



Exploring the relationship between strategic reactivity and entrepreneurial orientation: The role of structure–style fit[☆]

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Abstract

Theory suggests that firms may derive the greatest benefits from an entrepreneurial orientation (EO) when they concurrently exhibit a high degree of strategic reactivity. This paper explores the relationship between strategic reactivity and EO as well as the moderating effect of structure–style fit on this relationship. Data collected from 110 manufacturing firms indicate that strategic reactivity is not significantly related to EO. However, firms that exhibit theoretically-congruent alignments between their organization structures and top management decision-making styles tend to have positive strategic reactivity–EO relationships.

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1. Executive summary

Being entrepreneurial can be instrumental to achieving firm success. However, the exhibition of an entrepreneurial orientation (EO) – as reflected in risk taking, innovation, and proactiveness – will place firms in positions of potentially great uncertainty and vulnerability as a function of the inherently exploratory nature of entrepreneurship. Because entrepreneurial firms' actions result in their entry into novel and sometimes poorly understood business domains, these firms will commonly experience strategic “missteps.” That is, intended outcomes will not materialize due to, for example, unanticipated competitive response, miscalculated market demand, or underestimation of a new product's technological challenges. When such missteps are made, entrepreneurial firms must take corrective action by realigning their strategies with the realities of their environments. The realignment of strategy with environmental exigencies occurs via strategic reactiveness, herein defined as a firm's ability to adjust its business practices and competitive tactics in response to the perceived efficacy of its strategic actions. In short, strategic reactiveness represents a corrective mechanism through which entrepreneurial firms can minimize the downside risks inherent to their operations.

The preceding observations beg the question of what the relationship is in practice between strategic reactiveness and EO. And, more specifically, if strategic reactiveness is needed for value to be appropriated from the exhibition of an EO, how can firms promote their joint occurrence?

This paper explores the relationship between strategic reactiveness and a firm's EO level. We propose that high strategic reactiveness will be most positively associated with an EO when certain organization structure attributes and top management decision-making styles are aligned. In this research, organization structure is conceptualized and operationalized as the firm's position on the mechanistic-to-organic continuum. Top management's decision-making style is conceptualized and operationalized in terms of the technocracy dimension, with low technocracy reflecting an intuitive/experience-based approach to decision-making and high technocracy reflecting a formal analysis, data-driven approach to decision-making. Our argument is that firms excel at being both entrepreneurial and strategically reactive when a broad-based capacity for rapid and informed action exists and that this capacity is a function of the goodness-of-fit that exists between a firm's organization structure and its top management's decision-making style.

The sample consists of 110 firms located in three states. The criteria for inclusion in the sample were that the firms be non-diversified business units, operate principally in manufacturing industries, and have at least 50 employees. A survey (27.5% response rate) completed by the firms' senior executives was used to collect the data. Tests were conducted for inter-rater reliability, response bias, and method bias.

After controlling for firm size, firm age, firm performance, and environmental effects, results based on hierarchical regression analysis indicate that (1) strategic reactiveness is not significantly associated with EO and (2) strategic reactiveness, organization structure, and top management's decision-making style have a three-way interactive effect on EO. This last finding is consistent with the argument that strategic reactiveness is positively related to EO when firms exhibit structure–style fit, operationally defined in this research as mechanistic structures and technocratic decision-making styles *or* organic structures and

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