Entrepreneurial Orientation: Lessons Learned and Future Opportunities

Vishal K. Gupta
School of Management, Binghamton University

Crystal L. Dobratz
School of Business and Management, Morgan State University

Alka Gupta
School of Business and Economics, Lynchburg College

The central idea informing the large and growing body of entrepreneurial orientation research is that firms possessing an entrepreneurial strategic posture perform better than those more conservatively managed. Building from the work of Khandwalla (1977), Miller (1983), and Mintzberg (1973), Covin and Slevin (1989) conceived entrepreneurial orientation (EO) as the concurrent exhibition of innovative, proactive, and risk-taking behaviors and practices. The three-pronged uni-dimensional conceptualization of EO was extended by Lumpkin and Dess (1996) in two important ways: (a) introduction of two additional facets of autonomy and competitive aggressiveness, and (b) conceptualization of the five facets as independent variables that need not co-vary. Despite hundreds of EO articles published in research journals and presented in academic conferences, the debate concerning whether EO is most appropriately conceptualized as a unidimensional construct (comprised of risk taking, innovation, and proactiveness “elements”) or as a multidimensional construct (with autonomy and competitive aggressiveness added to the mix) has not yet been resolved (Covin & Wales, 2012). A recent review of the EO literature revealed that the vast majority of published articles in this area (about 80%) rely on the unidimensional Covin and Slevin (1989) conceptualization (Wales, Gupta, & Moussa, 2013).

We reviewed four recently published EO articles in International Small Business Journal- Wang and Altinay (2010); Messersmith and Wales (2011); Boso, Cadogan, and Story (2012) and Dada and Watson (2013) - to examine their conceptualization of EO and contributions to the EO literature. Wang and Altinay (2010) were interested in how social embeddedness influences the EO and growth of ethnic minority small businesses (EMSBs). Prior research on EMSBs has generally focused on the individual, hindering the ability to holistically understand firm-level entrepreneurial behaviors for such firms. The authors examined EMSBs access to three types of networks, through the analysis of data collected through 258 structured interviews with Chinese and Turkish owned EMSBs. While previous research on ethnic entrepreneurship suggests that motivation for entrepreneurship comes from being in a disadvantaged position, the authors propose that the opportunity structure may be more helpful in understanding the genesis of entrepreneurial behaviors. Further, social embeddedness was predicted to help EMSBs break out of their restrictive networks. Family ties were believed to decrease the impact on EO, but this was not supported by the results. Co-ethnic networks provide access to resources through suppliers and customers from the same ethnic community, but results reveal only partial support for the positive impact of such networks. Mainstream networks may increase access to training, advice and skilled workforce, but were not associated with a positive impact on EO. On the
performance side, firm growth was measured through increase in sales, employment, and premises, but only employment growth was shown to be positively impacted by EO.

Messersmith and Wales (2011) address the role of human resource management in the relationship between EO and firm performance in young firms. Resource constraints are common for young firms, this can lead to a lack of investment in human resource management practices. This article specifically focuses on high performance work systems (HPWS), which deal with the interconnectedness of practices and the philosophy of partnership, defined as the effort of management to increase the commitment and trust between managers and employees. Data about 119 young firms, obtained through the National Establishment Time-Series database, revealed that EO is not positively associated with firm growth. However, for firms with high HPWS and a partnership philosophy, EO was positively associated with growth. These findings emphasize that EO development within young firms may be considerably more beneficial when HPWS and a partnership approach are also developed.

The article by Boso, Cadogan, and Story (2012) explores the role of EO and market-oriented behaviors in driving the performance of firm’s product innovation in export markets. The individual and joint effect of entrepreneurial orientation and market orientation capabilities in influencing the success of product innovation in export markets is posited. Drawing upon data of 164 Ghanaian exporters, entrepreneurial orientation, operationalized as a five-pronged uni-dimensional construct (consisting of innovative, autonomous, proactive, risk-taking, and aggressiveness behaviors), was found to influence the product innovation success. In addition, export market-oriented behaviors were also found to be positively related to export product innovation success. Perhaps more importantly, the positive relationship between entrepreneurial orientation and product innovation success is greater when export market orientation behaviors are stronger as well as when export market dynamism is greater. These findings suggest that market-oriented behaviors can help enhance the positive effects of entrepreneurial orientation in achieving export product innovation success.

Dada and Watson (2013) examine EO in the franchising context by looking at the effects of franchisor’s EO on the franchisor-franchisee relationship quality. When franchisors provide franchises with autonomy, it may lead to a more harmonious relationship as well as help the franchisors benefit from the efforts of their franchisees. Conversely, greater entrepreneurial orientation on the part of the franchisor may result in free-riding by the franchisee or misdirect their efforts, creating conflict in the system and undermining the relationship. The authors collected data from UK-based franchisors using mail surveys, receiving 95 completed usable surveys. Results indicate that franchise systems with EO are more likely to have improved relationship quality, and this relationship is stronger when franchisors recruit franchisees that identify with these values.

EO research is gradually making its mark upon the organizational sciences literature. The four studies reviewed here highlight interesting research issues that are being addressed by EO scholars as well as suggest new avenues for fruitful inquiry. We believe that an important revelation of these studies is that the direct relationship between EO and firm performance does not hold in all situations. We recommend future research should identify potential boundary conditions that can alter the nature of the EO-performance relationship. It is also reassuring to
see that researchers are using both contingency and configurational logic in unraveling the effects of EO, which furthers our understanding of the myriad ways in which EO interplays with other organizational practices. Indeed, the best clues to EO manifestations, sources, and consequences might come by taking a contingency or configurational approach (Miller, 2011). A common theme across the four studies was the use of some variant of the Covin and Slevin (1991) scale to measure EO. This offers the benefit of comparing findings across studies, but also restricts variety in operationalization of the EO construct. We encourage future research to try new operationalizations of EO and establish convergent validity with existing EO scales. In our reading of the four papers reviewed here, we noticed that the key informant technique with questionnaires completed by single respondents at a single point in time was the dominant methodology for data collection. Future EO research should attempt longitudinal data collection (that is, data collected in multiple waves over time) from multiple respondents or using archival sources. Finally, researchers are examining EO in previously un-researched contexts (e.g., United Kingdom and Ghana), providing evidence that entrepreneurial strategy is a meaningful orientation in global contexts. We encourage gatekeepers of the field – editors, editorial boards and reviewers – to encourage studies that explore EO effects in other countries.

References


Author Bios
Vishal Gupta is an assistant professor of management in the School of Management at State University of New York. He has published articles in journals such as *Journal of Applied Psychology, Journal of Management, Journal of Business Venturing, Organization Studies*, and *Entrepreneurship Theory & Practice*. He has also made over 50 presentations at national and international conferences. He is a recent recipient of best paper awards at Eastern Academy of Management (EAM) and International Council for Small Business (ICSB) conferences. He currently serves as consulting editor for International Small Business Journal, and also reviews for *Entrepreneurship Theory and Practice, Journal of Business Venturing*, among others.

Crystal Dobratz is doctoral student at Morgan State University. Her research interests are in the area of corporate entrepreneurship and entrepreneurial orientation.

Alka Gupta is a visiting assistant professor at Lynchburg College, VA. She received her PhD in organizational behavior and leadership from Binghamton University (State University of New York). Her research has been published in *Leadership Quarterly* and *Organizational Research Methods*, and presented at several regional and national conferences.