ORGANIZATIONAL PRACTICES, STRATEGIC VARIETY, AND PERFORMANCE (SUMMARY)

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SUMMARY

ORGANIZATIONAL PRACTICES, STRATEGIC VARIETY, AND PERFORMANCE

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Principal Topics

Strategic variety is a key aspect of firm-level entrepreneurial behavior. This study reconciles mixed findings about the antecedents and consequences of strategic variety in firms. We propose that internally and externally oriented work practices enhance strategic variety, and that strategic variety has a curvilinear relationship with firm performance. We empirically show the effects of search and scanning, internal communication and experimentation on strategic variety. Furthermore, our results show that strategic variety has an inversed U-shaped relationship with firm performance.

Method

We used data obtained from 311 Swedish firm, collected through a mail questionnaire. These firms were engaged in a wide range of market-oriented actions such as foreign sales and marketing, production and R&D. We have chosen the Swedish context because the relatively small market size in Sweden makes it imperative for firms to seek strategic variety through internationalization. Hierarchal regression was used to test the two hypotheses of the study. In testing hypothesis 2 of the curvilinear relationship, a quadratic term of strategic variety was formed (strategic variety squared).

Results and Implications

In testing hypothesis 1 of the direct effects of variety inducing practices on strategic variety, the inclusion of variety inducing practices significantly increases the explanatory power of the model compared to the base model. The R2 increases from 0.075 to 0.24. In testing hypothesis 2 of the quadratic strategic variety effects on the dependent variable firm performance, significant coefficient of the quadratic term and significant increase in the explanatory power of the model after including the quadratic term support our hypothesis.

The main contribution of this paper is threefold. First, we introduce a set of practices that induce strategic variety within firms into the literature on organizational practices. This implies identifying an important source of firm level entrepreneurship and renewal. We build on the assumption that variety is conducive to firms’ entrepreneurship through specifying key organizational practices that contribute to firms’ strategic variety. Second, we contribute to the strategic variety literature through providing a middle ground argument that reconciles contradicting evidence on the relationship between strategic variety and firm performance. Finally, we contribute to the literature on firm level entrepreneurship through conducting our study in the context of SMEs, as previous studies were mostly focused on large firms (Simsek and Heavey, 2011).

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