

STRUCTURAL ANTECEDENTS OF MARKET, LEARNING AND ENTREPRENEURIAL ORIENTATIONS

Horace L. Melton, Florida State University, United States

ABSTRACT

This study proposes a model of organizational structure to strengthen the capabilities and performance of the market, learning and entrepreneurially oriented enterprise. Innovation mediates the effect of structure and cultural orientation on organizational performance.

INTRODUCTION

The structure of an enterprise can substantially influence the effect of its business strategy on organizational performance. Previous research has examined the relation of organizational structure and size to innovation (Damanpour 1996) and market orientation (Kirca, Jayachandran and Bearden 2005), but no research has developed an integrated model addressing the relationship of organizational structure to culture (i.e., market, learning and enterprise orientation) and innovation. Specifically, this study develops propositions to explain how structural factors influence market-oriented culture, innovation and business effectiveness.

ORGANIZATIONAL STRUCTURE

The current study focuses on cultural orientation as an *outcome* of structure (i.e., structure is an exogenous determinant of culture, consistent with the works of Marcoulides and Heck 1993 and Kirca, et al. 2005), and contends that the norms and values of market, learning and entrepreneurial orientations are better supported by some forms of organizing than by others. Based on a review of the literature, the structural constructs that are particularly important in enabling expression of organizational norms and values are centralization, formalization, interdepartmental connectedness, interdepartmental conflict and specialization. Their proposed relationships to market orientation are P1: (a) centralization, formalization and interdepartmental conflict are negatively related to customer orientation; (b) interdepartmental connectedness is positively related to customer orientation, and (c) specialization is not significantly related to customer orientation; P2: (a) centralization, formalization and interdepartmental conflict are negatively related to competitor orientation, (b) interdepartmental connectedness is positively related to competitor orientation, and (c) specialization is not significantly related to competitor orientation; P3: (a) centralization, formalization and interdepartmental conflict are negatively related to interfunctional coordination, and (b) specialization and interdepartmental connectedness are positively related to interfunctional coordination.

Learning orientation involves adaptive learning (i.e., acquiring new knowledge consistent with the organization's traditional activities) and generative learning (i.e., questioning basic assumptions about the organization's goals, core and peripheral capabilities, strategy, and whom the firm serves.) Proposed relationships of structure to learning orientation are P4: (a) centralization, formalization, interdepartmental conflict and specialization are negatively related to adaptive and generative learning, and (b) interdepartmental connectedness is positively related to adaptive and generative learning.

The norms of entrepreneurial orientation are organizational preferences for risk taking, proactivity and innovation. Prior research demonstrates that entrepreneurial orientation is best supported by an organic structure (Slevin and Covin 1990). Structural antecedents proposed for learning orientation also apply to entrepreneurial orientation, with the exception that specialization may well promote risk taking, proactivity and innovation. Personnel who are experts in their field are better positioned to see opportunities and respond creatively to market changes that relate to their area of expertise. Proposed relationships of structure to entrepreneurial orientation are P5: (a) centralization, formalization, and interdepartmental conflict are negatively related to risk taking, proactivity and innovation, and (b) specialization and interdepartmental connectedness are positively related to risk taking, proactivity and innovation.

Organizational structure has a positive effect on market, learning and entrepreneurial orientation, and on innovativeness and capacity to innovate, when the enterprise (1) delegates decisions to lower organizational levels, (2) does not excessively restrict organizational activity with formal rules, (3) has frequent person-to-person contacts across departmental lines, (4) minimizes internal conflicts and (5) promotes interaction of specialists with other specialized areas.

References available upon request