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ENTREPRENEURIAL PASSION AND ITS EFFECT ON FIRM-LEVEL INNOVATION

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Principal Topic

It has been increasingly acknowledged that emotions such as passion and affect are at the heart of entrepreneurship influencing all stages of the entrepreneurial process (Baron, 2008; Cardon, Foo, Shepherd, & Wiklund, 2012). Although several authors investigated how emotions and affect influence the firm (e.g. Baron & Tang, 2011; Baum & Locke, 2004; Chen, Yao, & Kotha, 2009; Smith, Baum, & Locke, 2001) social-cognitive, and leadership theories has guided hypotheses regarding the relationship between entrepreneurial traits and skill (passion, tenacity, and new resource skill), the research stream still lacks empirical evidence that examines the entrepreneurial passion concept (Cardon, Wincent, Singh, & Drnovsek, 2009). Drawing from the psychological literature on emotional contagion, we aim to explain how the display of entrepreneurs’ passion impact the employees and subsequently firm’s innovation outcomes. Hence, the purpose of this research is to further advance the interface of individual-level emotions and firm-level outcomes by investigating how entrepreneurs’ specific type of passion (i.e. passion for inventing, founding, and developing) influence firm-level innovation, particularly exploratory vs. exploitative innovation.

Method

To examine this topic, we conducted an empirical online survey in Germany that addressed entrepreneurs and CEOs of small and medium-sized enterprises (SMEs) across different, high-innovative industries. In total, 357 respondents completed the survey. To evaluate our research question, we tested our hypotheses by means of covariance-based structural equation modeling (SEM) using AMOS.

Results and Implications

Overall, our findings suggest that CEOs’ type of passion differentially impact firm’s innovation via firm’s entrepreneurial orientation as mediator. Looking at direct effects, only CEOs passionate for inventing activities are able to support firm’s innovation whereas other types of CEOs’ passion fail to foster both exploitative and exploratory innovation. These findings indicate that there is a need to investigate other factors within this framework to explain firm-level innovation. One potential factor is analyzed in our mediation model suggesting that CEOs passionate for developing activities are able to influence firm’s entrepreneurial orientation via the emotional infection of employees. Entrepreneurial orientation, conceptualized following Pérez-Luño, Wiklund and Cabrera (2011) as being proactive and risk-taking, is in turn positively related to firm’s innovation. From a practitioner’s perspective, our research reveals that CEOs’ specific type of passion can be a powerful vehicle to influence firm’s entrepreneurial orientation that consequently enhances firm’s innovation.

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