EXPLORING DIRECT AND CONTINGENCY EFFECTS OF ENTREPRENEURIAL ORIENTATION, LEARNING COMMITMENT, AND MARKET-LINKING CAPABILITY ON PERFORMANCE (SUMMARY)

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SUMMARY

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Principal Topic

The extant literature on Entrepreneurial Orientation (EO) has established a generally positive relationship between EO and organizational performance (Rauch et al., 2010). However, the strength of this relationship has not been consistent across contexts and studies. This variation has led scholars to call for increased examination of a broader variety of moderating variables that can influence the EO-firm performance relationship. In this study, we answer this call by building on the dynamic capabilities literature (e.g., Eisenhardt & Martin, 2000) and organizational learning literatures to develop a theoretical model that proposes a synergistic impact of firm strategic orientation, firm capabilities, and learning commitment on firm performance.

Method

Employing random sampling, the cross-sectional data for this study was collected using self-administered mail survey in a mid-western metropolis in the USA (n = 164, response rate 41%). We controlled for age of the firm, size of the firm, employee turnover, customer perception of service, R & D intensity of the firm, technological capability and three types of environmental uncertainties – market environment uncertainty, technological environment uncertainty, and competitive environment uncertainty. Our scales were very reliable as Cronbach’s alpha ranged from 0.80 to 0.89 and scale composite reliability ranged from 0.71 to 0.94. Model fit statistics and construct validity were excellent. We did not find any issues with normality, multicollinearity, and common method variance. We employed hierarchical regression analysis.

Results and Implications

The results of regression support our theory narrative. Specifically, the positive relationship between EO and performance was positively moderated by a firm's market-linking capabilities and its learning commitment. As theorized, we also found that the main effects of learning commitment and EO on performance were significant. The comprehensive model explained 48.4% variance, 18.3% more than explained by the control model. We conducted robustness checks comparing the hypothesized model against alternative models. Our results were robust. Our findings indicate a concerted impact of three important concepts - firm strategic orientation, strategic capabilities and learning commitment - on the EO-performance relationship. Consistent with the dynamic capabilities literature these capabilities may affect the impact of EO on firm performance by enhancing the firm’s ability to build and reconfigure internal competencies to identify and capitalize on opportunities. Our findings also highlight the importance of systematic organizational learning.

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