer & Bluedorn, 1999). Over the past two decades, EO has become a central construct in entrepreneurship research, with wide acceptance of its conceptual meaning and relevance for positive firm-level outcomes (Covin, Green, & Slevin, 2006). However, the fundamental assumption that firms with greater EO will show better performance has had mixed support in research to date (Wiklund & Shepherd, 2003). The confounding empirical results have provoked a series of debates, with some researchers raising questions about the role and appropriateness of EO.

In the present study, we extend the EO literature by considering organizational learning as a mediating variable between EO and firm performance. We use a panel of large firms to examine the relationship between EO, organizational learning, and performance over an extended period in a highly competitive industry. In summary, we provide a longitudinal effect of EO on performance through the mediating processes of exploratory and exploitative learning.

Method

The sample for this study was drawn from the US retailing industry. We used Rugman and Girod (2003)’s list of the world’s largest retail companies based on Fortune Global 500 rankings in the year 2000 to identify a sample of US-headquartered, publicly traded retail companies for which we collected panel data from 2004-08. To avoid retrospective self-response bias (Rauch, Wiklund, & Lumpkin, & Frese, 2009), we use corporate annual reports as our primary data source. We use historiometric method and computer-aided content analysis (CATA) to collect data on EO and organizational learning respectively.

Results and Implications

Our study helps address the ongoing debate about the usefulness of EO. By integrating the two distinct but related bodies of literatures on EO and organizational learning, we focus attention on an important construct that may mediate the strength of the EO-performance relationship. Our use of panel data allows us to examine the relationship between EO, learning, and performance over time. With the exception of studies that lag the measurement of performance by a few years after EO (e.g. Zahra & Covin, 1993), we are not aware of work that has examined the EO-performance linkage from a longitudinal perspective.

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