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# Managing entrepreneurial orientation

by Sebastiaan van Doorn

**Establishing the optimal level of entrepreneurial orientation within a company can deliver excellent and sustainable results. It is self-evidently a key to commercial success. Getting it wrong will demotivate and frustrate a work force, almost inevitably leading to sub-optimal performance at best, and corporate failure at worst.**

I define the term entrepreneurial orientation as the propensity of senior management to establish an organisational culture that promotes risk-taking as well as innovative and proactive behaviour. Successfully accommodating an entrepreneurial orientation however is highly dependent on contingencies and requires managers at different hierarchical levels of the firm to align contextual conditions with requirements for enacting the entrepreneurial orientation in the most beneficial manner.

is operating. Firms operating in a highly dynamic environment are more likely to benefit from establishing and maintaining an entrepreneurial orientation than those operating in a stable environment. A dynamic environment commands firms to develop and maintain an entrepreneurial orientation to keep up with external developments and provides a rich environment in terms of emerging opportunities.

Entrepreneurial orientation as perceived by senior managers may

attributes. However, considering the limited span of control of senior managers, upper echelon theory does not exhaustively explain the processes surrounding entrepreneurial orientation. My PhD dissertation therefore looks at lower levels in the company and considers the entrepreneurial orientation in designated business units as well as the local context that enables focal middle managers to realise local performance.

## Important lessons learnt?

Which important lessons can be derived from this research for managers looking for practical, effective advice?

First, I looked at entrepreneurial orientation from the traditional firm level perspective. Senior managers aiming to embed an entrepreneurial profile within an organisation should be ready to offer the proper support systems, the proper funding, and allocated legitimacy to entrepreneurial champions in order to realise the added benefits. Otherwise, entrepreneurial orientation may well provide negative outcomes such as a demotivated and frustrated work force.

This also translates to the lower levels. At the business unit level it is important that the designated middle managers listen to their employees and that they are open to engage in constructive dialogues about doing

*“The forward-looking notion of entrepreneurial orientation requires managers at any level in the firm to operate at the edge of their competences.”*

For example, if we assess entrepreneurial orientation in the traditional sense at the company level, it is important to consider the environment in which the firm

also have limited implications. The premise of upper echelon theory states that organisational outcomes, strategic choices and performance levels are largely derived from senior managers’



things differently, even if that means losing momentum and disturbing well established routines that favour efficiency over innovation. The forward-looking notion of entrepreneurial orientation requires managers at any level in the firm to operate at the edge of their competences.

Second, and in line with the traditional conceptualisation of entrepreneurial orientation, we looked at the specific roles senior managers have in managing the entrepreneurial orientation of the firm. They are instrumental in devising a coherent strategic focus, that allows firms to pursue corporate entrepreneurship without dissolving into fragmented

structures and creating a portfolio that shows clear complementary benefits.

Assessment of the viability of emerging entrepreneurial opportunities constitutes another important role of senior managers. They are ultimately accountable and need to make sense of a broad spectrum of arising opportunities in line with environmental requirements, but certainly equally important, internal capabilities. Lastly, integration of entrepreneurial pathways with existing activities and flexible deployment of resources is vital.

Third, departing from the traditional idea of entrepreneurial orientation my research assessed the roles of middle managers in managing the

local entrepreneurial orientation in their respective business unit. I found that among these the most important ones are to relax regulations to get new projects started, buy time and provide a safe haven for experimentation. However, they also assess, justify and define new entrepreneurial pathways, both up and downstream. In this sense, they have an important gatekeeper function and are involved in the integrative bargaining process at the unit level that converges strategic issues before reporting them to the senior team.

### **Beyond the traditional**

What sets this paper apart from previous studies of the subject is that it goes beyond the traditional limited general conception of entrepreneurial orientation. The research addresses the subject matter from the perspective that entrepreneurial orientation may perhaps be best described by considering individual business units rather than the firm as a whole. From this we learn that is important to look at a lower hierarchical level within the firm. This is why the research looks at the entrepreneurial orientation of business units.

The research also shows that it is worthwhile to consider the activities in which a business unit is involved. That will lead to an idea of how necessary ▶

# Managing entrepreneurial orientation (continued)

by Sebastiaan van Doorn

entrepreneurial orientation is within a particular local unit. Not all business units probably need the same level of entrepreneurial orientation. If you're in a business unit active in back office activities or HR you will need to focus less on entrepreneurial orientation, and the enabling context that goes along with realising its full potential, than if you are in a business unit engaged in R&D activities.

At the same time, the local context of each business unit matters. For example, one study investigates the social capital of the middle managers responsible for designated business units. From it, we learn that their strong network ties are instrumental for realising the value creating potential of entrepreneurial orientation. In a specific business unit there might be a middle manager with a network of strong ties that lend support to his or her entrepreneurial projects.

These strong ties go beyond simply providing support though, they also enable the sharing of sensitive issues in an atmosphere of trust, crucial for discussing business ideas that may contradict or even cannibalise existing activities. Strong ties also allow for the sharing of more complex knowledge associated with new business avenues, and so increasing the comprehensiveness of decision making. It further brings legitimacy to

the task situation of the focal middle manager facilitating the process of negotiating compliance of employees.

Another finding looks at local decision making modes in business units. It is found that participative decision making processes are detrimental to enacting entrepreneurial orientation as they reduce decision making speed as well as the boldness of decision making due to its embedded character. However, looking again at the enabling role of strong network ties, it is found that this effect can be reversed. Middle managers who have a sufficient number of strong network ties to negotiate for entrepreneurial solutions to emerging problems benefit from participative decision making as they make clever use of the possibilities of the embedded process while steering clear of the pitfalls that would lead to path dependency.

## Debates and conclusions

The several discussions and conclusions in *Managing Entrepreneurial Orientation* tell a complicated story. Strategic scholars strive to understand the drivers of entrepreneurial orientation that enable senior teams as well as middle managers to develop strategy that incorporates both internal and external requirements for sustainable competitive advantage.

The study of entrepreneurial orientation at the unit level provides many issues that will need to be considered more deeply in future studies, most notably the nested character of entrepreneurial orientation at different hierarchical layers of a firm. ■

This article is based on Sebastiaan's PhD thesis *Managing Entrepreneurial Orientation*, which was published as part of the Erasmus Research Institute of Management (ERIM) PhD Series, Research in Management. Web: <http://repub.eur.nl/res/pub/32166/>

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