LONG-TERM ORIENTATION AND FIRM PERFORMANCE: CONSTRUCT VALIDATION AND COMPARATIVE ANALYSIS IN PUBLIC AND PRIVATE HIGH-GROWTH ENTREPRENEURIAL FIRMS (SUMMARY)

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Principal Topic

Leaders of entrepreneurial firms commonly struggle with how to best position the business for the future. Often, important decision processes and strategic actions are based on the time horizon preferences of the firm’s dominant coalition – either short-term or long-term focused (Laverty, 1996). Traditionally, scholars have viewed long-term considerations to be made by mature, more established firms; however, the connection drawn between long-term orientation (LTO) and entrepreneurial orientation (EO), namely the dimensions of innovativeness, proactiveness, and autonomy (Lumpkin et al., 2010), stand to blur that current conceptualization. LTO may be more valuable to high-growth entrepreneurial firms more than is currently speculated.

Method

Based on opinions of three top entrepreneurship scholars, we developed dictionaries for each dimension of LTO. Then, using computer-aided text analysis (CATA), we analyzed 796 firm “About Us” web pages from both publicly-traded and privately-owned high-growth firms. Publicly-traded firms were selected from the 2011 list of S&P 600 growth index; private firms were selected from the Inc 500. Additionally, ownership structure variables (principal owner firm, family firm, founder firm, etc.) and control variables were collected and analyzed using hierarchical regression procedures.

Results and Implications

Both publicly-traded and privately-owned firms were found to espouse LTO rhetoric in their “About Us” pages with ANOVA results demonstrating that publicly-traded companies espouse significantly higher levels of LTO rhetoric. Hierarchical regression results suggest that LTO rhetoric is negatively related to both publicly-traded and privately-owned firm revenue growth. However, ownership structure and family firm status had no moderating effect on the LTO-revenue growth relationship. Overall, these results suggest that the firms less focused on long-term orientation will exhibit higher levels of growth over a three-year time frame, even in high-growth companies. Moreover, the lack of ownership structure and family firm moderating effects demonstrates the ubiquity of the LTO-growth relationship and the potential for taking an LTO perspective in contexts other than just family business.

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