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THE EFFECT OF STRATEGIC PLANNING FLEXIBILITY, ABSORPTIVE CAPACITY, AMBIDEXTERTY, AND ENTREPRENEURIAL ORIENTATION (EO) ON ORGANIZATIONAL OUTCOMES: AN EMPIRICAL ANALYSIS (SUMMARY)

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THE EFFECT OF STRATEGIC PLANNING FLEXIBILITY, ABSORPTIVE CAPACITY, AMBIDEXTERY, AND ENTREPRENEURIAL ORIENTATION (EO) ON ORGANIZATIONAL OUTCOMES: AN EMPIRICAL ANALYSIS

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Principal Topic

Despite increased interest in EO over the last several decades, its relationship to planning and implementation has been seldom explored. Little is known about why some firms have more EO than others and some firms derive greater value from EO than others. Drawing on strategic planning flexibility (SPF) and organizational learning literatures, we suggest that “the capacity of a firm’s strategic plan to change as environmental opportunities/threats emerge,” could be a key driver for developing firm EO (Barringer & Bluedorn, 1999: 424). Furthermore, although EO could be present within a firm, organizational learning routines could play a critical role in explaining why and how a firm leverages internal resources to enhance effectiveness of EO. We posit that ambidexterity and absorptive capacity are key organizational learning approaches that could help firms further leverage EO.

Hypothesis 1: Strategic flexibility is positively associated with entrepreneurial orientation.
Hypothesis 2: Entrepreneurial orientation is positively associated with venture growth.
Hypothesis 3: Ambidexterity moderates the relationship between entrepreneurial orientation and venture growth such that higher levels of ambidexterity strengthen the relationship and lower levels weaken the relationship.
Hypothesis 4: Absorptive capacity moderates the relationship between entrepreneurial orientation and venture growth such that higher levels of absorptive capacity strengthen the relationship and lower levels weaken the relationship.

Method

To test our hypotheses, we chose high-technology manufacturing ventures in the Midwestern U.S. with 10 to 250 employees. The Corptech Directory was utilized and 219 responses were received. In line with prior research we use sales growth, employee growth and operating profit growth as performance measures. We used a compounded growth rate for each measure. Sales and employee growth were drawn from external sources. Operating profit growth was self-reported. For sales and employee growth we use triangulation from Dunn and Bradstreet and Corptech data-sets. The measure demonstrates acceptable reliability. The following scales were utilized:

• Strategic flexibility (Barringer and Bluedorn, 1999).
• EO (Covin and Slevin, 1989).
• Absorptive capacity (based on Jansen, van den Bosch, & Volberda, 2005).
• Ambidexterity (based on Lubatkin, 2006).

Results and Implications

The results suggest that increased SPF leads to increased EO that in turn enhances venture growth. The mediating effects are further strengthened by higher levels of ambidexterity and absorptive capacity.

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