Entrepreneurial Orientation

A reconceptualization and empirical investigation

GABRIEL LINTON – WORK IN PROGRESS
1. Purposes and aims
Entrepreneurship has been argued to be a key driver of the economy by creating jobs, turning inventions to innovations, and also improving the overall standard of life. Entrepreneurship research seems to have been sparked by reports showing that small and new firms have a positive impact on the economy, but today entrepreneurship has emerged to become much larger in its scope and include many more areas than small businesses and new firms. One such area that has received much attention is corporate entrepreneurship (e.g. Miller, 1983). In this stream of research, the focus is usually on entrepreneurial behavior in terms of some type of opportunity seeking, irrespectively of organizational size (Audretsch, 2012).

Nonetheless, entrepreneurship can be a challenge, especially in today’s society which is becoming increasingly complex and ever-changing (Rauch et al., 2009). One fundamental task for both scholars and practitioners in the entrepreneurship field is a more informative understanding of entrepreneurial activity. Because of entrepreneurship’s relevance to both economic and social output, more knowledge about entrepreneurship can inform us about the development of entrepreneurial activity for individuals, firms, and societies (Busenitz et al., 2003). As a relatively young research field, entrepreneurship research has at times been criticized for being fragmented (Low, 2001; Shane and Venkataraman, 2000; Zahra, 2005). Nonetheless, one area within the entrepreneurship literature where a cumulative body of knowledge has emerged is that of corporate entrepreneurship and more specifically entrepreneurial orientation (EO) (Rauch et al., 2009; Saeed et al., 2014; Wales, 2015; Wales, Gupta, et al., 2013).

A firm with an EO (Covin and Slevin, 1989, 1991; Lumpkin and Dess, 1996; Miller, 1983) is referred to as a firm “that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with “proactive” innovations, beating competitors to the punch” (Miller, 1983). Miller was early in making an important distinction between entrepreneurship as the activity of firms, rather than focusing on the individual actor, or in other words, the entrepreneur. At the time, entrepreneurship research was mainly concerned with individuals, not firms (Gartner, 1988). This distinction raised the level of analysis from the entrepreneur to a firm or organizational level. This is important because it enables entrepreneurship to be connected with other management terminology and concepts such as strategy, structure, environment and performance (Wiklund, 1998). With similar reasoning, entrepreneurship is not limited to entrepreneurs starting new ventures; rather entrepreneurship is applicable to any type of firm or organization.

Research on entrepreneurial orientation has grown rapidly and has covered many aspects. By the end of 2010, EO had been referenced in 256 scholarly journal articles (Covin and Lumpkin, 2011), and by now over 600 scholarly journals reference EO (Linton, 2016). Despite the burgeoning scholarly interest, there are several ontological questions that exists in the literature. There are several competing approaches of conceptualizing the EO concept (Basso, Fayolle, & Bouchard, 2009; George, 2011; Kask & Linton, 2013a; Linton, 2014; Linton & Kask, 2016). For example, there are conversations about the sub-dimensions, frequently described as innovativeness, risk taking, and proactiveness, of EO (Kask & Linton, 2013b; Wales, 2015); whether the EO construct should be measured formatively or reflectively (Linton, 2015, 2016), whether the construct is an attitudinal construct, behavioral construct or both (Miller, 2011) and whether EO is being used appropriately across studies (George & Marino, 2011). It is considered to be beneficial with scholarly debate of the ontological assumptions for the development of theoretical constructs (Bagozzi, Yi, & Phillips, 1991). In sum, the EO concept is one of the most used constructs in management research, still researchers are utilizing many different theoretical assumptions.

This project therefore aims to advance the conceptualization of EO by problematizing the core construct. The concept of EO was developed over 30 years ago and only marginal development of the concept has since been undertaken (but see Anderson et al., 2015). At the same time, entrepreneurship theory has undergone major development in the past 30 years which to a large degree is not reflected in the concept of EO. For example, one entrepreneurial dimension in EO is risk-taking. Traditionally entrepreneurs
have been seen as risk-takers willing to take high risks for high returns (Knight, 1921) which is in line with EO research. However, more recent theory suggest that entrepreneurs are not necessarily high risk takers, instead entrepreneurs work with how much they can afford to lose. This also includes deciding on how much they are willing to lose and to find solutions that control for risk in uncertain environments, also known as affordable loss (Dew, Sarasathy, Read, & Wiltbank, 2009). Similar advancements have been made with the two other dimensions, proactiveness and innovativeness. Based on this, the project has three research objectives:

The first objective is to elaborate on the theoretical building blocks of EO and its sub-dimension and propose a revised and updated theory of EO.

The second objective is to develop a new measurement scale according to the updated theory.

The third objective is to empirically validate the measurement scale and to investigate the new and updated EO construct on a larger set of firms in the US and Sweden.

2. Survey of the field

2.1 Entrepreneurial Orientation

Entrepreneurial orientation as it is known today can be seen as having developed in different phases. Most researchers acknowledge four main phases for the development of EO (see e.g. Anderson et al., 2015; Basso et al., 2009; Edmond and Wiklund, 2010; Miller, 2011; Wales, Gupta, et al., 2013). First, there is the pre-EO phase on which the EO research would be founded. Then, most researchers credited Miller (1983) for laying the foundation, thereafter came a refinement from Covin and Slevin (1989, 1991) and even later a reconceptualization by Lumpkin and Dess (1996). Because these phases have impacted the EO research in different ways, a brief overview of the development of EO is given below.

Pre-foundation

The conceptual roots of EO can be traced back as far as the Aston Group in the 1960s (Edmond and Wiklund, 2010). These researchers, led by Derek Pugh, systematically examined the structure and functions of organizations and related them to other organizational variables such as organizational performance and context (see e.g. Pugh et al., 1968, 1969). The context of the firm was often considered to be the size of the firm, its environment, and technology. These variables were developed into standardized measures that could be used across a wide variety of organizations. Based on these measures, the researchers could develop empirically derived ideal types of organizations.

A different research group took a similar approach to the Aston Group. At McGill University in Montreal, Canada, a group was also especially interested in developing ideal types of organizations. Henry Mintzberg at McGill University started to take notice of the entrepreneurial aspects of firms. In his influential 1973 article, he developed three ideal types, or “modes” as Mintzberg called them, of strategy-making. One of these modes was the entrepreneurial mode, which emphasized the search for new opportunities, centralized power, dramatic leaps when met with uncertainty, and the goal of growth. Along the same lines, Pradip Khandwalla, also a McGill scholar, started to take an interest in the entrepreneurship dimension of firms; in one of his works (1976), he identifies several management styles, where one is entrepreneurial in nature, characterized by, for instance, high risk-taking.

Danny Miller

Danny Miller, also at McGill University, completed his Ph.D. in 1976 under the supervision of Henry Mintzberg. Miller, together with his colleague Peter Friesen, started to further develop the work by Mintzberg and Khandwalla and published several articles which featured an entrepreneurial dimension (e.g. Miller and Friesen, 1978, 1982a). In their article ‘Innovation in Conservative and Entrepreneurial Firms: Two Models of Strategic Momentum’, the scholars define an entrepreneurial firm as “firms that innovate boldly and regularly while taking considerable risks in their product market strategies” (Miller and Friesen, 1982a, p. 5). A year later, Miller goes on to publish another article, ‘The correlates of
entrepreneurship in three types of firms’, where he defines an entrepreneurial firm as “one that engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with "proactive" innovations, beating competitors to the punch” (Miller, 1983, p. 771 emphasis in original). Similarly to the Miller and Friesen article one year earlier, this one also includes innovativeness and risk-taking in the entrepreneurial dimension, but in addition, it introduces the proactiveness dimension. It is worth noting that Miller never used the term entrepreneurial orientation; still, he has been credited by many for introducing the EO concept. However, in addition to conceptualizing an entrepreneurial firm, which was not his main intent (Miller, 2011), he made important contributions in his 1983 article in that he did consider entrepreneurship to be a firm-level phenomenon and illustrated the importance of configurations and ideal types in entrepreneurship research.

**Covin and Slevin**

A refinement phase took place when Covin and Slevin (1988, e.g. 1989) expanded on the work by Miller (1983) and discussed different ‘postures’ that could be either entrepreneurial or conservative. Furthermore, Covin and Slevin suggested that entrepreneurial orientation was a continuum that ranged from conservative to entrepreneurial and that firms could be positioned anywhere on the continuum. This is different from Miller (1983), who seemed to envision a binary value, that is, a firm is either entrepreneurial or it is not. Furthermore, Miller (1983) had not included the measurement scale in the article, but mailed it to authors who requested it (Miller, 2011). Covin and Slevin (1989) included all their measurement scales in their article. This included the nine-item measurement scale of EO, which in turn was based on Miller’s (1983) conceptualization and actual measurements of EO. This made the scale accessible to many researchers wishing to investigate firm-level entrepreneurship.

**Lumpkin and Dess**

In 1996, Lumpkin and Dess reconceptualized EO. Their use of the term ‘entrepreneurial orientation’ replaced Miller’s and Covin and Slevin’s earlier terms of ‘posture’ and ‘styles’. In addition, they argued that the two sub-dimensions of autonomy and competitive aggressiveness should be included in the construct. Lumpkin and Dess (1996) also make a clear distinction between entrepreneurship and the processes that lead to entrepreneurship. They conceptualize EO as the process that leads to the act of entrepreneurship, which they define as ‘new entry’, which is ‘the act of launching a new venture’ (p 136). This definition is considerably different from that in the earlier EO literature where EO, in itself, was considered to be entrepreneurship. Furthermore, they conceptualize that the now five dimensions may vary independently of each other, and thus, need not covary.

**The phases and development of Entrepreneurial Orientation**

The different phases have had an impact and developed the way other scholars have viewed EO and there are some conceptual differences between these different phases, with Lumpkin and Dess (1996) and Covin and Slevin (1989, 1991) thus partially altering the conceptual meaning of EO (Basso et al., 2009). Nonetheless, going back to Miller (1983), one can note that the core message of configurations and contingency fit that Miller was trying to convey seems to a large extent to have been lost in most EO research. Instead, what is today called EO was only a side note, and this side note is what researchers have grasped. The core message was to show the value of a configurational approach to studying organizations (Miller, 2011), but this important thought about configurational approach has more or less been forgotten in EO research.

In this project it is argued that we need to bring a configurational view, back into EO research. To understand how contingency fit and a configurational view can enhance the understanding of EO and where the EO field is today, a brief overview EO in relation to contingency theory research is provided next.

**2.2 Perspective on Entrepreneurial orientation**

Causal mechanisms represent the foundation of theories. Some researchers argue that there is no overarching theoretical framework established for EO research (Miller, 2011; Wiklund and Shepherd,
In line with Zahra’s (2007) notions about the general entrepreneurship literature, I have similar notions that in the EO literature scholars rarely articulate their theories and assumptions, and even less so, question them. Instead, assumptions are often implicitly communicated with a reference to a theory or to a figure, but still not explicating the causal logic the theory contains (Sutton and Staw, 1995).

The contingency fit view
The fundamental idea behind contingency theory in the EO field is that entrepreneurship needs to be aligned with context for best results (e.g. Lumpkin and Dess, 1996; Wiklund and Shepherd, 2005). Lumpkin and Dess (1996) suggest that EO needs to be aligned with many different contextual factors and that these can be divided between environmental (external) and organizational (internal) factors. Organizational factors can be, for example, structure, strategy, processes, and resources, while environmental factors can be the characteristics of markets, industry, and the environment. Contingency fit can be seen as a simple concept: a match between entrepreneurship and context leads to increased organizational performance. However, when reading the EO literature, it seems that contingency fit has been conceptualized in many different ways.

Cartesian approach
Some researchers (e.g. Covin et al., 2006; Pearce II et al., 2010; Wang, 2008; Zahra and Garvis, 2000) adopt what can be termed a Cartesian approach (Gerdin and Greve, 2004). This approach takes a perspective over the firm where the focus is usually on a context-structure pair of variables (Meyer et al., 1993). For instance, Moreno and Casillas (2008) investigate how EO can relate to performance depending on the context of the environment in which the firm operates. In a similar manner, Walter et al. (2006) examine the relationship between EO and performance depending on the context of the firm’s different levels of network capabilities. They suggest that firms that increase their network capabilities will also increase the contribution of EO to firm performance. These are typical EO studies that take a Cartesian perspective.

The Cartesian stream of contingency fit sees firms as adapting over time and constantly adjusting their structure to different contingencies. Because researchers taking this perspective usually focus on two independent variables, it is possible to be precise and explain this specific relationship with high specificity (Drazin and Van de Ven, 1985). These relationships are expected to be bivariate between a structural variable and its contingency factor, and these relationships can be linear or curvilinear (Donaldson, 2001). The Cartesian stream takes the view that there are many fits along a continuum of variable and context. It is thus assumed that for each level of the contextual variable there is a structural variable that can match it in the Cartesian view.

Configuration approach
Another view of contingency fit is that of configurations. Similarly to the Cartesian view, the configurational approach also suggests that fit between variable(s) and context leads to fit. However, some of the theoretical arguments are fundamentally different. The configurational approach builds upon the notion that firms fall into a limited number of states of internal coherence among a collection of theoretical attributes. Since only a small number of states of fit exist, firms that wish to make changes need to make major changes at great speed (i.e. quantum jumps) to avoid in-between states (Drazin and Van de Ven, 1985; Meyer et al., 1993; Miller, 1996). In EO research, it seems that only a few studies have taken a configurational perspective. One such study is that of Kreiser and Davis (2010), who embrace a configurational approach when they conceptualize the EO sub-dimensions, organizational structure, and various environmental contexts into ideal types. Also with a configurational perspective, Andersén (2012) empirically derives six configurations of manufacturing firms based on a range of resources and capabilities and connects each configuration with their EO level. Both of these studies are rare examples of research that use configuration models in the EO field.

The configuration stream takes a view of the organization and their underlying themes and systematic features. These themes that configurations take might come from, for example, the CEO’s vision, which
embraces the whole organization, that is, an overarching theme that sets the agenda for all parts of the organization, such as strategies and organizational culture (Miller, 1996). The benefit for firms in having a central theme is that it gives a unifying direction. This makes coordination easier, and focuses efforts and complementarities between, for example, strategies, leadership style, and product offerings. Certain synergies can be achieved by unique combinations of organizational parts that complement one another; for example, a specific strategy might be more effective in a firm with a conservative leadership style and which is situated in a particular context (Miller, 1993). Because of this thematic view, only a few viable configurations are theorized to exist. This is also why it is theorized that firms make ‘quantum jumps’, that is, changes that are major and drastic when change is needed. Changing only one element would disturb the harmony in the configuration and move it out of fit. For that reason, it is proposed that the variables or elements have to change together (Miller and Friesen, 1982b).

Differences between Cartesian and configuration perspectives

Even though both Cartesian and configuration perspectives investigate fit, as shown above, the underlying theoretical assumptions may be substantial. For example, one important difference is how change occurs. In the Cartesian stream, change is seen to be incremental and continuous where a little change in context (e.g. environment) is always present, which in turn, can be matched with a little change in EO. In contrast, in the configuration perspective, change is theorized to be frame-breaking (quantum jumps), which only occurs during episodic bursts (Meyer et al., 1993). These differences in underlying assumptions between Cartesian and configuration perspectives are large and researchers have even been able to show that these two opposing view can results in contradictory outcomes (Gerdin and Greve, 2004).

Taken together, it seems that there are two different streams within the contingency perspective in EO research. Both of these streams take quite different perspectives on contingency fit. In addition, there seems to be no explicit discussion in the EO field about these different conceptualizations of fit and the underlying differences underpinning the choice of conceptualizing EO and contingency fit. From an overview of the literature, it appears that the EO literature has utilized contingency theory in conceptually different ways without much discussion about the implications of such choices for the EO field. In general, researchers have not been explicit when conceptualizing and defining fit or EO. To date, the discussion about how contingency fit should be applied in an EO setting is missing and also what theoretical consequences different choices have.

3. Significance

Research on EO has generated significant insights over the past three decades, however, to be able to continue developing we need to increase our knowledge of entrepreneurial strategies and the antecedents and consequences of what it means to “be entrepreneurial” at the firm level. This project will provide a new updated theory of EO which includes explicit answers to currently unclear ontological questions. The project will also provide an updated survey instrument that will be available for researchers to use in the future instead of the currently used research instrument developed in the early 1980s. The project will contribute overall to one of the most used concepts in the management and entrepreneurship literature to ensure that the EO literature is not being limited because of different unanswered ontological questions. This would limit EO's contribution to the strategic management and entrepreneurship field significantly. By reconceptualizing EO in a way that corresponds with configurational theoretical foundation while simultaneously addressing relevant conceptual and measurement issues, the project will most likely drive EO research to a new and exciting path.

4. Preliminary Results
Gabriel Linton has conducted research which has provided strong indication that the EO concept needs to be conceptualized. For instance, in his dissertation (Linton, 2016) and in a current working paper (Linton, 2015) he has showed that there is a large difference between asking respondents about outcomes and actual actions, in terms of e.g. innovativeness. Dr. Linton’s research implies that firms can have innovative outcomes but at the same time their behavior and action do not necessarily have to be innovative. One, of many issues, with the current research instrument is that outcomes, actions, and intentions are mixed. This is problematic as it is unclear if the construct is about being entrepreneurial or achieving entrepreneurial outputs. Empirical data can be similar approaches as in his previous work (Hasche & Linton, 2016; Hasche, Linton, & Öberg, 2017; Hasche, Linton, & Prenkert, 2016; Hasche et al., 2016; Kask & Linton, 2011, 2013b; Linton, 2016; Linton, Klaassen, & Öberg, 2016) Moreover, Gabriel Linton has also showed in several published research articles that the configurational perspective in EO research can be a fruitful way forwards. EO does not have to be a continuum that consist of a line ranging from conservative to entrepreneurial. The EO concept is likely more complex and one way to approach this is by researching different configurations. Previous research (Kask & Linton, 2013b; Linton & Kask, 2016) has shown the fruitful application of such a perspective.

References:


