A CONFIGURATIONAL MODEL OF FIRM GROWTH: OPPORTUNITY RECOGNITION MODE, ENTREPRENEURIAL ORIENTATION, AND INTANGIBLE RESOURCE ADVANTAGE AMONG JAPANESE SMES (INTERACTIVE PAPER)

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Principal Topic

Paradoxically, firm growth is one of the most researched topics in the entrepreneurship literature, yet also among the least understood (Davidsson et al., 2005). One reason for this paradox is that while many theoretically meaningful phenomena have been associated with growth, investigating such phenomena in isolation yields correspondingly isolated insights. Thus, we adopt a configurational model to better understand growth drawing from a sample of Japanese SMEs. We chose three focal predictors for the study, each of which has been shown to positively covary with organizational performance—opportunity recognition mode, entrepreneurial orientation, and intangible resource advantage (Westhead et al., 2005; Covin et al., 2006; Anderson & Eshima, 2011). These three variables, when considered collectively, provide a theoretically complete perspective of how firms translate entrepreneurial opportunities into growth outcomes—how new opportunities recognized, how the firm organizes to exploit those opportunities, and what resources the firm possesses to facilitate exploitation.

Method

The research setting for this study is 520 Japanese SMEs. Opportunity recognition mode was operationalized following Westhead et al. (2005), which captures the extent to which the senior manager recognizes new entrepreneurial opportunities generally exogenously (i.e., arising from changing market conditions or technologies), or endogenously (i.e., relying on personal insights or problems existing within the firm). Entrepreneurial orientation is measured following Covin and Slevin (1989), and intangible resources following Anderson and Eshima (2011). Consistent with Wiklund (1998), a multi-item scale capturing changes in employees, sales, and assets, measured firm growth.

Results and Implications

This study represents a holistic perspective on SME growth—the method the manager uses to recognize new entrepreneurial opportunities, how he or she organizes the firm strategically to capitalize on those opportunities (EO), and what strategically relevant resources the firm has at hand to facilitate opportunity exploitation (intangible resource advantage). A key strength of this study, therefore, is the joint exploration of theoretically meaningful predictors of firm growth that heretofore have largely been investigated independently, yet when taken together provide a finer-grained and theoretically rich understanding of the conditions that facilitate growth among SMEs.

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