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DRIVERS OF INNOVATION PERFORMANCE - A LONGITUDINAL VIEW ON THE ROLE OF ENTREPRENEURIAL ORIENTATION AND ENVIRONMENTAL FACTORS (SUMMARY)

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Principal Topic

It is a continuous task of an entrepreneurially oriented firm to be more innovative than its competitors (Lumpkin & Dess, 1996). Firms that innovate faster than others can rely on this capability as a source of competitive advantage (Arzt et al., 2010; Srivastava et al., 1998). As such it is surprising that few studies thus far have analyzed the link between entrepreneurial orientation (EO) and innovation outcomes (Maatoofi & Tajeddini, 2011). This study fills this gap by investigating the relation between EO and innovation outcomes taking the moderating roles of economic and market turbulence into account (Tosi et al., 1973).

Method

We use secondary data to analyze the impact of EO on innovation outcomes. We chose a sample of large US-based firms, as they in particular need to be innovative in order to be able to compete in global markets (Phan et al, 2009). Our sample comprised 56 firms for which data was collected from 2002 to 2010. Innovation outcomes were measured as new product announcements from FACTIVA (Arzt et al., 2010) and split into incremental and radical innovation (Grupp, 1994). We investigated EO at firm level, using an approach based Miller & Le Breton-Miller (2011). Economic turbulence was measured as the change in GDP, market turbulence as the coefficient of variation of net income by industry (Tosi et al., 1973).

Results & Implications

Findings suggest that entrepreneurially oriented firms outperform less EO oriented competitors when bringing forward radical innovation. This is a crucial finding, as conquering new markets will mostly require significant alterations to given technologies. Results indicate that incremental innovation efforts are dependent on industry and economic conditions. Radical innovation outcomes were affected by market turbulence, but not by economic turbulence. This paper contributes to existing knowledge. It shows that firms produce less innovative outcomes under turbulent industry conditions. In addition, it reveals that entrepreneurially oriented firms can successfully pursue radical innovation activities despite economic turbulence. These findings are relevant for practitioners as they provide insights on the contingent drivers of innovation outcomes. This works spurs further research into the mechanisms to transform resources into new product or service offerings.

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