6-12-2010

THE IMPACT OF ENTREPRENEURIAL ORIENTATION ON BUSINESS MODEL SELECTION (SUMMARY)

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Recommended Citation

Autere, Jussi; Peltonen, Juhana; and Valtakoski, Aku (2010) "THE IMPACT OF ENTREPRENEURIAL ORIENTATION ON BUSINESS MODEL SELECTION (SUMMARY)," *Frontiers of Entrepreneurship Research*: Vol. 30: Iss. 15, Article 6.  
Available at: [http://digitalknowledge.babson.edu/fer/vol30/iss15/6](http://digitalknowledge.babson.edu/fer/vol30/iss15/6)

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SUMMARY

THE IMPACT OF ENTREPRENEURIAL ORIENTATION ON BUSINESS MODEL SELECTION

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Principal Topic

The entrepreneurial orientation (EO) construct (Miller, 1983; Covin & Slevin, 1989, 1991) is a commonly used measure to describe how a company makes new entries (Lumpkin & Dess, 1996; Rauch et al. 2009). A new entry requires a value-creating logic that companies use to realize economic value (Chesbrough & Rosenbloom, 2002). We use the concept of business model to describe this logic (Amit & Zott, 2001; Zott & Amit 2006; Osterwalder et al., 2005; Morris et al., 2005). A company’s business model can be shaped by managerial choice, and it affects how the company interacts with its environment.

During recent years, on-demand services (cf. Currie & Seltsikas, 2001; Susarla et al., 2003) have emerged and are changing the competitive landscape of the software industry (Campbell-Kelly & Garcia-Swartz, 2007; IDC, 2005). We hypothesize that due to their higher risk tolerance, innovativeness, and proactiveness, entrepreneurially oriented companies adopt and develop newer and higher risk business models more eagerly than other companies. In addition, we hypothesize that this selection moderates the relationship between EO and performance in the changing business environment (Lumpkin & Dess, 2001).

Method

By conducting two surveys in the Finnish software industry, we compiled a longitudinal data set of 219 companies that contains EO (2008) and business model characteristics (2009). The operationalization of the business model was developed based on IDC (2005) and Gartner (2009) reports. We also used hierarchical cluster analysis on revenue sources to distinguish between service and product business models (Ketchen & Shook, 1996; Milligan & Cooper, 1985). Multiple regression analysis was used to test the hypotheses.

Results and Implications

Our analyses suggest that EO is positively related to selecting an on-demand or an otherwise IPR related business model, and that this selection positively moderates the relationship between EO and performance. These findings contribute to the literature on the relationship between entrepreneurial behavior and environmental change (e.g. Alvarez & Barney, 2005; Wiklund, 1999.). We also contribute to the literature on business models (e.g. Chesbrough & Rosenbloom, 2002; Osterwalder et al., 2005; Seddon et al.,2004) by explicitly linking the choice of business model to EO.

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