6-7-2014

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Recommended Citation

Mathar, Tobias (2014) "THE PERFORMANCE IMPLICATIONS OF FIT AMONG BUSINESS MODEL INNOVATION AND STRATEGIC ORIENTATION (INTERACTIVE PAPER)," Frontiers of Entrepreneurship Research: Vol. 34 : Iss. 11 , Article 19.
Available at: https://digitalknowledge.babson.edu/fer/vol34/iss11/19

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THE PERFORMANCE IMPLICATIONS OF FIT AMONG BUSINESS MODEL INNOVATION AND STRATEGIC ORIENTATION

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Principal Topic

Matching a firm’s strategy and structure is key to achieve superior firm performance (Covin & Slevin, 1988). While the contingency relationship between a firm’s corporate strategy and its internal administrative structures has repeatedly been subject to extant research (Wasserman, 2008) there is a paucity of studies that ‘extend the question of strategy/structure fit issues for other structural forms of organization’ (Yin & Zajac, 2004). The present study develops and empirically tests a fit-as-moderation model that theorizes that firm performance is influenced by the contingent effects of the structure of a firm’s external transactions on its strategic orientation.

The design of transactions with external constituents (e.g. customers, suppliers, or partners) is captured by the focal firm’s business model (George & Bock, 2011). The continuous pursuit of bringing novel elements into this transaction design is what extant literature calls business model innovation, BMI (Amit & Zott, 2010). In the context of our study, BMI represents a contingency factor on a firm’s strategy, as represented by its innovation orientation (IO), and market orientation (MO). We hypothesize a good fit between IO and BMI. A (responsive) MO is a business’s attempt to understand and to satisfy customers’ expressed needs (Narver et al., 2004). Extant research has argued that following customers expressed needs fosters several aspects of performance, but limits the development of truly novel products (Christensen & Bower, 1996). Correspondingly, we hypothesize that BMI will show poor fit with a market oriented behavior of the firm and therefore have an extenuating effect on the relationship of MO on firm performance.

Method

To test our model empirically, we conducted an online survey that was sent to the founders/managing CEOs of SMEs in German speaking countries. Data collection resulted in n=178 usable responses. Nonresponse bias and common method bias were approached by appropriate measures proposed by extant literature (Podsakoff et al., 2003) and neither seemed to distort our data.

Results and Implications

Preliminary results show support for our prediction that coupling BMI with an IO represents good fit. As expected, these variables jointly yield a significant positive effect on firm performance. In contrast, while we find a positive impact of MO on firm performance, business model innovation has an extenuating effect on the relationship.

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