WHEN DO SMALL FIRMS BENEFIT FROM ENTREPRENEURIAL STRATEGIES? THE MODERATING ROLE OF ENVIRONMENTAL CONDITIONS (INTERACTIVE PAPER)

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INTERACTIVE PAPER

WHEN DO SMALL FIRMS BENEFIT FROM ENTREPRENEURIAL STRATEGIES?
THE MODERATING ROLE OF ENVIRONMENTAL CONDITIONS

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Principal Topic

In a special issue on strategic entrepreneurship in the Strategic Management Journal Hitt et al. (2001) emphasize the necessity to integrate the fields of entrepreneurship and strategic management as well as other research streams. We contribute to this claim by studying the performance of small firms in an integrated contingency framework that contains aspects of entrepreneurial posture, strategic content (innovation and internationalization) and environmental conditions.

Entrepreneurial posture, innovation and internationalization have been theoretically and empirically linked to performance. However, reviews of the empirical literature show that findings on the direction and magnitude of performance effects vary. Controversies may be attributable to variations in contextual factors. Prime candidates for moderators are environmental conditions. Because small firms suffer from liabilities of smallness outcomes of entrepreneurial strategies may largely depend on characteristics of the firms’ external environment. Thus, studying the effectiveness of entrepreneurial posture and entrepreneurial strategies in a contingency framework provides further insights to research on strategy in small businesses. In this paper, we derive hypotheses on direct performance effects of entrepreneurial posture, innovation and internationalization as well as interaction effects with environmental hostility and uncertainty.

Method

We test our hypotheses using a sample of small firms in Germany. Firms were randomly chosen from lists provided by the Chambers of Commerce in the Rhine-Main area. The sample consists of 302 firms from 4 industries: car and machinery components, software, hospitality, and construction industry (response rate = 43%). Participants were owners and active managers of the sample firms. We collected data through standardized interviews and questionnaires. Hypotheses on direct and interaction effects were tested in moderated regression analyses.

Results and Implications

The results of this study indicate that entrepreneurial posture and entrepreneurial strategies have different effects on firm performance depending on the context. Whether and to what extent entrepreneurial strategy-making unfolds its benefits particularly depends on environmental hostility. Thus, it is important for entrepreneurs to align strategies to environmental conditions in order to be successful. Policy makers should take environmental factors into account in their attempt to support entrepreneurial strategies such as innovation and internationalization.

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