Being entrepreneurial reaps dividends

It makes sense for companies to favour such an orientation as it is highly correlated with performance, writes MICHAEL FRESE

Performing firms vary in the extent they adopt an entrepreneurial orientation. They are, in essence, developing an organizational purpose and vision, and the decisions and actions for running a business. Some firms favor an entrepreneurial orientation, which research has shown to have several dimensions. An entrepreneurial orientation tends to be innovative, engaging in creativity and experimentation by introducing new products as well as technological leadership vis-a-vis R&D.

It is also a risk since by undertaking bold actions such as betting on outcome or committing significant resources to ventures into the unknown. Additionally, a firm high on an entrepreneurial orientation is reactive by seizing opportunities and using the size of the first to introduce new products ahead of the competition, sometimes in anticipation of future demand.

How does entrepreneurial orientation affect performance? To employ an empirical analysis, we conducted a meta-analysis of 60 studies covering 14,297 firms. A meta-analysis is a useful approach to determine the best knowledge that is scientifically available and determines the truth behind many different studies. We found that indeed entrepreneurial orientation and performance are correlated substantially.

Does it matter which dimension of entrepreneurial orientation is associated with performance? We found that it does not. All dimensions – invariance, risk, and productiveness – contribute to success in the same way.

Interestingly, cultural context did not affect the relationship between entrepreneurial orientation and performance as we had found that this relationship did not vary across countries. This is interesting as it suggests that the entrepreneurial orientation-performance relationship is culturally universal. Indeed, we have witnessed firms such as Google (the US), Nokia (Europe) and Samsung (Asia) displaying entrepreneurial orientation – and all of them have shown highly successful performance.

We also explored different types of performance. A firm’s performance can be measured not only in financial terms such as sales growth and return on investment, but also in tangibles such as reputation and global success ratings made by owners or business managers. Our findings showed that entrepreneurial orientation is correlated with all these performance indicators similarly. Moreover, orientation is associated with both financial and non-financial performance, suggesting that entrepreneurial orientation-performance relationships are quite robust.

Many would expect that the smaller a firm is, the greater the impact of management on performance will be. What we found is that the entrepreneurial orientation-performance relationship is similar across firms. Interestingly, cultural context did not affect the relationship between entrepreneurial orientation and performance as we had found that this relationship did not vary across countries.

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It is just that this relationship was very high for very small firms (less than 10 employees). This is due to the nature of high-tech industries and entrepreneurial orientation pays off more for such industries. This is because in these industries, the hire-employee ratio is often high and the firm is likely to be very small in size. Whether this holds true for larger firms is unclear and needs further research.

Indeed, an entrepreneurial orientation can be found in large firms, especially those that work hard in keeping their employees on board. For example, Google, Apple, and Microsoft have been successful with their entrepreneurial culture, which is rooted in the belief that employees are the most important asset of the firm. The firm’s culture and values are aligned with the employees’ values, which helps to create a strong and cohesive work environment.

In conclusion, entrepreneurs have a strong orientation to innovation, and this is critical for the success of any business. To foster innovation, firms need to create an environment that encourages and supports entrepreneurship. This can be achieved by providing employees with the resources and support they need to develop and implement new ideas. Additionally, firms need to create a culture that values innovation and recognizes its importance. This will help to ensure that employees are motivated to think creatively and to develop new ideas that can help the firm grow and succeed.

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