

RELATIONAL DYNAMISM: A NEW ENTREPRENEURIAL ORIENTATION DIMENSION TO MEASURE BUSINESS PERFORMANCE?

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Abstract

This study examines the usefulness of Lumpkin and Dess' (1996) Entrepreneurial Orientation (EO) construct in measuring performance. A review of four previous exploratory research projects covering different industries in Australia found that the importance of EO dimensions and their relationship with business performance varied between industries. There was a positive correlation between business performance and the dimensions of innovation and proactiveness in all studies. However, the dimensions competitive aggression, risk taking and autonomy varied in importance and over time.

The variation in results was partly attributed to the researchers using different definitions for each EO dimension. There was also some contextual bias in dealing with entrepreneurial terms that appeared industry based. All projects identified some limitations in using the EO construct to explain business performance and highlighted issues outside the current dimensions. This review identified another possible EO dimension, which has been defined in the current paper as Relational Dynamism. It is argued that this dimension incorporates issues related to internal and external networks, particularly in regard to building trust and establishing effective contacts.

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INTRODUCTION

This study looked at four previous research projects to ascertain any themes that might arise in the use of the Entrepreneurial Orientation (EO) construct in measuring business performance. The analysis of these past projects raised several issues and their possible implications are discussed.

It was identified that a possible new entrepreneurial orientation dimension may impact on business performance. This dimension appeared best described as “relational dynamism” covered the impact of changing internal and external relationships or as often described in the literature as “networks”. The internal relationships included personal characteristics such as trust, ethics and empathy and their translation into a corporate culture that could improve performance. The external relationships identified related to links with customers, suppliers, and alliances and their impact on enhancing supply chain efficiency. This paper explores the path which led to the consideration of this potential new dimension.

LITERATURE REVIEW

A major development in the literature has been on the conceptual model of entrepreneurship as firm behaviour. Miller (1983) saw a firm’s Entrepreneurial Orientation (EO) as a combination of the firm’s *risk-taking*, *innovation* and *proactiveness*. Covin and Slevin (1991) clarified the role of these dimensions (postures), and linked them clearly to enhancing firm performance. Lumpkin and Dess (1996) expanded the EO framework by adding the dimensions: *autonomy* and *competitive aggressiveness*. Although there is general agreement that EO does impact on firm performance (Lyon, Lumpkin & Dess, 2000), the effect of each EO dimension on firm performance remains a matter of debate.

Innovation

Covin and Miles (1999) suggested that entrepreneurship would not exist without innovation. They defined innovation as the firm’s tendency to support new ideas, experimentation and creative processes earlier than competitors. Peters (1990) said that innovation requires creativity, and an obsession to see it through. Neely and Hii (1998), considered research and development (R&D) an important source of innovation. These authors said R&D included the ability of the firm to improve existing products, develop new products, and develop new production methods or equipment and product quality.

A number of authors have linked innovation to business performance. Bradmore (1996) said that innovation enhances business performance through the successful implementation of new ideas. Neely and Hii (1998) suggested two views on how innovation affects business performance. The first view stated that the production of new products or processes strengthens a firm’s competitive position in relation to its rivals. The second view argued that the process of innovation transforms a firm fundamentally by enhancing its internal capabilities, making it more flexible and adaptable to market pressures than non-innovating firms.

Proactiveness

Venkataraman (1989) claimed proactiveness was an important ingredient of entrepreneurship. This author defined proactiveness as seeking new opportunities, which may or may not be related to the present line of operations. Venkataraman also suggested firms can be proactive by: shaping the environment; introducing new products and brands ahead of competition; strategically eliminating

operations which are in the mature or declining stages of product life cycle; participating in emerging markets; and by anticipating and pursuing new opportunities.

Competitive Aggressiveness

The intensity of a firm's efforts to outperform industry rivals and taking them head on at every opportunity is defined as competitive aggressiveness. It is characterised by a strong offensive posture, which is directed at overcoming competitors (Lumpkin & Dess, 1997: 2). Venkataraman (1989) suggested that competitive aggressiveness is accomplished by setting ambitious market share goals and taking bold steps to achieve them, such as cutting prices and sacrificing profitability.

The entrepreneurship literature regards the dimensions of proactiveness and competitive aggressiveness synonymously. However, Lumpkin and Dess (1997) argued that there is an important distinction between the two dimensions. They suggested proactiveness and competitive aggressiveness are distinct concepts that may not co-vary and are differentially related to firm performance. In their study, Lumpkin and Dess (1997: 2) said that proactiveness is "a response to opportunities whereas competitive aggressiveness is a response to threats".

Another important difference was provided by Chen and Hambrick (1995: 457) who stated that "proactiveness involves taking the initiative in an effort to shape the environment to one's own advantage; responsiveness involves being adaptive to competitors challenges". In other words, although it is possible for a particular firm to exhibit both competitive aggressiveness and proactiveness, their presence may vary in strength.

Risk Taking

Miller and Friesen (1978: 923) defined risk-taking as "the degree to which managers are willing to make large and risky resource commitments". Importantly, Osborne (1995) argued that in reviewing entrepreneurship, it is necessary to assess both personal and business risks. According to Baird and Thomas (1985), there are three types of risk-taking: (1) "venturing into the unknown"; (2) "committing a relatively large portion of assets"; and (3) "borrowing heavily". The first type of risk-taking is the one most closely related to entrepreneurship. However, it is also the most difficult to quantify as it encompasses psychological and social risk as well as monetary risk (Gasse, 1982; Lumpkin & Dess, 1996).

Recent research indicates that entrepreneurs have higher scores on risk-taking tests than non-entrepreneurs (Falbe & Larwood, 1995). Entrepreneurs are generally perceived to take more risks than non-entrepreneurs because the entrepreneur faces a less structured and a more uncertain set of possibilities (Bearse, 1982). Thus, entrepreneurs bear the ultimate responsibility for their decisions (Gasse, 1982). This view is supported in a study by Saravathy, Simon and Lave (1996) who suggest that entrepreneurs are more prone to accept risk as a part of everyday business. Moreover, Morris (1998) found that entrepreneurs tended to be moderate or calculated risk-takers. Calculated risk-taking is explained by Morris (1998) as an attempt on the part of the entrepreneur to find ways to mitigate, shift or share risk.

Autonomy

Put simply, autonomy is having the authority to follow through on your convictions. A more complex definition regards autonomy as the freedom granted to teams and individuals encouraging them to exercise their creativity in bringing forth an idea and being able to follow it through to completion (Lumpkin & Dess, 1996). Thus entrepreneurs have the autonomy to make strong and decisive decisions and guide the direction of the business (Mintzberg & Waters, 1985).

Some authors report that top management in high performing firms encourage employee interaction and suggest that ideas of employees at all levels are valued (Kanter, 1983; Nadler &

Tushman, 1990). According to these authors, employees are energised by the orientation of the firm and new ideas are routinely generated and embraced by employees who feel they belong and their contributions are valued. Hart (1992) supported these views and suggested that decision-making occurs from the entrepreneurial activities of many organisational members. According to Schrivastava and Grant (1985), an alternative view is to regard autonomy as using an autocratic leadership style. These types of managers depend on their position: their power comes from being an owner of the business or occupying a high position.

EO and Performance

According to Lyon, Lumpkin and Dess (2000) the research to-date indicates there is general agreement that EO does influence firm performance. Typically this research suggests that increasing the EO of the firm is associated positively with financial performance (Covin & Slevin, 1988, 1989; Miller, 1983; Zahra, 1993). However, there has been much debate over the appropriate intensity of entrepreneurial behaviour and the implications entrepreneurial activities such as risk taking will have on firm performance (Zahra, 1993). Miller and Friesen (1982) even warn that increasing entrepreneurship beyond a particular threshold can harm a firm's financial performance.

Lyon, Lumpkin and Dess (2000), suggested the challenges in measuring the strength of the relationship between entrepreneurship and performance are possibly due to problems with the operationalisation and measurement of entrepreneurship, or in the theoretical models employed. Some empirical research on the relationship between entrepreneurial behaviour (as measured by EO) and firm performance indicates that *contingent* rather than *direct* relationships may provide more accurate explanations of performance outcomes (Lyon, Lumpkin & Dess, 2000). For example, Dess, Lumpkin, and Covin (1997) in a study of 32 firms competing in a variety of industries, linked entrepreneurial strategy making processes to firm strategy, the environment and performance, and Zahra (1993), using data from 102 companies in six industries, found that the entrepreneurship had a positive influence on firm performance in dynamic growth environments, whereas these relationships were largely negative among firms in static and impoverished environments.

Lumpkin and Dess (1996) recognised a number of potential internal and external factors that might ameliorate the effect EO has on firm performance. Wiklund and Shepherd (2005) also looked at these environmental influences in their longitudinal study of 413 Swedish firms. They found that performance could be better explained using a *configurational* approach (three way model covering the relationship between EO, the firm's internal attributes and external environmental characteristics) as certain elements of strategy, structure, process and environment tend to cluster together to form configurations and these work best where key variables are aligned. This approach showed the importance of internal and external factors in terms of their impact on firm performance.

The dilemma raised above is what really is an environmental factor and what should be part of an entrepreneurial dimension. It is proposed that by combining several current internal and external environmental factors into a new dimension - Relational Dynamism – an improved definition of EO and the impact of entrepreneurship on firm performance may be provided.

METHODOLOGY

Four previous studies that investigated the impact of the EO dimensions on different industries within Australia were reviewed. Two of the studies used a quantitative approach as their core methodology - a mail survey, followed up with telephone interviews. The other two studies collected their information via face-to-face interviews. The results of each study were compared to identify similarities and differences in interviewees' perceptions of the relevance of each dimension on business performance. The four studies focused on different industries in Australia: the wine

industry; the automotive components industry; the franchising industry; and the music recording industry.

Three of the studies used a questionnaire with both open ended items and five point Likert scale items to ascertain the respondents' perceptions of the impact of each EO dimension on business performance. As one of the studies did not use numerical results, discussions were held with the original researchers, and agreement reached on converting these results to a three category ranking Low-Moderate-High enabling the four studies to be compared.

FINDINGS

Table 1 shows respondents' perceptions of the impact of each EO dimension on business performance for the four studies (mean scores). All of the EO dimensions were considered by respondents to be important, although some more important than others. Autonomy was the highest scoring across the industries with risk taking the lowest.

Table 1: A comparison of the EO dimensions from four Australian studies

Study/EO dimensions ¹	Innovation	Proactiveness	Competitive Aggression	Risk Taking	Autonomy
Australian Wine Industry	H/M 3.94	M 3.68	M 3.11	M/L 2.53	H 4.1
Automotive Components Industry	H 4.5	H 4.57	H 4.0	M 3.5	M 3.7
Franchising Industry	M 3.55	M 3.77	M 3.77	H 4.07	H 4.38
Music Recording Industry ²	L/M	M	L	M	M

¹ High is a score greater than 4, a Moderate score is between 2.5 and 3.9, and a Low score is 0 to 2.4

² The mean scores were not calculated in this study.

Innovation

The literature review suggested that innovation should be strongly linked to business performance (Neely & Hii, 1998). This appeared to be the case in the reviewed studies where innovation was identified as important, although none of the studies identified it as the most important dimension.

According to Lumpkin and Dess (1996:143), innovation may occur along a continuum from a simple willingness to either try a new product line or experiment with a new advertising venue, to passionate commitment to master the latest in new products or technological advances. This broad definition makes measurement a challenge and comparisons across industries difficult. One thing that stood out in reviewing each study was that people in different job roles and industries, at least in these studies, had different interpretations of the term innovation.

In all the industries surveyed, respondents felt that to expect new ideas to be put into practice, either daily or weekly, was unrealistic and unnecessary. Respondents generally identified innovations as being major new ideas, not modifications as part of a continuous improvement program. Many suggested that lead times for new ideas to be put into practice were approximately 6-12 months but sometimes much longer, depending on the area or type of innovation. For example, in the wine industry, the introduction of a new grape variety to meet an identified market would take years to develop and produce.

Some respondents did not see research and development (R&D) as part of innovation. For example, in the wine industry experimentation with blends occurred regularly but the interviewees did not regard this as R&D. Three wine industry companies interviewed even advised that their R&D only occurred externally at the industry level. These companies made the point that the industry grape tax was used to fund R&D in all areas including irrigation, grape varieties and production methods and they simply relied on this as their source of innovation. These respondents did not even recognise that by implemented changes recommended via industry research, that they were being innovative.

The opposite approach was identified in the automotive parts industry. Here, respondents spoke widely about their research and development departments and how they were responsible for searching the market for new materials and production techniques to revamp and modify existing products. Additionally, new materials and techniques were utilised to maintain and extend the life-cycle of existing products. Many respondents further discussed how their companies were constantly analysing and updating their machinery in order to minimise the risk of damage and improve quality of products to their clients. These industry examples of innovation meet the definition of Lumpkin and Dess (1996), however innovation was frequently only identified as technological or product modification rather than involving support service changes such as marketing, management and customer support.

According to Romano (1990), innovative firms constantly source knowledge from their customer base. In the reviewed studies this ability to respond quickly to customer demands was deemed crucial for long term success. All four studies however showed respondents were mostly reactive to customer complaints rather than proactively seeking out their opinions. For example, one automotive components firm explained that if their customer base displayed dissatisfaction with product quality and performance, further research and development would be undertaken to enhance the product. This thinking was most obvious in the wine and automotive components industries where the strong buying power of customers ensured a fast response to customer demands for innovation.

A significant observation from the franchise industry survey was that innovation diminished over the five year survey period. This could have been due to the apparent conservative nature of the franchisor, who once established, is reluctant to deviate from the proven course; as Peters (1990) said innovation is the numbers game, and this may be why continued new ideas are not part of the franchise culture. Quinn (1985) refers to innovation as requiring a personal obsession. Although this was apparent with the franchisors, it was not as apparent in their overall organisations. This suggests an entrepreneur's obsession for innovation may not reflect in the organisational culture.

Proactiveness

Proactiveness was present in all of the reviewed studies but at different levels. For example, the automotive components industry regarded proactiveness as the most important dimension, whereas in the wine industry and the franchise industry it ranked third in importance.

A key part of proactiveness is the ability to seek out opportunities and capitalise on them (Venkataraman, 1989; Kirzner, 1973, 1979, 1985). Items that related to identifying new opportunities at start-up, scored highly in the Australian studies and were consistent with other international studies.

Previous studies have found that it is vital for proactive firms to introduce new products and brands ahead of competitors (Venkataraman, 1989). However, the results from the Australian studies demonstrated that although respondents identified themselves as proactive, they did not consider this meant being first to the market. For example, in the wine industry, 37percent of respondents were neutral on their response to being the first to launch new products. In the automotive

components industry this figure rose to 50percent. These responses suggest that first mover advantage is not a driving force within these industries.

In an attempt to understand why first mover advantage did not seem to be as important as predicted, two studies (wine and automotive components) explored this concept further during interviews with selected managers. The respondents believed their firms showed strong proactive behaviour but the researchers observed that managers interviewed seemed to associate proactive strategies with what is defined in the literature as a reactive approach. According to Miller (1983), firms who are reactive offer products whose successes have already been implemented by competitors. Miller (1983) also suggests these strategies tend to be confined to lower price strategies. This was found to be the case in both the wine and automotive components studies. Lowering prices were usually achieved through efficiency gains, as product quality and integrity of the brand were considered imperative.

The surveys suggested that strategies, defined as reactive in the literature, could actually have a proactive element. For example, in the automotive components industry one company explained that it developed better quality products than those produced by the market leader, thus gaining a competitive edge in the quality and reliability stakes. The franchise industry study also highlighted that proactiveness was critical at the start-up stage, but once established firms run under franchise rules in a stable and less flexible environment. The franchise industry study also found that firms may have been far more proactive than they thought. Miller and Friesen (1978) wrote of the desire to shape the markets as an attitude of proactiveness. While the interviewees did not recognise it, the researcher noted how some franchise businesses had shaped their market. For example, in the automotive after sales retail business, two interviewees had achieved this by proactively joining resources and starting a franchise group that achieved industry sales leadership – thus reshaping the market.

Competitive Aggression

According to Lumpkin and Dess (1996) competitive aggression refers to a firm's propensity to directly and intensely challenge its competitors to achieve entry or outperform industry rivals in the marketplace. It is a firm's 'response to threats' (Lumpkin & Dess, 1997). It was expected that the surveys undertaken in the Australian markets would have findings similar to those of overseas studies.

Previous studies found that new entrants attempt to gain market share via lowering their prices (Venkataraman, 1989), being "fast followers" in copying successful products (Miller & Camp, 1985) or broadening their product range and market channels in new and existing markets (Porter, 1985). It has also been found that new entrants can adopt unconventional tactics to challenge industry leaders (Cooper et al., 1986), target competitor weaknesses (MacMillan & Jones, 1984) or focus on high value-added products (Woo & Cooper, 1981).

The Australian studies in this review found that a range of the competitive strategies were used, though the most common strategies were price cutting and to focus on quality. Respondents displayed little interest in targeting competitor weaknesses or challenging industry leaders. Analysis of the four studies showed that quality, including a quality reputation, was their key aggressive strategy. For example, many respondents in the wine industry survey did not consider price important compared to their reputation and quality of products. Respondents considered reputation significant to their success of the business, with 87 percent indicating that it was very important. Their main strategies related to quality included building brands, both based on regional differences and individual winery specialisations and image. In the automotive components industry quality strategies included investment in new plant and equipment, and using non-conformance reports to monitor the supplier base, in particular suppliers with a history of inconsistent performance. The franchise industry respondents targeted advertising to build their image in the marketplace while music companies focused on promoting their reputation and history of successful clients.

The other consistent competitive strategy identified in the surveys related to developing strategic alliances or networks. Participants within the wine industry fiercely defended their reputations but worked in regional alliances. Even though respondents felt competition was intense in their industry, it appeared that at a regional level the strategic focus was on collaboration with other wine makers, rather than taking an aggressive stance towards each other. Even within the regional subsidiaries of the big eight companies this was found to be the case – an unexpected finding given the competitive reputation each has in the public domain.

In the automotive components industry competitive strategies in the form of strategic alliances were consistently linked to the competitive aggressiveness dimension. According to one company, globalisation had reshaped the Australian automotive components industry and the continuing over-capacity in the domestic market was driving consolidation and strategic alliances. Another company suggested that Australia's large, highly skilled manufacturing base made partnering linkages with overseas players attractive. All responses suggested that securing suppliers provided a competitive edge in this industry.

Within the franchise industry the move towards alliances did not involve competitors as in the wine industry, but similar to the automotive parts industry, in securing long-term suppliers. Respondents felt this was essential to ensure continuity of product and the acceptance of the organisation in the market. All cases studied had significant problems in establishing a supply base; but all respondents felt this was essential if they were to obtain the best products and prices for the franchisees. The difficulty initially was that in seeking out these prices they could only offer suppliers promises, as the franchisees often purchase directly, and the supplier has to accept numerous small accounts, provide delivery to multiple locations, and accept the accounting risks. Once the business had grown and suppliers could identify that the franchisor's predictions had materialised, the franchisor had additional bargaining power and became less aggressive in securing suppliers.

In the music record business alliances took more the form of informal networks. The whole industry evolved around a series of relationships that were constantly changing. Small music companies found their survival was often dependent on their ability to network with publishing companies, singers, bands and even radio disc jockeys.

All studies identified that price was important. In the Australian automotive components industry study, 91 percent of respondents suggested that price competitiveness was important or very important. However, in a survey of the Australian wine industry 40 percent of respondents suggested that price competitiveness was important while a further 25 percent suggested it was very important. Though both studies support the literature by Venkataraman (1989), who suggested price competitiveness is important to be successful, some key issues related to competitive threats and customer links emerged.

In both the study on the automotive components industry and the wine industry, there was little room identified to employ price reductions aggressively. Both industries had invested extensively into technology to gain a competitive edge and lower their costs but soon found their competitors followed thereby reducing the potential for sustainable competitive advantage. In the automotive components industry all major contracts were with four major local car manufacturers and based on competitive tendering. This had resulted in very low profit margins, forcing a move to acquisition, specialisation and exports to survive.

In the wine industry, price was considered less important compared to brand and image. This was because respondents recognised the limited value of price reductions in an industry that had seen ten years of price reductions, and therefore their focus was on other competitive strategies to ensure survival. The franchise companies surveyed said they always operated at low margins and that price reduction strategies were difficult to employ. The music industry respondents felt they were generally living at existence level only and further price reductions would lead to further

rationalisation and could lead to a dangerous reliance on sales from international artists at the expense of local artists.

Another issue that emerged from these studies is that many respondents did not actively employ a mechanism to identify competitive threats; nor did they have the capacity to respond to a threat once identified. Mechanisms for identifying threats vary across and within industries. These mechanisms could be as simple as discussions with customers or potential customers on such things as which competitors are active in the market, competitive products and services available in the market and general attitude towards competitors. More sophisticated mechanisms could include technology-based systems that analyse statistical data provided by government bodies, industry associations and key industry suppliers.

This analysis also identified details of market share, growth trends and competitor rankings. None of the studies mentioned how close links to customers could identify threats or opportunities. Some mentioned that they maintained links via word of mouth; however, overall the studies do not provide great insight into the value of customer networks. One study that does suggest greater attention is required in this area is in the franchise industry. In this study it became evident that there was complacency within the existing markets. These firms did not appear to fully understand who their customers are, and to whom they should be marketing.

The ability to respond to a competitive threat is also important. If competitive data is collected but not acted upon then it is likely to have a negative effect on employees within the firm collecting the data. Employees can become frustrated with inaction and disillusioned with the organisation's strategic direction. Active responses to competitive data could be a vehicle to bring about change and build group cohesion via focus on the "common enemy". In the case of the Australian automotive components industry it was noted that local operations had limited authority and often required approval from head office to respond to competitive threats. In the franchise industry all franchisees required approval from the franchisor in order to respond to competitive threats and in the wine industry, long term supply contracts with major bottling companies made it difficult to act to short term threats except on issues outside these contracts. Given the timeframe to change such things as grape varieties or build new brands, reaction time was usually measured in months or years.

Risk Taking

It has also been suggested that entrepreneurs have a greater propensity to take risks than non-entrepreneurs (Brockhaus, 1980). For these reasons, risk taking is assumed to have a significant impact on the success or failure of entrepreneurial firms. However, in a study of the Australian wine industry, risk taking was rated the lowest in terms of improving performance compared to the other four EO dimensions. The exact reason for this result was not clear; it may lie in the different interpretations of the term risk taking by the respondents. For instance, it may be due to respondents wanting to believe their companies were risk adverse when considering risk in isolation and not associating it with calculated or manageable risk in the overall consideration of a proposal. The quantitative analysis of the Australian wine industry study supported the suggestion that there was a definition difficulty with what risk meant. For example, while risk in the study was associated with potentially positive or negative outcomes, one company indicated that they had invested heavily in technology but that it was not a risk, rather a sound business policy to reinvest profits.

Similar results were found in the Australian automotive components industry study where taking calculated/manageable risks was deemed to be important. The results in this study also suggested planned and calculated risks had a positive effect, whereas risk taking that was bold and unforeseen had negative consequences for the firm. The respondents further explained that they were fully aware of the risks they were taking and identified the consequences such risks could have on their future. This is consistent with the findings of Saravathy, Simon and Lave

(1996) and Morris (1998) who also suggested that entrepreneurs identified as calculated risk takers are in control over possible outcomes and moderate their risk.

In another study of the franchise industry, risk propensity, although identified as the second most observable dimension, was not an apparent concern in the surveyed organisations. Furthermore, the staff and franchisees observed risk taking as part of the culture of the organisation. This finding strengthens the argument that entrepreneurs view and define risk differently to non-entrepreneurs. However, there was no evidence that the entrepreneurs surveyed took risky positions, which is supported by Brockhaus (1980) who found that the risk propensity was no different from that of the general public. Entrepreneurs in this study identified risk as a way of life and showed a very acute awareness of the risks they were taking, including the impact on their future employment opportunities or survival of the firm.

This awareness of the risks is consistent across the entrepreneurs in all of these studies. In the majority of cases, strategies were developed to minimise risk as well as the effects of these risks. Most companies also stated that they assessed the level of risk in each proposal, in order to identify whether the risk was within manageable limits.

Autonomy

The challenges of defining and measuring autonomy make it difficult to assess the value of this dimension in any meaningful way. It can be acknowledged that where people feel part of the decision-making process, they are likely to feel and act in a positive manner that could lead to higher firm performance like in previous studies (Loos, 2002). Moreover, according to Lumpkin and Dess (1996) autonomy refers to the independent action of an individual or a team in bringing forth an idea or a vision.

The literature also suggests that two types of autonomy are present within organisations. One view defines autonomy as ideas that are routinely generated and embraced by a number of employees from all levels of the firm (Lumpkin & Dess, 1996; Bourgeois & Brodwin, 1984; Hart, 1992; Kanter, 1983). Secondly, there is the view that autonomy should be regarded as autocratic where a single key manager is the primary decision making agent (Shrivastava & Grant, 1985).

The findings in the wine industry indicate a high level of autonomy is present where 69 percent of firms suggested that decisions are made through a consensus opinion of the firm. This type of autonomy is in line with the explanation given by Lumpkin and Dess (1996). Furthermore, it was found that only seven percent of decisions are made totally through one person and 75.5 percent of respondents in the mail survey either agreed or strongly agreed that they encourage individuals to make decisions. Interestingly, autonomy was rated the highest with an average score of 4.17 (out of 5) for improving firm performance.

From the interviews in the wine industry, it was evident that large financial decisions and capital investment decisions had to be approved by the upper management. Whereas Company B suggested that authority was given to lower levels of management in relation to the day-to-day management of the business and the short term strategic decisions, in particular, sales related and human resource decisions. This company did however indicate that there was strict control over capital investment decisions and supplier contracts particularly where grapes were concerned. This suggests that the tasks and decisions made by staff may be limited. This is despite the claim by Company D that they support their employees' decisions even if in hindsight it was the wrong decision.

Results in the Australian automotive components industry suggested that autonomy was consistent with the explanation of the dimension in the literature (Lumpkin & Dess, 1996; Bourgeois & Brodwin, 1984; Hart, 1992; Kanter, 1983). The study found that approximately 87 percent of respondents of the mail survey suggested that decisions made in the organisation are through a consensus opinion of the firm. Furthermore, 75 percent of respondents suggested that the

organisation is managed through a democratic leadership style. This was further supported by mail survey, which found that 50 percent of respondents were encouraged to make decisions and 14 percent were strongly encouraged. As suggested by Nelson (2001), interviews are important to provide depth for this dimension. All of the interviews confirmed that employees had a clear focus on the type of decisions they were able to make. However automotive components industry staff agreed that they had little opportunity for involvement in major decision making process as their organisations were controlled by foreign parent companies. For example, on large automotive components company explained that proposals and strategy papers had to be presented to a board regarding projects that were greater than AUD\$50,000.

The results in the franchising industry were consistent with the other studies that entrepreneurs cannot function without giving autonomy to their staff. From the cases studied it was evident that autonomy was the most recognizable dimension, and from the interviews it was apparent that these organizations would not have been possible without a strong autonomous entrepreneur. It was also apparent that the driving force in the organization was the franchisor, and this had a marked influence on innovativeness, proactiveness, and the degree of competitive aggression. Thus, the franchisors demonstrated from their actions, that they were in charge and had a clear focus on where they wanted to be in the future. They had a sense of purpose and pride, and the observable ethics and artifacts supported this observation.

Each franchisee said that if it had not been for their franchisor they would not be in business today. The franchisor was defined as powerful and authoritarian; with most franchisees prefacing their observation on autonomy by emphasizing how limited their decision making power was. Franchisors emphasized how they needed to maintain autonomy in an autocratic sense for the overall well-being of the franchise system and all its members, though all franchisors agreed that they allowed greater autonomy today than when they were getting established. What this study showed was autonomy can be autocratic, particularly in small business where compliance to a system may be essential for survival.

CONCLUSION

One of the key findings of this review was that all five EO dimensions have an impact on firm performance. Also, autonomy and innovation were fundamental in terms of improving firm performance as hypothesised in all studies. This finding was supported by the qualitative analysis which found that intimate knowledge about the customer base and having in-house research and development units were important components in enhancing a firm's innovative capacity.

Proactiveness also appeared to be an important dimension in terms of improving firm performance. It was found that in some cases, proactiveness was associated with what was defined in the literature as reactive strategies; thus identifying new opportunities appeared to be a key issue compared with being a first mover which was not considered to be important.

The Australian studies in this review found that a range of the competitive strategies was used; with the most common strategies being price cutting and quality. However, competitive aggressiveness did not appear to be overly important in the surveyed industries. In maintaining competitive aggressiveness, strategic alliances and partnerships with suppliers appeared to play an important role in gaining bargaining power and securing long-term supply agreements.

It was found that risk taking involved calculated business decisions. Calculated risks that were planned and moderated had positive outcomes in terms of firm performance, whereas risk taking that involved bold acts were considered by respondents to have negative effects on firm performance in three of the four industries. There does appear to be definition problems with this dimension which may have to do with cultural or industry interpretations. Calculated risk taking exists with the risks identified to not only include their impact on the company but also on the life and family of the entrepreneur.

It appeared that autonomy in decision-making was encouraged throughout the four studies. Also consensus building was used by entrepreneurs to gain the support and contribution of employees, although there were some differences in how much input employees were given into decision-making and control over large investment decisions. There was difficulty in assessing the value of this dimension in terms of contributing to business success.

The major limitation in conducting this review was the limited sample obtained from each industry, which affected the ability to generalise about the findings. Moreover, the samples were primarily obtained within one state of Australia – Victoria. While these may be considered significant limitations, they were mitigated by triangulation of the different data collection methods, the variety of industries studied in the meta-analysis, and the consistency in the findings among the studies.

The research design adopted for each of the reviewed studies also varied. Data collection involved either a one or a two stage process. Where the latter method was used, triangulation enabled the findings to be more robust. It should be noted that all studies involved interviews, which did assist the researchers in obtaining more detailed responses that would have been the case where only mail-out surveys were used.

The results in this study suggest several avenues for future EO research. All of the selected studies covered a fairly small sample and it could be beneficial to conduct future research across other industries. This will help identify whether particular dimensions of EO are influenced by the nature of an industry. Additionally, studies focusing on industries across geographic boundaries would enable an assessment of the cultural aspects of different countries on the EO dimensions and provide an avenue to develop clearer definitions of the dimensions. Moreover, the relationships between the different elements along the value chain of an industry could be assessed and their influence on the EO dimensions further explained.

There was limited financial information available in all of the studies. In addition, a more complete understanding of the environment in which these businesses operated, would have further assisted in proving the performance growth of the firm. The addition of historical financial data to collaborate the information collected would benefit future research.

Although each industry study found a link between each EO dimension and performance, the results of these studies do not provide a sufficiently strong case to suggest that EO is the key to performance improvement. It was found that there was a contingency link between EO, the firm's internal environment and its external operating environment. Further research will be required to assess how best to align these three factors to improve performance. It will also be necessary to clarify what is an EO dimension and what is essentially an environmental factor. In particular, internal and external relationships (defined as Relational Dynamism) were identified as possibly influencing performance and a potential new EO dimension.

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