DEVELOPING DYNAMIC CAPABILITIES IN SMALL FIRMS: THE ROLE OF ENTREPRENEURIAL ORIENTATION, ENTREPRENEURIAL ACTIVITIES, AND FIRM RESOURCES (SUMMARY)

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SUMMARY

DEVELOPING DYNAMIC CAPABILITIES IN SMALL FIRMS:
THE ROLE OF ENTREPRENEURIAL ORIENTATION, ENTREPRENEURIAL
ACTIVITIES, AND FIRM RESOURCES

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Principal Topic

In this paper we deal with the dynamic capabilities of the firm facilitating strategic entrepreneurship. We focus on the capabilities increasing both the advantage-seeking routines towards exploitation of existing competitive advantages and the exploration routines driving the firm towards new opportunities and the development of new business platforms. We elaborate on the entrepreneurial resources within the firm contributing to the growth of the dynamic routines of the firm. While important conceptual advancements have been made concerning the role of dynamic capabilities and how they are developed, empirical work in this area is scarce. In this paper, we identify factors that enhance or restrict the development of dynamic capabilities and empirically estimate the effect of these variables.

Method

Independent variables were measured in 2002 by mail and telephone surveys (N=577). In 2005 a follow-up measured the dependent variable (N=307). The sample consisted of SMEs’ receiving financial support from government, and represented a broad set of industries. Factor analysis tested our measures and hierarchical OLS regression estimated our model.

Results and Implications

In this paper we emphasize two main types of firm resources contributing to the development of the dynamic capabilities. As advantage-seeking routines towards exploitation (resources) we used the firms financial position, managers education and business localization. Exploratory learning and entrepreneurial orientation were used as exploration routines driving the firm towards new opportunities. We develop five distinct dynamic capabilities; internal resource integration capabilities, external resource integration capabilities, external integrative capabilities, learning network capabilities and strategic decision-making capabilities.

The empirical results show that involvement in exploratory learning resources and entrepreneurial orientation is positively related to the growth of the dynamic capabilities of the firm. This indicates that these features are essential when managers want to improve their organizational routines for continuous strategic entrepreneurship. In showing that certain firm activities help or hinder the development of dynamic capabilities, this paper points to managerial action to make smaller firms more entrepreneurial.

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