IMPACT OF ENTREPRENEURIAL ORIENTATION, MARKET ORIENTATION, AND ORGANIZATIONAL LEARNING ON SHAREHOLDER VALUE: A MODERATED-MEDIATION MODEL (SUMMARY)

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IMPACT OF ENTREPRENEURIAL ORIENTATION, MARKET ORIENTATION, AND ORGANIZATIONAL LEARNING ON SHAREHOLDER VALUE: A MODERATED-MEDIATION MODEL

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Principal Topic

Entrepreneurial orientation (EO) and market orientation (MO) are two important, albeit competing, aspects of firm strategy. While it has been observed that each of these strategic orientations has a positive impact on firm performance, they also represent “different logics of organization”, and require conflicting organizational architectures and activities. Fundamentally, EO and MO impose rather different learning challenges for the firm. With a focus on innovativeness, risk-taking and proactive pursuit of new opportunities, EO emphasizes learning through exploration of new knowledge and capabilities. MO, on the other hand, is concerned with providing superior value to the firm’s current customers through organizational learning based on exploitation of extant knowledge and capabilities. A firm desirous of pursuing both EO and MO thus faces tremendous challenges since it must create a learning environment that accords primacy to simultaneous knowledge exploration and exploitation. The organizational ambidexterity, essential in such a scenario, is difficult for firms to achieve because of inherent tensions and contradictions. Yet, firms that are able to do so receive high performance benefits. In this paper, we develop a moderated-mediation model linking the impact of EO, MO and OL on shareholder value.

Method

We empirically test our hypothesized relationships on a five year panel dataset of large, publicly traded American retailers. Serious issues such as memory distortion, retrospective bias, and unwillingness to “submit to scholarly poking and probing” pose problems for collecting data about strategic variables through conventional key informant technique. Our empirical approach circumvents these problems in an innovative way by utilizing historiometric analysis of corporate letters to shareholders.

Results and Implications

To test the moderated-mediation model, we follow the general path analytic framework combining moderation and mediation in Edwards and Lambert (2007). Specifically, our moderated-mediation model refers to an indirect mediating effect by MO, over and above the direct effect of EO, on the shareholder value in a model that is additionally moderated by OL. Our hypotheses are, by and large, supported.

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