



## Entrepreneurial orientation, network resource acquisition, and firm performance: A network approach

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### ABSTRACT

This study applies a network approach to develop a model that highlights the role of resource acquisition through networks as an important mediating mechanism through which entrepreneurial orientation influences firm performance. This approach provides an alternative explanation for the divergent findings of the EO-performance relationship. We also investigate how business and political ties, differently and configurationally, shape the relationship between EO and network resource acquisition. Empirical findings from a study of 251 firms provide general support for the hypotheses, highlighting the unique value of leveraging a network approach to reconsider the performance-enhancing mechanism of entrepreneurial orientation.

### 1. Introduction

Using a network approach, this study explores the role of resource acquisition through different types of external networks (business networks and government networks) as an important mediating mechanism through which entrepreneurial orientation (EO) influences firm performance. This is done in part because although the performance implication of EO—defined as the strategic posture in which a firm exhibits innovative, proactive, and risk-taking behaviors (Miller, 1983)—is among the most researched topics in the entrepreneurship domain, accumulated evidence on the EO-performance relationship remains not fully conclusive or consistent (Anderson, Kreiser, Kuratko, Hornsby, & Eshima, 2015; Rauch, Wiklund, Lumpkin, & Frese, 2009). Most scholars have found a positive impact of EO on firm performance (Covin & Miller, 2014; Lomberg, Urbig, Stockmann, Marino, & Dickson, 2016), and this influence may increase over time (Wiklund, 1999). Yet there is also inconsistent evidence, including a finding of an inverted U-shaped relationship (Tang, Tang, Marino, Zhang, & Li, 2008) and an insignificant relationship (George, Wood Jr, & Khan, 2001). More recently, Wiklund and Shepherd (2011) proposed the concept EO-as-experimentation to suggest that high EO firms are bound to have a higher probability of both success and failure, which together with the above results suggests that scholars are yet to reach a consensus understanding of this complex phenomenon.

Recognizing this mixture of results, scholars have offered various

moderating or mediating models to reconcile these inconsistencies. For instance, studies have advocated that the strength of the EO-performance link varies across several moderators internal and external to the firm, including environment (Zahra & Covin, 1995), national culture (Arbaugh, Cox, & Camp, 2005), organizational structure (Covin & Slevin, 1988), leadership (Engelen, Gupta, Strenger, & Brettel, 2015), strategic process (Covin, Green, & Slevin, 2006), as well as resources and capabilities (Engelen, Kube, Schmidt, & Flatten, 2014).

Investigations into possible mediators have also emerged in recent years, including information acquisition (Keh, Nguyen, & Ng, 2007), learning orientation (Wang, 2008), knowledge-creation process (Li, Huang, & Tsai, 2009), and exploratory and exploitative innovation (Kollman & Stockmann, 2014). Yet these mediating studies have predominantly focused on factors internal to the firm, while ignoring the possible intermediate role of external factors like the external network in which the firm is embedded. Understanding external networks has important theoretical consequences for grasping how high EO firms operate and function since network factors significantly impact how organizations are managed, developed, and sustained (Robins, 2015). For instance, from their multisource survey data set of 122 Chinese firms, Cao, Simsek, and Jansen (2015) reported that the firm's CEO's bridging social capital with the firm's diverse set of external stakeholders has a positive association with the firm's EO.

Despite a recent call for analyzing the intricate relation between EO and the network context (Hoang & Yi, 2015), the precise means by

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which high EO firms attract and utilize network resources to fulfill their entrepreneurial ambitions to enhance their performance remain, unfortunately, largely unclear. Hence, the first aim of this article is to discover whether resource acquisition through networks (network resource acquisition)—defined as the firm's extent of accessing, attracting, and acquiring valuable resources from surrounding network actors—is a missing intermediate link between EO and firm performance.

In addition, given that the varying nature of network factors may enable or constrain the effectiveness of acquiring cross-boundary resources (Boso, Story, & Cadogan, 2013; Kim, Steensma, & Park, 2017), the contribution of a firm's EO to network resource acquisition may be contingent on the social ties that the focal firm has built with its network actors. For instance, Tung and Worm (2001) found that for 40 companies that they examined, only those firms which have successfully built social ties with local political and business partners have made substantial progress in the Chinese market. Similarly, Wang, Jiang, Yuan, and Yi (2013) reported that the financial performance of 253 Chinese firms is affected by their level of managerial ties by leveraging these ties to acquire necessary resources. Social ties have often been categorized into two types, business ties (i.e., the firm's relationships with business communities such as suppliers, buyers, competitors, and collaborators) and political ties (i.e., the firm's relationships with various types of the government agencies) (Boso et al., 2013; Li, Zhou, & Shao, 2009). Past studies suggest that these two types of ties may have distinct value via providing access to diverse resources and capabilities (Li, Zhou, & Shao, 2009; Pollack, Vanepss, & Hayes, 2012). In this sense, business ties and political ties would be two critical moderators that shape the value creation process of EO. Furthermore, prior configurational research suggests that firms, which are properly configured on many factors, perform better than those that only align on two factors (Shirokova, Bogatyreva, Beliaeva, & Puffer, 2016; Stam & Elfring, 2008; Wiklund & Shepherd, 2005). Yet, little research has paid attention to the exact configuration of EO and these two types of ties. Thus, the second aim of our study is to explore the appropriate configurations of EO, business ties, and political ties to maximize the extent of network resource acquisition that further enhances firm performance.

To achieve the above research objectives, we leverage network theory as our overarching framework and develop specific hypotheses which are tested on data collected from 251 Chinese firms. We aim to address two important but under-explored questions: (1) How does network resource acquisition act as a mediating mechanism between EO and firm performance? (2) How do business ties and political ties differently and configurationally influence the benefits of EO for network resource acquisition? By exploring these questions our study makes both theoretical and practical contributions. Theoretically, we attempt to investigate how network resource acquisition functions as a prior-neglected mediating mechanism that connects EO with firm performance, extending prior EO-performance relationship research that emphasizes either moderators or intermediating factors internal to the firm. In addition, by conducting a fine-grained analysis of the moderating effect of social ties, this study applies the network approach to help better understand the interactive and configurational roles of social ties (business vs. political ties). Practically, findings of this study will allow us to better illustrate how the configuration of business and political ties affects a firm's EO propensity to attract and utilize resources from network actors that further help them fulfill its EO propensity.

## 2. Theory and hypotheses

### 2.1. Entrepreneurial orientation (EO)

EO is one of the most extensively researched topics in both the strategy and entrepreneurship literature, which can be traced back to

Miller's (1983) seminal work. EO captures “the methods, dispositions, practices, and decision-making styles managers use to act entrepreneurially” (Lumpkin & Dess, 1996; p. 136). It reflects how the firm explicitly or implicitly chooses to compete when facing emerging opportunities (Rauch et al., 2009; Wales, 2016).

Most studies suggest that EO comprises three core dimensions: innovativeness, proactiveness, and risk-taking (Miller, 1983; Wales, Gupta, & Mousa, 2013). Innovativeness refers to “a firm's tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes” (Lumpkin & Dess, 1996; p. 142). Proactiveness involves “taking the initiative in an effort to shape the environment to one's own advantage” (Lumpkin & Dess, 1996; p. 147). Risk-taking refers to “the degree to which managers are willing to make large and risky resource commitments – i.e., those which have a reasonable chance of costly failures” (Miller & Friesen, 1978; p. 923). With emphasis on bold and exploratory activities, firms with high EO are gifted in creating industrial configurations and reshaping market conditions to their advantage (Baker & Sinkula, 2009). Yet EO is also a resource-consuming strategic orientation (Teng, 2007); without considerable resource support, the performance implication of EO may be impeded (Su, Xie, Wang, & Li, 2011; Teng, 2007). Thus, access to more resources, perhaps from external networks, appears to be particularly important for facilitating EO. This indicates an imperative need to reconsider the effectiveness of EO through a network viewpoint.

### 2.2. Reconsidering EO from a network approach

Scholars have adopted a network perspective in entrepreneurship research (Hoang & Antoncic, 2003; Hoang & Yi, 2015; Slotte-Kock & Coviello, 2010), highlighting that firms are embedded in social networks within which they are connected (Granovetter, 1985). This approach emphasizes the importance of network-based constructs such as structural positions, cohesion, trust, and embeddedness in affecting entrepreneurial strategic choices and outcomes (Ozcan & Eisenhardt, 2009; Uzzi, 1997). This stream of literature also identifies the influence of network factors in the enactment of entrepreneurial postures (Walter, Auer, & Ritter, 2006).

From the network perspective, EO can be seen as a strategic posture that stimulates firms to proactively engage in environmental scanning and resource/opportunity seeking actions from organizations and institutions with which they have or wish to build relationships (Li, Liu, & Liu, 2011). These firms can be characterized as appreciating an open-system mindset that seeks to proactively pursue entrepreneurial initiatives within established and emerging networks (Kreiser, 2011). Here, we argue that high EO firms have a good potential to attract and leverage outside resources inherent in their networks to capitalize on emerging opportunities. Drawing upon the network perspective, we next formally theorize why network resource acquisition is a missing link between EO and firm performance.

### 2.3. Network resource acquisition as a missing link between EO and performance

EO and network resource acquisition. The acquisition of resources from outside the firm has been seen as a critical entrepreneurial task for a long time (Kim et al., 2017; Shane, 2003). We argue that firms with higher EO are more likely to succeed in resource seeking and acquisition tasks from their network actors. The theoretical argument supporting this assertion is based on a network approach that emphasizes motivation-opportunity-ability reasoning, indicating that a lack of any of these three reasons may undermine social capital generation and utilization (Adler & Kwon, 2002; Siemsen, Roth, & Balasubramanian, 2008). Specifically, motivation captures “a firm's willingness to act” (Siemsen et al., 2008; p. 427). Opportunity represents “the environmental or contextual mechanisms that enable the action” (Siemsen

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