PERSISTENCE AND EVOLUTION OF ENTREPRENEURIAL ORIENTATION: A DYNAMIC CAPABILITY APPROACH (SUMMARY)

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Recommended Citation
Clausen, Tommy H. (2013) "PERSISTENCE AND EVOLUTION OF ENTREPRENEURIAL ORIENTATION: A DYNAMIC CAPABILITY APPROACH (SUMMARY)," Frontiers of Entrepreneurship Research: Vol. 33 : Iss. 11 , Article 8.
Available at: https://digitalknowledge.babson.edu/fer/vol33/iss11/8
Principal Topic

This paper uses the evolutionary theory of the firm and the dynamic capability approach to study to what extent firms can change their entrepreneurial orientation (EO) over time and the mechanisms enabling such evolution, an issue that is underdeveloped in EO research (Wales et al., 2011). While the use of the evolutionary theory of the firm has been proposed in a recent EO review article (Covin & Lumpkin, 2011), few prior studies have used it in empirical analysis of EO, and no prior study has to our knowledge used this theory to study the evolution and persistence of EO over time.

Evolutionary theorizing argues that firms can change their operational capabilities (OC) through the execution of dynamic capabilities (DC) (Teece et al., 1997; Nelson & Winter, 1982). Conceptualizing EO, including risk-taking, innovativeness, and proactiveness, as OCs we examine to what extent these are influenced over time by firms DCs. The following research question is asked: To what extent and how can firms change their EO over time? This broad research question is elaborated into testable hypotheses about the relationship between DCs and EO conceptualized as an OC.

Method

To test our hypotheses we collected survey data from 1100 R&D active firms in Norway at two points in time (2005 and 2007). Survey data included measures of EO and dynamic capabilities (DCs). We have data on 754 of these enterprises at two points in time (T1 and T2). Regression analysis with control for sample selection and survivor bias (Heckman regression) is used to test the hypotheses.

Results and Implications

Results show that EO at T1 is a positive and significant predictor of EO at T2. A DC measure at T1 has a positive and significant influence on EO at T2. As predicted by the evolutionary theory of the firm we found that a firm’s EO, conceptualized as an operational capability, evolve in a persistent and past-dependent way over time, but that its evolution is also influenced by firms DCs. The paper contributes to EO research – which has been criticised for lacking theoretical rigor - by showing that the evolutionary theory of the firm is a relevant theoretical framework for understanding the evolution and persistence of EO over time.

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