

The Performance of Entrepreneurially Oriented Organisations

Josephine Tan

Introduction

Whilst it is common entrepreneurship is associated with start-up ventures and individuals that possess particular characteristics, it is important to realise there is an emerging concept that is entrepreneurship within organisations (Swoboda & Olejnik, 2016; Teece, 2014). This concept is known as entrepreneurial orientation which regards the decision-making processes, practices, managerial philosophies and strategic behaviours that are entrepreneurial (innovativeness, proactiveness and risk taking) in nature (Anderson et al. 2015). Many studies have researched entrepreneurial orientation and firm performance in various national contexts (Saeed et al. 2014; Semrau et al. 2016; Shan et al. 2016). Scholars argue organisations that are entrepreneurially oriented will perform better than those organisations that are not entrepreneurially oriented (Hult et al. 2003; De Clercq et al. 2010; Shan et al. 2016; Wiklund & Dean, 2005). This is supported given the considerable evidence suggesting the relationship between entrepreneurial orientation and performance is universally positive (Semrau et al. 2016).

Given this, the following discussion examines entrepreneurial orientation concepts through the lens of internal organisational factors. This is important because to understand how organisations effectively enable and implement entrepreneurial activities, these can be in part explained by the internal processes of the firm (De Clercq et al. 2010; Engelen et al. 2015; Kollman & Stockman, 2012). By exploring internal concepts of an organisation's dynamic capabilities and the role of senior managers, an in-depth understanding can be achieved as to how entrepreneurially oriented organisations achieve a competitive performance position.

Within these two internal elements of analysis, an interlinking factor is organisational culture (Kollman & Stockman, 2014). In order for dynamic capabilities and senior managers to be effective, this relates to the organisational culture that is fostered (Brettel et al. 2015; Kollman & Stockman, 2014). Entrepreneurship in firms is more likely to be viewed as a process that is ingrained within an organisation's culture, opposed to an isolated or one-time event of new product or service development (Hult et al. 2003; Kollman & Stockman, 2014). It is with this consideration that in order for continuous entrepreneurial activities and the required mind-set to be adopted, organisations must develop an entrepreneurial culture which includes factors as the ability to learn and focus on markets (Hult et al. 2003; Kollman & Stockman, 2014; Lechner & Gudmundsson, 2012). These combined elements have been integrated in the below framework which demonstrates these connections.

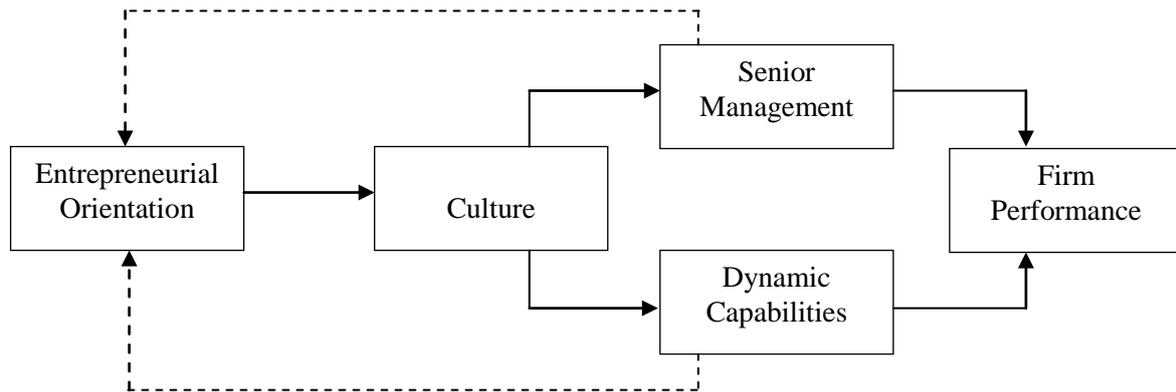


Figure 1: Conceptual Framework: Internal Entrepreneurial Orientation-Performance Relationship

Entrepreneurial Orientation

Entrepreneurial orientation is defined as firm-level processes, practices, decision-making policies and strategic orientations to entrepreneurial behaviour and activity (Jantunen et al. 2005; Shan et al. 2016; Wales et al. 2013). Entrepreneurial firms will engage in activities like product market innovation, ventures that are somewhat risky and they will be the first organisation to develop proactive innovations that beat their competitors to the punch (Lumpkin & Dess, 2001; Miller, 1981).

It is important to know there are distinctions between entrepreneurship as a function and the entrepreneur as a person. An entrepreneur can be anyone who creates an innovation and the range of innovations these individuals create can extend to the development of a new product or service, the development of a new manufacturing process, or the reorganisation of an entire industry (Hult et al. 2013). This is in comparison to entrepreneurship as a function, which regards the disruption of equilibrium and stability to an organisation where the function of entrepreneurship can occur both within and between organisations (Hult et al. 2003).

Entrepreneurial orientation can be explained as the organisation's innovativeness, proactiveness and risk-taking propensity (Engelen et al. 2015; Wiklund & Dean, 2005). The term innovativeness in this context indicates the organisation's wider inclination to develop products and services that are noticeably different from past offerings (Anderson et al. 2015; Patel et al. 2015). It reflects the firm's tendency to engage in and support new ideas that depart from established offerings (Engelen et al. 2015; Wiklund & Dean, 2005). The second component of organisation entrepreneurial activity is proactiveness which refers to a forward thinking organisation that seizes opportunities (Anderson et al. 2014; Wales et al. 2015). Proactive entrepreneurial organisations take long-term gambles on indicated and expressed market needs (Lumpkin & Dess, 2001; Patel et al. 2015). The notion of organisations that are forward-looking is that their proactiveness presents the opportunity for them to be pioneers and thus they can capitalise on emerging opportunities (Wiklund & Dean, 2005). Finally, risk-taking requires the organisation to embrace uncertainty and ambiguous situations where in turn, variances of the organisation's return on investments increase

(Patel et al. 2015). Often risk-taking reflects the organisation's willingness to segregate from the tried-and-true, despite the possibility the venture may not succeed (Wiklund & Dean, 2005). This is particularly critical as risk-taking requires the organisation to commit significant resources to uncertain environments without knowing all the consequences (Anderson et al. 2015; Kollman & Stockman, 2014; Wales et al. 2015). In order for these notions of innovativeness, proactiveness and risk-taking to translate into successful performance, organisations are required to leverage their resources throughout their various functional departments (De Clercq et al. 2014; Brettel et al. 2015). This is so the necessary conditions and context can be created for effective exploitation of these opportunities (De Clercq et al. 2014).

Given these understandings and theories of entrepreneurial orientations and the types of activities that may be undertaken, exploration can begin on how these organisations may perform, in comparison to organisations that are not entrepreneurially oriented.

Entrepreneurial Orientation Advantage through the Utilisation of Dynamic Capabilities

Dynamic capabilities is the process by which firms manage, integrate, build and reconfigure their internal and external competences (Eisenhardt & Martin, 2000). The use of dynamic capabilities is so firms can respond to the rapidly changing environments they compete within (Teece, 2014). Dynamic capabilities are the firm's potential to systematically solve problems which are founded by the organisation's ability to detect opportunities and threats (Barreto, 2010). This concept emphasises the importance of unique business processes that are internal and external to the firm (Teece, 2014). It is suggested that due to rapid changes in the business environment, organisations have become more entrepreneurial and dynamic in response (Brettel et al. 2015).

The strength of the relationship between entrepreneurial orientation and performance is dependent upon the characteristics of internal competencies (Wiklund & Dean, 2005). Dynamic capabilities is based on the resource based view which emphasises opportunities, opposed to opportunism (Teece, 2014). Given this, organisations that utilise their unique business processes to their advantage before external forces threaten the organisation, are going to perform better than organisations that are unprepared to respond to external changes (O'Reilly & Tushman, 2009; Teece, 2014). Entrepreneurial orientation and dynamic capabilities better equip an organisation to change their operation given the external context (Hakala, 2011). Entrepreneurial behaviour when it is combined with dynamic capabilities has the potential to be a source of competitive advantage given the constant renewal of resources (Jantunen et al. 2005). The need for these skills is critical as entrepreneurial orientation and the mind-set it entails, equips organisations to reconfigure their existing asset base and processes (Swoboda & Olejnik, 2016). It is through these dynamic capabilities and implementation of organisational resources that assist organisations in achieving their superior firm performance as seen in figure 1 where dynamic capabilities leads into firm performance. This notion is supported by scholars

suggesting an entrepreneurial orientation enhances the relationship between dynamic capabilities and its performance (Jantunen et al. 2005).

When dynamic capabilities are utilised to achieve entrepreneurial activity, one possible outcome may be that often organisations become customer and market-oriented (Hakala, 2011). This is where the organisation is then able to better pioneer and develop specific products and service categories to their customer segments, in a unique way in which their competitors have not identified (Hakala, 2001; Teece, 2011). Entrepreneurially oriented organisations will have the capabilities to identify changes in customer preferences and translate these actions into results for the organisation (Saeed et al. 2014). This strategic entrepreneurial position typically results in superior performance as a first mover advantage and temporary monopoly-like status is created (Garcia-Morales et al. 2014; Semrau et al. 2016).

These capabilities that allow risk-taking within the organisational context are more likely to enable the firm to benefit from frequent innovating and taking risks in product-market strategies (Jantunen et al. 2005; Real et al. 2014; Shan et al. 2016). The result of this is the development and commercialisation of technology and products which can be achieved by entrepreneurial activities (Clausen & Korneliusen, 2012). This again feeds into the firm performance when these activities are initiated.

In addition, organisations that implement entrepreneurial activities must consistently be scanning and searching for new opportunities within the market (Engelen et al. 2015; Wiklund & Dean, 2005). In order to achieve this, the organisation must have dynamic capabilities that facilitate constant learning, flexibility and embracing the unknown (Jantunen et al. 2005; O'Reilly & Tushman, 2008; Real et al. 2014). When organisations have these fluid competences, they have the ability to become a learning organisation and this ensures the processes and knowledge within the organisation is constantly reviewed so competitive advantages can be achieved (Real et al. 2005; Takeuchi, 2014; Teece; 2014). A strong market-oriented perspective will promote a culture and environment of organisational learning (Hult et al. 2003). The development of new and innovative offerings profoundly relies upon the internal processes of the organisation (Brettel et al. 2015). This emphasises the importance of culture as depicted in figure 1 where the required dynamic capabilities will be influenced by organisational culture.

Furthermore, studies suggest that when organisations adopt multiple orientations like entrepreneurial activities in conjunction with dynamic capabilities, this will generate more advanced company cultures, thus making the organisational activities harder for competitors to imitate which in return enables better firm performance (Barney, 1991; Hakala, 2011).

Senior Managers of Entrepreneurially Oriented Organisations

From this discussion of dynamic capabilities and how they influence positive organisational outcomes, this raises the role that senior managers have in facilitating entrepreneurial activity. Theories within the entrepreneurship literature characterise senior managers of these organisations to typically exhibit entrepreneurial decisions that are in accordance to their firm's strategic decision making policies and managing philosophies (Wales et al.

2013). This will often lead back to the CEO of the organisation as they typically hold the responsibility of directing the firm's strategic direction and thus their entrepreneurial direction (Garcia-Morales et al. 2014; Wales et al. 2013). Research suggests a firm's entrepreneurial orientation can originate from the CEO given their strong position in shaping the firm (Simsek et al. 2010). From the CEOs direction, top management's entrepreneurial and leadership skills are pivotal so they can foster a culture where employees are able to sense, seize and transform identified opportunities into entrepreneurial activities (Garcia-Morales et al. 2014; Wales et al. 2013).

Leadership shapes the workplace environment and assists in building a culture where the interests of the organisation and the individuals are associated (Engelen et al. 2015). Additionally, the senior managers identification of opportunities and threats may be dependent upon their personal risk orientation where various managerial characteristics and behaviours will determine what activities are pursued (Anderson et al. 2015). However, research has indicated that an individual's attitude towards risk will not perfectly correlate with subsequent entrepreneurial activity (Anderson et al. 2015). Entrepreneurial orientation does not automatically transform into entrepreneurial activity (Kollman & Stockman, 2014). The variations between managers' perception of entrepreneurial behaviour and opportunities is an important element to consider as this may alter the organisation's actual and realised entrepreneurial activity which in return could affect their performance and results (Kollman & Stockman, 2014). Given this, the entrepreneurial behaviour and attitude of the managers will contribute to the conceptual-firm level entrepreneurial orientation (Anderson et al. 2015).

Some of the roles entrepreneurial managers undertake are detecting and understanding market and customer opportunities, proactive movement in facilitating new projects and exploring new and better ways of combining processes and systems (Teece, 2012). The primary role of the entrepreneurial manager is to ensure there is creative coordination of unique and specialised elements, unlike the general business manager who aims to achieve standardisation and optimisation (Teece, 2012). Considering these roles, it is important the entrepreneurial manager is able to foster the necessary workplace culture that will encourage entrepreneurial mind-sets and think-styles with their employees (Brettel et al. 2015). The manager must have the necessary relationship skills where they can build close social relationships with their department team as this is where relevant knowledge is most likely to be kept (Brettel et al. 2015; De Clercq et al. 2010). The need for specific managers is due to entrepreneurial activities associated with exploring new products and services that are unfamiliar to the marketplace (Wales et al. 2013). Given these contexts, there is a high level of cross-functional communication necessary to facilitate knowledge integration with the end outcome being innovation (Brettel et al. 2015).

In these situations, a transformational leader who has the ability to develop meaningful visions to innovative teams when exploring ambiguous areas may often be the most appropriate approach in facilitating successful entrepreneurial outcomes (Connelly et al. 2010; Wales et al. 2013). This is because the entrepreneurial manager is required to transform the organisation and mould the ecosystem through various strategies that do not originate from existing routines (Teece, 2012). Transformational behaviours are useful in strategy implementation as they foster an environment where

followers feel empowered, respected and motivated to do more than they are required (Engelen et al. 2015). This is particularly fundamental in entrepreneurially oriented organisations given the likelihood of efforts failing (Engelen et al. 2015). When organisations offer hostile settings for creative idea development, this may increase the opportunity for employees to resist new initiatives and innovative routines (Engelen et al. 2015).

Social relationships between functional departments are necessary in creating an environment that is conducive to the development of new ideas and new knowledge which is pivotal for teams undertaking entrepreneurial activity (De Clercq et al. 2010). One essential attribute in manager-team relationships is trust as this leverages the performance effect of an entrepreneurially oriented firm as it stimulates the amount of knowledge exchange between the departments (Brettel et al; De Clercq et al. 2010). Furthermore, the effects of trust in relationships result in not only quantity of knowledge, but quality when there is the perception from individual's that confidential information exchanges is possible (De Clercq et al. 2010). Given the nature of fast-moving industries, consumer demands and intensity in competition, this supports the need for the quantity and quality of knowledge to ensure timely entry to market with innovations (Shan et al. 2016). This is supported as faster innovation speed can often lead to superior performance and be a contributing factor to the relationship (Shan et al. 2016).

To conclude this section, findings suggest that organisations who have a strong proactive tendency, with strong entrepreneurial management will be more likely to anticipate changes or needs that will occur in the marketplace (Lumpkin & Dess, 2001). It is likely they will be among the first within the market to act on those required changes (Lumpkin & Dess, 2001). This then provides the opportunity for the organisation to capitalise on these markets before competition saturation and imitation (Wales et al. 2013). The benefit for the entrepreneurial firm is the stimulation of new organisational practices and processes and the organisation achieves renewal and growth (Teece, 2012). In saying this, it is fundamental that in order for a senior manager to encourage their team to sense and seize opportunities, ensure coordination of specialised capabilities, and facilitate trusting relationships where quality of knowledge can be exchanged, these all hinge on the organisation's culture. As shown in figure 1, in order for senior managers to enact these activities and build the necessary relationships to foster the entrepreneurial vision, the senior managers rely on the organisational culture as this corresponds and influences the performance the organisation will experience (Brettel et al. 2015)

Conclusion

Many authors within the entrepreneurship literature have explored the relationship between entrepreneurial orientation and organisational performance. These findings suggest organisations with a higher degree of entrepreneurial orientation have superior performance in comparison to organisations that have a lower degree of entrepreneurial orientation (Brettel et al. 2015).

This relationship has been explored by identifying the processes and internal systems of dynamic capabilities and senior management, and how culture is an intertwining and influencing factor. These theories and concepts

noted by scholars have been depicted in figure 1. Conceptual Framework: Internal Entrepreneurial Orientation-Performance Relationship which illustrates these various connections. These relations between dynamic capabilities and the senior managers/leaders within the organisation influence the degree to which entrepreneurially oriented activities are enacted. The two elements are bound by the organisational culture. The effectiveness of organisational dynamic capabilities is related to the performance of the senior managers, and vice versa. The dynamic capabilities and senior managers then influence the extent to which entrepreneurially oriented activities are adopted as shown in the cyclical illustration in Figure 1. Through this investigation, insight to how entrepreneurially oriented organisations achieve higher levels of performance over their competitors that do not actively implement entrepreneurial activities is demonstrated.

From these various conceptual discussions, entrepreneurially oriented organisations have been recognised for their ability to identify and seize opportunities, capitalise on these often ambiguous areas and to be the first to market, much like many entrepreneurs do in the context of their personal ventures. However, in saying this, it is important and fundamental to note that these internal systems of entrepreneurially oriented organisations are only one small facet of the entrepreneurship-performance relationship. There are additional factors that need to be considered in order to understand the full extent of this relationship. By factoring in additional internal systems like team dynamics and networking systems/partnerships as well as external factors such as economic changes, consumer preferences and level of competition intensity, a more comprehensive understanding can be reached. These internal and external considerations are then dependent on further levels of analysis like the context of the specific organisation such as company size, age and industry.

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