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# Inquiring into Entrepreneurial Orientation: Making Progress, One Step at a Time

Vishal K. Gupta

*University of Mississippi*, [vkgupta@cba.ua.edu](mailto:vkgupta@cba.ua.edu)

Dev K. Dutta

*University of New Hampshire*, [dev.dutta@unh.edu](mailto:dev.dutta@unh.edu)

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# Inquiring Into Entrepreneurial Orientation:

## Making Progress, One Step at a Time

Vishal K. Gupta  
Dev K. Dutta

More than 25 years have passed since Jeff Covin and Dennis Slevin published a *Strategic Management Journal* article on firm strategy in the face of environmental hostility, formalizing the idea of “entrepreneurial strategic posture” (Covin & Slevin, 1989). The article argued, in the context of small manufacturing firms, that superior performance accrues to firms that adopt an entrepreneurial strategy in hostile environments and a conservative strategy in benign environments. It built on Covin and Prescott’s (1985) introduction of the “entrepreneurial orientation” (EO) construct and proposed a nine-item scale for its measurement. Within a few years, Lumpkin and Dess (1996) followed with a theoretical exposition and conceptual extension of the EO construct and its link to firm performance.

Fast forward to 2016: EO is now widely acknowledged as one of the most central and prominent concepts in all of management science. Table 1 lists key contributions to the EO literature over the years.

The journey of EO, from its initial development to today, has been long and eventful. Like many managerial concepts, EO research has evolved in a way that resembles the first three stages of the product life-cycle: introduction, growth, and maturity. We summarize select (key) EO publications over the three stages in Panel 1A.

The origination of EO is often traced back to Mintzberg (1973) who was the first to publicly appreciate the potential of an entrepreneurial strategy-making mode. Khandwalla (1976) conducted some initial empirical work on entrepreneurial strategy in Indian firms, which was followed by Miller’s (1983: 771) articulation of 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.” The publication of Covin and Slevin (1989) and Lumpkin and Dess (1996) established EO in the upper echelons of the publication hierarchy, opening the path to the next phase of research in this area.

Following the publication of these seminal works that laid the foundations of EO, research in this stream really picked up during the growth phase, which we classify as the period from 1996 to 2008. During this timeframe, researchers not only worked to refine the understanding of the construct and its measurement but also began to examine the nature of its relationship with firm-level outcomes, notably firm survival, performance, growth, and also the impact of various contingencies on these relationships. Knight (1997) utilized the ENTRESCALE developed by Khandwalla (1977), and later refined by Miller and Friesen (1978) and Covin and Slevin (1989), to carry out a study on French-speaking entrepreneurs of firms based in Quebec (Canada). Lyon, Lumpkin, and Dess (2000) took a different approach to enhance EO research, identifying the three dominant approaches used to measure the EO construct and test its relationships with other constructs: managerial perception, firm behavior, and resource allocations. The authors identified relative advantages and disadvantages of each of three approaches and suggested that future research would benefit from a triangulation approach.

The next few years saw a burgeoning of research examining the nature of different moderating influences on the EO-performance relationship. Lumpkin and Dess (2001) carried out a study to link two dimensions of EO (proactiveness and competitive aggressiveness) on performance under the contingent impact of industry life cycle. The authors demonstrated that proactiveness and competitive aggressiveness emerge as two distinct factors in terms of how entrepreneurs visualize their impact on firm performance, with the former having a positive relationship with performance and the latter a negative relationship. Further, the industry life-cycle stage the firm was in also had an impact, with proactive firms enhancing their performance in the early stages of the life cycle and competitively aggressive firms bettering their performance in late and mature stages. Later studies broadened the scope of EO research even further, e.g., the impact of specific resources on the EO-performance relationship (e.g., Wiklund and Shepherd, 2003, 2005), the idea of EO

**Table 1: Key Contributions in EO Research**

<b>1A</b>	<b>1B</b>	<b>1C</b>
<b>Progress in EO Research</b>	<b>Critiques and Concerns in EO</b>	<b>New Perspectives on EO</b>
<b><i>Introduction (1973–1996)</i></b>		
Mintzberg (1973)	Cahill (1996)	Short, Payne, Cogliser, & Brigham (2009)
Khandvalla (1976)	Anderson (2010)	Miller & LeBreton-Miller (2011)
Miller (1983)	Covin & Wales (2011)	Wiklund & Shepherd (2011)
Covin & Slevin (1989)	Miller (2011)	Gupta, Dutta, & Chen (2014)
Lumpkin & Dess (1996)	Gupta (2015)	Anderson, Kreiser, Kuratko, Hornsby, & Eshima (2015)
<b><i>Growth (1997–2008)</i></b>		
Knight (1997)		
Lyon, Lumpkin, & Dess (2000)		
Lumpkin, & Dess (2001)		
Kreiser, Marino, & Weaver (2002)		
Tang, Tang, Marino, Zhang, & Li (2008)		
Wiklund & Shepherd (2003)		
Wiklund & Shepherd (2005)		
Jantunen, Puumalainen, Saarenketo, & Kylaheiko (2005)		
<b><i>Maturity (2009–2016)</i></b>		
Rauch, Wiklund, Lumpkin, & Frese (2009)		
Covin & Lumpkin (2011) <i>Special Issue Editorial</i>		
Wales, Gupta, & Mousa (2013)		
Gupta & Gupta (2015)		
Wales (2016)		
Martens, Belfort, & de Fritas (2016)		

as a dynamic capability in large firms (Zahra, Sapienza, & Davidsson, 2006), and the changing nature of the EO-performance relationships in emerging economies such as China (Tang, Tang, Marino, Zhang, & Li, 2008).

There are now strong indications that EO has reached a mature stage in its development. Rauch, Wiklund, Lumpkin, and Frese (2009) conducted a meta-analysis of 51 EO studies and found that effect size of the EO-performance relation is .24, which is considered medium in organizational research. Casting a much wider net, Wales, Gupta, and Mousa (2013) sought to integrate all of the available published literature on EO, drawing attention to the nomological net in which EO is embedded. Other reviews of EO followed, for example, Gupta and Gupta (2015); Wales (2016); and Martens, Lacerda, Belfort, and de Fritas (2016). Covin and Lumpkin (2011) edited a special issue of EO in the prestigious *Entrepreneurship Theory & Practice*, with contributions from several noted EO researchers.

One interesting aspect of the EO journey so far has been the relative scarcity of critical commentaries on the concept itself or the research in this area. Cahill (1996) was an early critic of the distinctiveness of the EO concept, but as far as we can tell, his comments did not find much resonance with researchers. More recently, Andersen (2010) questioned the common wisdom that EO leads to superior performance, but his critique has not attracted much attention yet. Other than these two articles, and occasional concerns raised by others (e.g., Covin & Wales, 2011; Gupta, 2015; Miller, 2011), few slings and arrows have been directed at EO scholarship. The lack of criticism appears to be a positive feature of EO research, but its insidious effect is that EO research risks becoming a stagnant pool with the same logic and arguments being repeated and rehashed among researchers, reviewers, and editors. Panel 1B lists the few (rare) articles critiquing the EO literature. We sincerely hope that every new entrant interested in conducting scholarship in the area of EO will give some attention to these critiques, understand their concerns, and consider ways in which their own research may be able to address or alleviate some of the issues raised by these scholars.

While the risk of stagnation is real in EO research, some methodological and conceptual innovations in recent years have helped invigorate the pool. Panel 1C summarizes key publications that have introduced much-needed freshness to the EO literature. On the methodological side, Short, Broberg, Cogliser, & Brigham (2009) and Gupta, Dutta, & Chen (2014) introduced novel

ways of measuring EO using textual data sources such as corporate letters to shareholders. The former analyzes textual documents for EO using computer software, while the latter employs psychometric scales with human coders for the same purpose. Miller and LeBreton-Miller (2011) developed a technique to assess EO using quantitative information available in the balance sheet and income statement of a firm. On the conceptual side, Wiklund and Shepherd (2011) proffered the novel position of EO as experimentation, and Anderson, Kreiser, Kuratko, Hornsby, & Eshima (2015) locate entrepreneurial risk-taking as a distinct antecedent of proactiveness and innovativeness.

In assembling this special issue of EO, we were mindful of the current state of scholarship in this area. There is much to celebrate in EO research, as the field now finds itself at a mature stage in its life cycle. At the same time, there are concerns about where EO research will go from here, so that the field may decline in accordance with traditional product life-cycle theory, or may be revitalized as a result of the new innovations introduced by researchers in this area. Our hope in drafting this special issue was that it would draw submissions that rejuvenate the conversation about EO as well as redirect it in new directions. Our own assessment of the articles in this special issue is that we were reasonably successful in achieving our goals (of course, we are biased in evaluating ourselves!). The next section summarizes some of the articles presented in this issue. We realize that our brief discussion cannot fully capture all the value created by these articles. Our effort in the next section, therefore, is to simply convey to you, our readers, the basic essence of the articles in this special issue.

The special issue starts with Wales and Mousa's (2016) examination of affective and cognitive discourse in prospectuses of young high-tech firms at the time of IP. For these authors, EO is a contingency variable that moderates the discourse-underpricing relation. The next paper is Farja, Gimmon, and Greenberg's (2016) investigation of EO effects in Israeli SMEs located in core and peripheral regions, which introduces the interesting distinction between core and peripheral areas to EO research. Cowden, Tang, and Bendickson (2016) theorize how a firm's administrative heritage influences the long-term relationship between EO and firm performance. Finally, Gupta, Chen, and Gupta (2016) tease out the performance consequences of the three separate facets of EO—proactiveness, risk-taking, and innovativeness—in a longitudinal sample of large retailers in the United States.

As we think through the four papers that comprise this special issue, we cannot help but be elated at the progress made by EO scholarship over the past few decades. Indeed, it seems safe to contend that EO defies the description of entrepreneurship research as a “hodgepodge” (Shane & Venkataraman, 2000), and instead serves as a good example of how a cumulative body of knowledge should develop in organizational science. We are hopeful that the quality of EO research will strengthen further going forward. The key challenge, we think, will be to reenergize a field of inquiry that is already in the mature

phase. In our view, this reinvigoration will require giving much-needed attention to the critics and concerns that have had limited impact on EO research so far. Special issues like the present one can play an invaluable role in furthering EO scholarship.

We conclude with a heartfelt thanks to all the authors and reviewers whose time and efforts made this special issue possible! Our sincere appreciation also to Editor-in-Chief Grace Guo, who actively supported this special issue from ideation to fruition.

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## ABOUT THE AUTHORS

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**Vishal K. Gupta** (vgupta@bus.olemiss.edu) is Associate Professor in the School of Business Administration at the University of Mississippi. He received his Ph.D. in Strategic Management (with emphasis in Entrepreneurship) from the University of Missouri. His professional experience includes starting or managing businesses in machine tools, automobile ancillaries, and vocational training sectors.



**Dev K. Dutta** (dev.dutta@unh.edu) is an Associate Professor of Strategic Management & Entrepreneurship in the Management Department at the Peter T. Paul College of Business and Economics, University of New Hampshire. He received his Ph.D. in Business with dual specializations in Strategic Management and Entrepreneurship from the Ivey School of Business, Western University, Canada. He brings with him about fifteen years of professional experience as a corporate strategist in high-tech companies and another fifteen years of academic experience in entrepreneurship and strategy research and teaching.