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CAN LARGE CENTRALIZED COMPANIES DEVELOP ENTREPRENEURIAL ORIENTATION THROUGH AN ACQUISITION STRATEGY? (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

**CAN LARGE CENTRALIZED COMPANIES
DEVELOP ENTREPRENEURIAL ORIENTATION
THROUGH AN ACQUISITION STRATEGY?***Anna M. Pastwa, KU Leuven, Belgium**Ernst Verwaal, KU Leuven, Belgium**Aart Willem Saly, EY Advisory, The Netherlands***Principal Topic**

It has long been established that centralization negatively impacts entrepreneurial orientation (EO) of large organizations (Caruana, Ewing, and Ramaseshan 2002; Caruana, Morris, and Vella 1998; Miller 1983). Centralization may limit the exchange of entrepreneurial ideas and make it difficult for employees to gain support for their ventures (Zahra & Salvato, 2004). We propose however that acquisition strategy might mitigate this negative impact of centralization on EO. Formal checks, controls and rigid structures of centralized organizations may tend to inhibit entrepreneurial behavior within organizations (Sinetar, 1985; Morris, Avila and Allen, 1993). This however does not preclude acquiring entrepreneurial entities which would potentially be a source of growth (Burgelman 1984), relevant capabilities, inventions and innovations. As a rule, it is very costly to develop EO, especially for large centralized companies (Ginsberg & Hay, 1994). Thus, acquisitions may be the more attractive option as the alternatives are expensive or not even feasible (Salvato, Lassinì & Wiklund, 2007). Such strategy would allow the large centralized firm to enjoy EO spillovers in terms of innovativeness (entering new markets), pro-activeness (being at the forefront of acquiring the most promising new ventures), risk-taking (e.g. risk of failing to capitalize on the M&As synergies).

Methodology

To verify our hypotheses we employ moderated linear regression. Data were collected via structured questionnaires addressed to executives of companies active in the Netherlands, and supplemented by secondary data from financial reports. We measure our constructs on 5-point Likert-type scales, operationalized in alignment with previous landmark studies and literature review.

Results and Implications

The findings indicate that the pursuit of acquisition strategy mitigates the negative effect of centralization and might fully compensate it. Further analysis of this interaction reveals that less centralized companies, both pursuing acquisition strategy and those that do not, score higher on EO with no significant difference between them. This effect rapidly diminishes for the more centralized companies if they do not pursue an acquisition strategy.

We contribute to the corporate entrepreneurship scholarly debate by showing that acquisitions can be an effective strategy for large centralized companies to develop EO. Our findings can be particularly useful for managers considering reinforcement of corporate entrepreneurship by acquisitions as an alternative to internal venturing.

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