THE IMPACT OF ENTREPRENEURIAL ORIENTATION AND SERVICE-DOMINANT ORIENTATION ON PERFORMANCE OUTCOMES

Measuring their individual impact and searching for the optimal configuration

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List of abbreviations:

- **EO** = Entrepreneurial Orientation
- **INN** = Innovativeness (EO Dimension)
- **PRO** = Proactiveness (EO Dimension)
- **RISK** = Risk taking (EO Dimension)
- **AUT** = Autonomy (EO Dimension)
- **CA** = Competitive aggressiveness (EO Dimension)
- **S-D orientation** = Service-Dominant Orientation
- **CI** = Competitive Intensity (Moderator)
- **GLO** = EO Global Dimension
- **RIC** = Relational Interaction capability
- **ETIC** = Ethical Interaction Capability
- **IIC** = Individuated Interaction Capability
- **EMIC** = Empowered Interaction Capability
- **CIC** = Concerted Interaction Capability
- **DIC** = Developmental Interaction Capability
- **MP** = Market Performance (Performance Indicator)
- **IPRAD** = Innovation Performance Radicalness
- **MT** = Market Turbulence (Moderator)
- **ADA** = Adaptability (Moderator)
- **ABCAP** = Absorptive Capacity (Moderator)
- **FP** = Financial Performance (Performance Indicator)
- **PABCAP:** Potential Absorptive Capacity
- **RABCAP:** Realized Absorptive Capacity

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Abstract

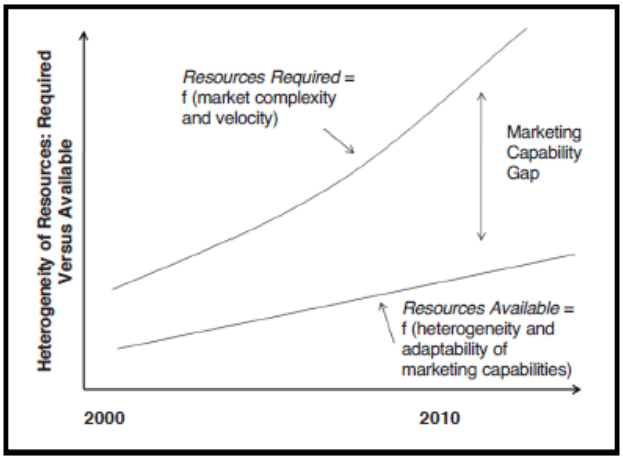
The comparative and combined impact of Entrepreneurial Orientation (EO) and Service-Dominant (S-D) Orientation on performance outcomes has yet to be explored by the current strategic management and strategic marketing literature. This study aims to find the optimal configuration of EO and S-D orientation, in terms of impact on financial-, market- and innovation performance. Neither orientation have a proven universal impact on performance, thus this study also aims to contribute to the existing body of research in regards to the individual impact of these orientations on performance. Furthermore, this study aims to explore what internal and external factors that might moderate the potential relationships between the EO/S-D orientation combinations and performance. Based on EO and S-D orientation, this study created a matrix with four different outcomes, where high or low levels of EO and S-D orientation determined the outcome. The four outcomes, or configurations, were analyzed in a comparative manner, across different environmental contexts. In a sample of 157 Norwegian and Danish firms, this study finds that both EO and S-D orientation have a positive significant impact on the chosen performance outcomes. Furthermore, this study provides the first empirical insight to the combined an comparative impact of EO and S-D orientation, where high levels of both orientations proves to be the optimal configuration, outperforming the others across different market contexts.

1. Introduction

The purpose of this study is to measure and compare entrepreneurial orientation's (EO) and service-dominant (S-D) orientation's impact on innovation, financial and market performance. The data was generated from a wide range of companies from both the Norwegian and the Danish market. The two concepts are not conflicting and might very well exist within the same firm. Thus, the study also aims to find the optimal configuration of EO and S-D orientation. A matrix with four different outcomes based on high and low levels of EO and S-D orientation was created as the basis for the different configurations. Four firms served as examples for the different configuration in order to provide a better understanding of the matrix outcomes. The four outcomes of the EO/S-D orientation matrix are proactive co-creators (high EO, high S-D orientation), proactive dominators (high EO, low S-D orientation), passive co-creators (low EO, high S-D orientation) and passive dominators (low EO, low S-D orientation). Furthermore, both internal and external factors that might moderate the configurations' impact on the chosen performance outcomes were included in the study. The chosen moderators were adaptability, absorptive capacity, competitive intensity and market turbulence. The population consists of Norwegian and Danish firms, and includes those firms with subsidiaries in both Norway and Denmark. An unofficial list of firms provided by Innovasjon Norge's (Innovation Norway) Danish office served as the foundation for the population.

The gap between the increasing complexity of markets and the rate in which firms and their marketing organization understand and adapts to this complexity is getting wider (Day, 2011). The accelerating complexity is caused by large amounts of customer data, generated by demanding customers with access to your social media channels. The internet also facilitates more customer contact points and increasing communication with customers. This causes additional pressure on marketers, leaving their firms vulnerable (Day, 2011). According to Day (2011), it is essential to respond with new thinking about internal capabilities. This study aims to investigate the impacts of entrepreneurial capabilities and the interaction capabilities that is S-D orientation, and how they can be combined. This will hopefully help us understand how to close the gap illustrated in figure 1.

Figure 1: The Marketing Capability Gap (Day, 2011).



1.1. Entrepreneurial orientation

Entrepreneurial orientation (EO) stems from Miller's (1983) article, where the author seeks to describe the major determinants for entrepreneurship. An entrepreneurial firm is described as a firm that is active in product-market innovation, faces risks at a certain level and act in a proactive way when facing competition (Miller, 1983: 771). This description was the foundation for the three original dimensions of EO. Covin and Slevin (1989) conceptualized EO six years later, by using what is known as the strategic posture scale. This measurement item stands as a foundation for EO research. Both Miller (1983) and Covin and Slevin (1989) argues that the three dimensions has to covary within a firm for EO to exist. The three dimensional perspective where the dimensions covary represents one of two opposing sides in EO literature. Seven years later, Lumpkin and Dess (1996) introduced two additional dimensions; competitive aggressiveness and autonomy. Moreover, Lumpkin and Dess (1996) argues that entrepreneurship, in the form of new entry, can be accomplished with only some of the five dimensions of EO. This represent the opposing view in the EO literature. The EO/performance relationship has been given a lot of attention in the literature, and several findings suggests that EO has a positive impact on performance indicators like financial- and innovation performance. However, a universal rule on the relationship has yet to be discovered (Sciascia, D'Oria, Bruni and Larrañeta, 2014).

1.2. Service-Dominant Orientation

In contrast to EO, Service-Dominant (S-D) orientation is a newly conceptualized orientation. Its origin stems from Karpen, Bove and Lukas (2012), where the authors seek to build an understanding of what capabilities firms need in order to implement S-D logic, developed by Vargo and Lusch (2004). S-D logic consists of ten foundational premises, and in essence, the foundational premises captures the ideas of application of knowledge and specialized skills (services) being the primary unit of exchange, where the customer is considered a co-producer (later changed to co-creator) of value (Vargo and Lusch, 2004, 2008). Lusch et.al (2007) further argues that S-D logic is based on the idea of organizations and individuals connected in networks of collaboration, where customers, partners and employees together co-create value. The service-dominant logic is a response to the goods-dominant logic, where manufactured goods are the primary unit of exchange and the customer is only a receiver of goods produced (Vargo and Lusch, 2004). S-D orientation is referred to as a set of strategic capabilities that allows and enables a firm to co-create value with various network partners like customers, suppliers, employees and intermediaries (Karpen et.al 2012). Karpen, Bove, Lukas and Zyphur (2015) defines S-D orientation as follows:

> "*An organization's ability to facilitate and enhance mutually beneficial interaction and resource integration processes with individual actors within the service system.*"

Karpen et.al (2012) used the ten foundational premises to develop six interaction capabilities. The six capabilities are listed below:

- Individuated interaction capability
- Relational interaction capability
- Ethical interaction capability
- Empowered interaction capability
- Developmental interaction capability
- Concerted interaction capability

Both orientations and the moderator variables; adaptability, competitive intensity, market turbulence and absorptive capacity are described in detail in the literature review and hypothesis development section.

1.3. Research Questions

The purpose of this study is to measure EO and S-D orientation's impact on financial-, innovation-, and market performance. In addition, the study aims to identify the optimal configuration of the two orientations. Moreover, this study seeks to identify which internal and external factors that potentially could moderate the configurations' impact on firm performance.

What is the impact of firms' entrepreneurial orientation (EO) on innovation-, financial- and market performance? **(RQ1)**

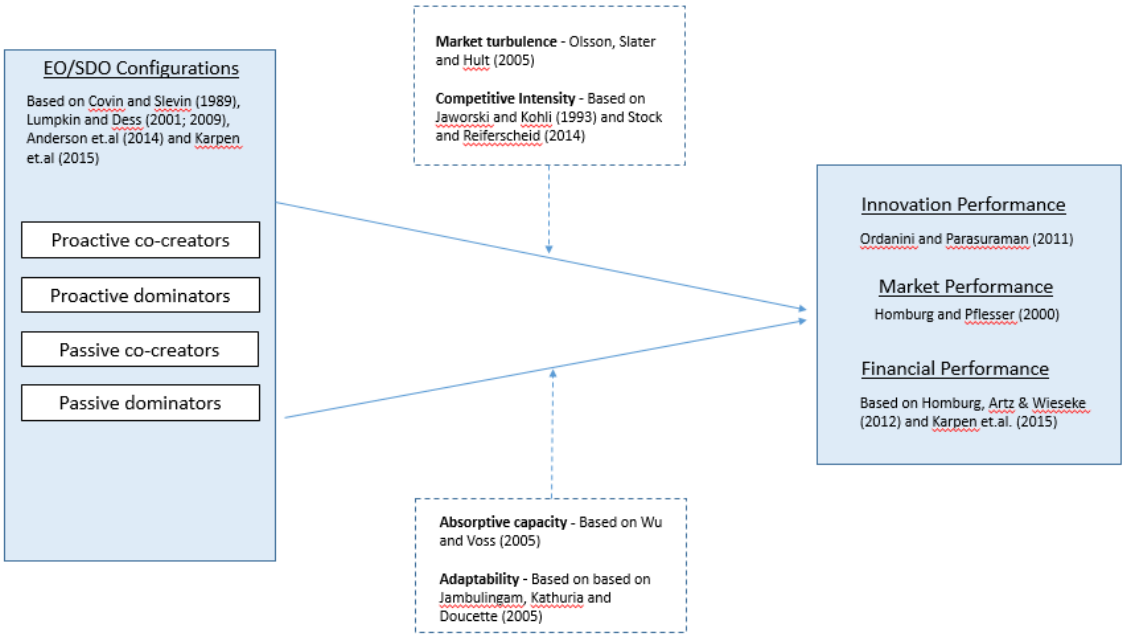
What is the impact of firms' service-dominant (S-D) orientation on innovation-, financial- and market performance? **(RQ2)**

What is the optimal configuration of EO and S-D orientation in terms of innovation-, financial- and market performance? **(RQ3)**

What internal and external factors moderates the configurations' impact on innovation-, financial- and market performance? **(RQ4)**

The study's structure and research question is graphically illustrated in Figure 2.

Figure 2: Structure of the thesis. Author's own design.



2. Literature Review

The purpose of this study is to measure EO and S-D orientation's impact on innovation, financial and market performance. In addition, this study will seek to find the optimal combination of the two orientations. According to configuration theory, both internal and external factors affects firm performance (Greenwood, 2008). Thus this study included absorptive capacity, adaptability, market turbulence and competitive intensity in order to learn how these variables impacts the configurations' performance relationships.

2.1.Entrepreneurial Orientation

2.1.1 EO dimensions

The concept of Entrepreneurial Orientation has its origin from Miller's (1983) article where the author aimed to investigate the major determinants for entrepreneurship. Miller (1983) described an entrepreneurial firm as an enterprise that is active in product-market innovation, faces risk at a certain level, and illustrates a

sense of proactiveness when facing competition (Miller, 1983: 771). Innovativeness is defined as a willingness to introduce new products, services and processes through creativity and experimentation (Lumpkin and Dess, 2005: 148). Proactiveness is defined as a forward-looking perspective where companies aim to seize market opportunities due to predictions of future demand (Lumpkin and Dess, 2005: 148). Finally, risk-taking is defined as the propensity to make decisions and taking actions where the outcomes are uncertain, and often demands a significant resource commitment (Lumpkin and Dess 2005: 148). Miller's three-dimensional description of an entrepreneurial firm was later used as the foundation for Covin and Slevin's (1989) *"strategic posture scale"*, later known as a the Covin and Slevin scale. The scale consists of nine items, in the form of a seven level Likert scale, covering all three dimensions of EO (Covin and Slevin, 1989: 86) This scale can be considered the first attempt to measure and conceptualize EO. Despite serving as a foundation for a widely acknowledged concept, Miller (2011: 874) claims that this was never his intention.

Table 1: Definitions of EO dimensions (Lumpkin and Dess, 2005: 148)

EO Dimensions	**Definitions**
Innovativeness	*A willingness to introduce newness and novelty through experimentation and creative processes aimed at developing new products and services, as well as new processes.*
Proactiveness	*A forward-looking perspective characteristic of a marketplace leader that has the foresight to seize opportunities in anticipation of future demand.*
Risk-taking	*Making decisions and taking action without certain knowledge of probable outcomes; some undertakings may also involve making substantial resource commitments in the process of venturing forward*
Autonomy	*Independent action by an individual or team aimed at bringing forth a business concept or vision and carrying it through to completion.*
Competitive aggressiveness	*An intense effort to outperform industry rivals. It is characterized by a combative posture or an aggressive response aimed at improving position or overcoming a threat in a competitive marketplace.*

Both Miller (1983) and Covin and Slevin (1989), suggests that the three dimensions covary, and in order to have EO, the focal firm must illustrate some level of all three dimensions. Covin and Slevin (1989) argues that a firm has to exhibit high

levels of all three variables. Lumpkin and Dess (1996: 137), on the other hand argues that entrepreneurship, in the form of new entry, can be accomplished with only some of the five dimensions mentioned in their paper. Dai, Maksimov, Gilbert and Fernhaber (2014) measured the three original dimensions' effect on international scope (number of markets that generates sales to the organization) and found that innovativeness and proactiveness have a U-shaped effect on international scope. High or low levels of the dimensions effect international scope positively, whereas risk-taking exhibits an inverted u-shaped effect, hence the middle ground seem to promote international scope (Dai et.al 2014). According to Dai's et.al (2014) findings, a firm can increase its international scope, or new entry, with low levels of either innovativeness or proactiveness. This is contradicting to the argument of Covin and Slevin (1989), and support the view of Lumpkin and Dess (1996) that new entry can be achieved with only some of the dimensions. Lumpkin and Dess (1996), define EO as:

> "*...the processes, practices, and decision-making activities that lead to new entry."*

Miller (2011: 875) lists the different forms of new entry as entry into a new firm, a new product or technology, or a new market. The views of Covin and Wales (2012) supports this logic by arguing that all organization can be ranked on an EO scale from low EO to high EO. In other words, all firms illustrates some level of EO. The question is to what extent.

Furthermore, Lumpkin and Dess (1996) introduces a five dimensional construct, including autonomy and competitive aggressiveness. Autonomy can be defined as independent actions conducted by an individual or a business unit, with the intention of raising a business idea all the way through to completion (Lumpkin and Dess 2005: 148). Moreover, competitive aggressiveness can be defined as a significant effort to outperform competitors with a combative attitude in order to improve market position. In their article, Covin and Slevin (1989: 77) argues that an entrepreneurial orientation might be beneficial for small firms, operating in hostile environments, as it is expected that such firms will increase their competitive stance in order to gain or maintain

competitive advantage. Hence, the inclusion of competitive aggressiveness might be in line with Covin and Slevin's argument, in some cases. Moreover, these two articles stands as the two major perspectives on EO (Covin and Miller, 2013: 13). Miller (1983) and Covin and Slevin (1989) argues that EO is a three-dimensional, composite construct, whereas Lumpkin and Dess (1996) highlights a five-dimensional construct with independent behavioral dimensions (Covin and Miller, 2011). Despite this divide in the EO literature, Covin and Lumpkin (2011: 863) suggests that the two different perspectives on EO are differing constructs, and hence require different definitions and models for measurement. Furthermore, Covin and Lumpkin (2011: 863) fails to reject either of the perspectives, and welcomes both constructs and their contributions to the field. Such encouragement gives this study flexibility to choose the construct according to its need.

Zhang et.al (2014) conducted an extensive analysis of existing literature (93 articles) within the EO field, and found that 90 percent of the studies conducted focused on the three-dimensional construct, suggested by Miller (1983) and Covin and Slevin (1989). Zhang et.al (2014) argues that the popularity of the three-dimensional construct is due to the lack of research and understanding of autonomy and competitive aggressiveness. Furthermore, it is mentioned that there is no reliable five-dimensional EO measurement scale, accepted by the scholar community. The popularity of the Covin and Slevin (1989) scale might have limited the development of alternative measurement models for EO (Anderson et.al, 2014). The Covin and Slevin (1989) scale has been questioned due to concerns of validity and reliability, and few studies have attempted to improve the scale. Zhang et.al (2014), however, developed a five-dimensional scale designed to be applicable in any industry context and for any type of organization. Given the population of this study, it is essential to apply a measurement tool that is not restricted to organizational traits (SMEs or MNEs) or national markets. As such, Zhang's et.al (2014) proposed measurement model might be relevant for this study, where the purpose is to analyze companies from two national markets, with different size and characteristics.

2.1.2 Modelling Considerations

In addition to being divided in terms of the number of variables included in the construct, there seem to be a lack of consensus in the literature in regards to how the construct is to be measured and considered. More specifically, whether formative- or reflective measurement modeling should measure EO (Covin and Wales, 2012: 682). According to Coltman et.al (2008), there are several considerations, both theoretical and empirical, one must consider in order to classify a model as either reflective or formative. Reflective modelling is appropriate when the latent construct exists independent from the measures applied (Coltman et.al 2008). Moreover, reflective modelling should be applied when variation in the construct causes variation in the item measures. Furthermore, variation in item measures should not cause variation in the construct itself (Coltman et.al 2008). Finally, reflective modelling should be applied when the items have a common theme, are interchangeable and if adding or subtracting an item, fails to change the construct (Coltman et.al 2008). Formative models, on the other hand, are to be used when the latent construct is a combination of its indicators, and the variation in the core construct fails to cause variation in the item measures (Coltman et.al 2008). Formative modelling is appropriate when the items not necessarily share a common theme, when the items are not interchangeable, and the addition or subtraction of an item can lead to change in the core construct (Coltman et.al 2008). As one can see, these considerations might serve as a source of disagreement when measuring EO. The empirical considerations are not mentioned in this section. Note that Covin and Lumpkin (2011) specify that it is not the construct itself that is either reflective or formative, but the construct's measurement model.

The field of marketing has been criticized in several studies for not paying sufficiently attention to considerations such as measurement and modelling (Jarvis et.al, 2003). In their article, Jarvis et.al (2003) seek to distinguish the two modelling options and establish objective criteria for determining whether to use reflective or formative modelling. Jarvis et.al (2003) uses the direction of causality as a key determinant for determining whether a construct are to be considered as formative or reflective. Jarvis et.al (2003) argue that when the direction of causality is moving from the construct towards the indicators, the measures should be considered reflective. Furthermore, if changes in the underlying construct are hypothesized to cause changes

in the indicators, the conclusion remains that one are dealing with a reflective measure (Jarvis et.al, 2003). If changes in the measure are hypothesized to lead to changes in the underlying construct, the model is referred to as formative. Moreover, formative models fail to assume that the measures are all caused by a single underlying construct, according to Jarvis et.al (2003). It does, however, assume that that the measures all have a certain impact on a single construct.

Recent attempts to re-conceptualize EO has illustrated how the scholars in the field fails to reach an agreement. In their attempt to re-conceptualize EO, Anderson et.al (2014) suggests to consider EO formally. Anderson et.al's (2014) reasoning is based on the discussion of whether EO is a behavior or an attitude. The issue of combining attitudes and behaviors within a single, latent construct is that behaviors and attitudes are mutually reinforcing. Behavior is a consequence of attitude, and repeated attitude will enforce behavior. Another issue is that behaviors and attitude, not necessarily share the same antecedents (Anderson et.al, 2014). Anderson et.al (2014) further argues that EO consists of both behaviors and attitudes, referring to the dimensions. The authors highlights scientific evidence to reject reflective EO modelling and refer to the fact that innovativeness, risk-taking and proactiveness do not perfectly covary (Anderson et.al, 2014). Moreover, measurement theory states that there must be commonalities across the components, and that the specified antecedent casually links to all three EO dimensions. Thus, Anderson et.al (2014) suggests to measure EO formatively.

Zhang et.al (2014), on the other hand argues that EO should be measured using reflective modelling, due to its majority acceptance in the scholar community. Covin and Wales (2011) argues that EO should be considered formatively, due to its many components. However, the authors also argues that EO as a theoretical construct, was intended to capture the internal process of entrepreneurship, both by Miller (1983) and Lumpkin and Dess (1996), hence EO exists regardless of its measurement. Moreover, Covin and Wales (2011) recommends researchers to apply models that capture the actual meaning of the construct, without taking empirical considerations into account.

2.1.3 EO and performance

EO's impact on performance has been well documented by existing literature (Jiang et.al, 2014: 1). Lumpkin and Dess (1996) argues that the relationship between performance and EO is context specific. The authors suggests that companies combining EO and an organic internal structure and/or integrating activities will experience higher performance, compared to companies that do not (Lumpkin and Dess, 1996). This view is supported by Sciascia et.al (2014: 761), by stating that there is no universal relationship between EO and performance and that internal and external factors such as resource availability and industry characteristics has moderating effects on the relationship. In their meta study, Rauch, Wiklund, Lumpkin, and Frese (2009) identifies a vast difference in the literature on the correlation between performance and EO. In a study of EO and small business performance Wiklund and Sheperd (2005) finds that EO has a universal positive effect on small business performance, however, their findings suggests that firms operating in stable environments and with low access to capital experience the highest gain from EO. Li, Huang and Tsai (2009) discover that knowledge processes has a mediating effect on the positive EO/performance relationship, and that this mediating effect will attenuate the relationship. Boso, Story and Cadogan (2013) discovers that entrepreneurial companies gain better performance when high levels of EO is combined with high levels of market orientation (MO). This study was conducted in a developing economy context, and their findings are not applicable to the Norwegian/Danish context of this study. Morgan et.al (2014), on the other hand finds that MO has a damaging effect on new product development, when EO and MO are combined in one firm.

Brouthers, Nakos and Dimitratos (2014) suggests that small and medium sized enterprises (SMEs) will experience higher international performance when EO is implemented in their organization, and when they are engaged in an alliance that is in line with the focal firm's capabilities. Foreign expansion requires a significant proportion of a firm's resources, and if these resources are scarce Brouthers, Nakos and Dimitratos (2014) argues that strategic alliances with complementary resources will improve international performance for SMEs. Furthermore, Brouthers, Nakos and Dimitratos (2014) finds that participation in strategic alliances increase the positive relationship between EO and international performance. In addition, Jiang et.al (2014)

argues that the combination of high EO and assistance from strategic alliance partners, allow companies to respond quickly to signals from the cooperative environment by targeting premium segments and "skim" the market ahead of competition.

As mentioned by Rauch et.al (2009), performance is a multi-dimensional concept and the choice of performance indicators, will naturally have an impact on the relationship between EO and performance. In this study, the scope is narrowed down to financial performance, market performance and innovation performance. It is noteworthy, that Rauch et.al (2009) predicts higher relationships between EO and financial performance, compared to non-financial performance. In a study of EO in the context of strategic alliances, Jiang et.al (2014) suggests that there is a correlation between EO and partner firms' performance in terms of innovation and financial results. Morgan et.al (2014) supports the view that EO has a positive effect on innovation, or new product development. Killa (2014) also finds evidence to support a positive EO/product innovation relationship. EO's effect on financial results and innovation seems to be well documented, but this study cannot identify clear evidence to support an EO/market performance relationship.

Covin and Miller (2013) highlight the fact that the majority of the literature linking EO and international EO to international performance is based on samples of Chinese companies. In their summary of EO/performance literature, Rauch et.al (2009), only finds four studies including Scandinavian companies in their samples (three studies includes Swedish companies, one study includes Norwegian companies, and none of the reviewed articles includes Danish companies). Furthermore, Rauch et.al (2009) suggests that EO is perceived differently in various cultures. Thus, the lack of universal evidence to confirm a correlation between EO and performance, suggests that a study of EO's impact on companies in the Norwegian and Danish market is relevant. This relevance is further supported by a lack of research conducted in a Scandinavian context, and the cultural variations in how EO is perceived by managers. This study identifies a lack of research on EO's effect on performance in the isolated case of Norway and Denmark. Moreover, these findings reveal that there is no consensus in the literature as to how companies will fare by implementing EO in their organization. The literature review also finds several factors that might implicate the

EO/performance relationship (absorptive capacity, knowledge creation processes, size of firm, other moderators/mediators), which is in line with Lumpkin and Dess' (1996) assumption that the relationship is affected by internal and external factors. By investigating the existing literature's different views on EO and firm performance, another contribution to the literature should be welcomed, thus highlighting this study's relevance.

2.2.Service-Dominant Orientation

2.2.1 Service-Dominant Logic

In contrast to EO, S-D orientation is a rather newly conceptualized construct. Karpen et.al (2012) conceptualized the construct in 2012 and the authors' ideas stemmed from the work of Vargo and Lusch's (2004) and their new marketing logic, Service-Dominant (S-D) logic. S-D logic consists of eight foundational premises, and in essence, the foundational premises captures the ideas of application of knowledge and specialized skills (services) being the primary unit of exchange, where the customer is considered a co-producer (later changed to co-creator) of value (Vargo and Lusch, 2004, 2008). Two additional foundational premises were later introduced, and some of the original foundational premises were modified, as a response to criticism (Vargo and Lusch, 2008). Lusch, Vargo and O'Brien (2007) further argues that S-D logic is based on the idea of organizations and individuals connected in networks of collaboration, where customers, partners and employees together co-create value. The service-dominant logic is a response to the goods-dominant logic, where manufactured goods are the primary unit of exchange and the customer is only a receiver of goods produced (Vargo and Lusch, 2004). According to Vargo and Lusch (2004), marketing inherited the ideas of economics, which was based on exchange of goods, tangible resources and transactions. However, the importance of manufactured goods is not neglected by the S-D logic. Ballantyne and Varey (2008: 12) argues that even traditionally produced goods can be considered as a service appliance for the customer. A personal computer, a typical manufactured good, can also be considered in terms of service, as the customer purchase it as a study aid, entertainment device etc. This is in line with Vargo and Lusch's (2004) third foundational premise, which states that goods are distribution mechanisms for service provision. Grönroos (2008: 307) adds to this argument, as he states:

"...regardless of whether a firm is traditionally considered a service firm or a goods-manufacturing firm, if it attempts to assist its customers' practices and support their value creation, it has to think, plan and act as a service business".

S-D logic can be considered as a reaction to the increasing importance of services in the economy, as services' contribution to GDP is estimated to constitute 60 % in Western democracies (O'Shaughnessy and O'Shaughnessy, 2009). However, note that Vargo and Lusch (2008) clearifies that S-D logic is not justified by the fact that we find ourselves in a service economy. Ballantyne and Varey (2008) offers support to Vargo and Lusch (2004) in this regard and argues that service is an interactive process where you do something for someone that the receiver values, hence distinguishing the concept from the service-sector.

Despite S-D logic's approval among marketing scholars, it has also received criticism. O'Shaughnessy and O'Shaughnessy (2009) raised several questions in regards to Vargo and Lusch's (2004) article. Among the questions raised, where whether it was wise to consider the marketing discipline from only one perspective. O'Shaughnessy and O'Shaughnessy (2009: 791) calls for multiple perspectives to marketing, as this provides an opportunity to answer problems and questions from different angels and perspectives. However, Vargo (2009) states that S-D logic was originally based on relationship marketing, service marketing and B2B marketing. In their response to O'Shaughnessy and O'Shaughnessy (2009), Vargo and Lusch (2011: 1304) rejects the claim of S-D logic being a singular concept, and claims that they intentionally made an effort to include other perspectives. Furthermore, Vargo and Lusch's (2004: 2) definition of "service":

"the application of specialized competences (knowledge and skills), through deeds, processes, and performances for the benefit for another entity or the entity itself",

was questioned by O'Shaughnessy and O'Shaughnessy (2009). The authors argue that service should be consider as the functions it performs, not as an activity, because it is functions that separates markets (O'Shaughnessy and O'Shaughnessy, 2009: 785).

Gummeson (2008) further builds on the S-D logic idea by including inspiration from value chain- & network theory. He calls for a more holistic stakeholder mindset, or a balanced centricity, as value co-creation is a necessity for service. According to Gummeson (2008), we need to move away from one-party centricity (customer-centricity or supplier-centricity), and address the needs and wants of all stakeholders. Ballantyne and Varey (2008) argues that the concept of value co-creation allows us to experiment in interacting with larger groups of stakeholders. Vargo and Lusch (2008) highlights a common misunderstanding, the idea of S-D logic only considering a two-way firm/customer exchange.

2.2.2 Service-Dominant Orientation

As earlier mentioned, Karpen et.al (2012) were the first to conceptualize S-D orientation. The authors identifies a lack of understanding in regards to what capabilities firms need in order to conduct S-D logic in practice (Karpen et.al, 2012: 21). S-D orientation is referred to as a set of strategic capabilities that allows and enables a firm to co-create value with various network partners like customers, suppliers, employees and intermediaries (Karpen et.al 2012). By this definition, the authors answers the call from Gummeson (2008), who desired a balanced centricity that included more stakeholders in the co-creation of value. Skjøtt-Larsen et.al (2007, p.69), further highlights the importance of network-partner relationships by stating that managers has moved their attention from competition between firms to competition between supply chains. Moreover, Skjøtt-Larsen et.al (2007: 69) argues that management's capabilities in establishing and maintaining long-term, trust-based relationships with customers, suppliers and other network-partners is highly crucial in terms of competition. This illustrates that the S-D orientation shares and includes ideas from the supply chain literature. The six capabilities that defines S-D orientation are as follows: 1) Individuated interaction capability (IIC), 2) Relational interaction capability (RIC), 3) Ethical interaction capability (EIC), 4) Empowered interaction capability

(EMIC), 5) Developmental interaction capability (DIC) and 6) Concerted interaction capability (CIC) (Karpen et.al 2012). As one clearly can see by the naming of these capabilities, interaction is key. These capabilities are based on the 10 foundational premises developed by Vargo and Lusch (2004; 2008). Karpen et.al (2015: 3) describes S-D orientation as;

> "*An organization's ability to facilitate and enhance mutually beneficial interaction and resource integration processes with individual actors within the service system"*

Karpen et.al (2015: 3) provides a detailed description of the six capabilities. All six capabilities are considered in a service system context, and all of them have the ultimate goal of facilitating and enhancing value co-creation (Karpen et.al, 2015: 3). The individuated interaction capability refers to an organization's capability to understand the individual network partner's needs and desired experiences. It is essential to anticipate and be aware of a network partner's unique circumstances (Karpen et.al, 2015: 3). A relational interaction capability can be described as the technique of connecting and relating to individual network partners. The logic is that social bonds ease the interaction process and thus ease the value co-creation process (Karpen et.al, 2015: 3). Furthermore, Karpen et.al (2015: 3) describes the ethical interaction capability as the ability to act fair and non-opportunistic in relation to network partners. This capability can be reflected by acting transparently in dealings with network partners, and avoiding any manipulation or power abuse (Karpen et.al 2012). The empowered interaction capability allows network partners to shape the nature and content of exchange, thus involving them in organizational processes in order to customize resources and experiences to their advantage (Karpen et.al, 2015: 3). This capability is present if network partners are allowed to take part in constructing the experience to suit the individual context and when their knowledge and ideas are taken into consideration by the focal firm (Karpen et.al, 2012). Moreover, the developmental interaction capability is understood as the ability to assist network partners develop their own knowledge and competencies, thus educating them and nurture the development of new skills. This ability facilitates value co-creation as more

educated network partners will make decision that is more informed and better use of their resources (Karpen et.al, 2015: 3). Finally, the concerted interaction capability refers to the synchronization, integration and coordination of service processes with individual network partners (Karpen et.al, 2015: 3). All of these capabilities can then be summarized in the above-mentioned definition.

Table 2: Definitions of interaction capabilities (Karpen et.al, 2012: 26-32).

S-D orientation capabilities	Definitions
Individuated interaction capability	*An organization's ability to understand the resource integration process, contexts, and desired outcomes of individual customers and other value network partners.*
Relational interaction capability	*An organization's ability to enhance the connection of social and emotional links with customers and other value network partners.*
Ethical interaction capability	*An organization's ability to act in a fair and non-opportunistic way toward its customers and other value network partners.*
Empowered interaction capability	*An organization's ability to enable its customers and other value network partners to shape the nature and content of exchange.*
Developmental interaction capability	*An organization's ability to assist customers, other value network partners' knowledge, and competence development.*
Concerted interaction capability	*An organization's ability to facilitate coordinated and integrated service processes with customers and value network partners.*

2.2.3 Service-Dominant Orientation and Performance

As earlier mentioned S-D orientation is a relatively new concept, and thus there is a lack of literature on the S-D orientation/performance relationship. The exception is Karpen's et.al (2015) article "*Service-Dominant Orientation: Measurement and Impact of Performance Outcomes".* Vargo and Lusch (2004) argues that S-D logic indeed will improve skills, knowledge and abilities but does not emphasize on how this converts to the chosen performance indicators in this study. Randall et.al (2010) argues that S-D logic, in the form of inter-firm collaboration, help firms creating superior value propositions. Furthermore, the authors argue that focusing on value co-creation as opposed to producing products; the firm will gain a sustainable competitive advantage (Randall et.al, 2010). Killa (2014) however made an interesting finding, by discovering that value co-creation has a positive impact on firms' marketing performance. Killa (2014) does not offer any thoughts on how marketing performance relate to any of the

chosen performance indicators in this study. However, by considering Porter's (1985) value chain, marketing is a primary activity in a firm, and hence better performance in a primary activity should in theory lead to (directly or indirectly) favorable financial outcomes. Note that value co-creation does not directly translate to S-D orientation, but still serve as a ground pillar in the concept, thus Killa's (2014) findings are both relevant and exciting.

Karpen et.al (2015) made several findings on the S-D orientation/performance relationship. The authors finds that S-D orientation has a positive effect on three key customer performance indicators. S-D orientation demonstrates a significant positive effect on trust (one party illustrates confidence in an exchange partner's reliability and integrity), perceived value (the net benefit of what is received and what is given, from a customer's point of view) and affective commitment (a customer's emotional attachment to an exchange partner) (Karpen et.al, 2015). In addition, the authors finds that S-D orientation has a positive impact on customers' repurchase intentions. These findings are highly interesting, as this study aims to measure EO and S-D orientation's impact on market performance. Interestingly, Karpen et.al (2015) discovers that S-D orientation has a positive impact on market performance. Moreover, Karpen et al (2015) finds that a firm's market performance has a positive impact on financial performance, or more specifically, on firms' cash flow. Thus, S-D orientation has an indirect effect on financial performance. In short, S-D orientation has a proven significance on market performance and financial performance. On the other hand, there seems to be room for more research on S-D orientation's potential impact on innovation performance. Note, that Karpen et.al's (2015) study was conducted in a very specific industry context (car-dealerships), hence the S-D orientation/performance relationships are not universal. Thus, this study calls for more research on the S-D orientation/performance relationship. With only one article investigating the S-D orientation/performance relationship, this study should indeed contribute to the literature in a favorable manner.

2.3. EO and SD-orientation – a comparison

EO and SD-orientation are two widely differing concepts. However, they do not serve as contradicting orientations and should be possible to find within one organization. EO is a managerial orientation (Anderson et.al, 2014), and will in many scenarios help to gain and maintain competitive advantage, especially in foreign markets (Brouthers et.al, 2014). EO was created in an attempt to describe an entrepreneurial firm (Miller, 1983). Anderson et.al (2014) suggests that EO is a concept consisting of both behaviors and attitudes. One might call EO a mindset. EO is an orientation that leads to new entry (Covin and Miller, 2013), thus it can be argued that all firms illustrates some level of EO. S-D orientation, on the other hand, is a set of skills needed to execute S-D logic for co-creating value with network partners (Karpen et.al 2012), and should be considered a value co-creation orientation. S-D orientation is more holistic in the sense that it consider several stakeholders' interests and mutual betterment. Karpen et.al (2012) concludes that S-D orientation offer firms the scope to gain competitive advantage through value co-creation with customers, suppliers, etc. Innovation, which is one of the ground pillars of EO, is created though coproduction. Both concepts can function as sources for competitive advantage.

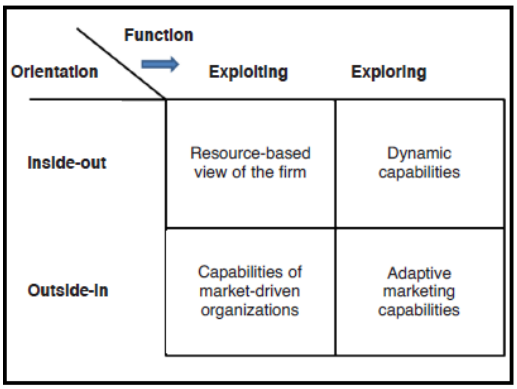
The literature has largely supported EO's impact on financial and innovation performance. Karpen et.al (2015) discovered S-D orientation's impact on important customer performance indicators, such as trust, affective commitment and repurchase intentions, and its indirect impact on financial performance. If universal performance relationships were to be discovered for the two orientations, the performance would come from different parts of the organization. EO is a managerial orientation (Anderson et.al 2014), hence performance could stem from top-management decisions. S-D orientation, on the other hand, is a portfolio of interaction skills, where performance could rise from cooperation with network partners. Thus, both orientations should be manageable to implement within an organization. This study aims to measure their individual and comparative impact on the chosen performance indicators.

There are other methods available for comparing orientations and capabilities. Day (2011) applies a matrix (Figure 2) where the author considers whether the capabilities

are of an inside-out or outside-in nature and whether it is exploiting or exploring (Day, 2011). The inside-out dimensions considers the firm as the starting point for strategic thinking (Day, 2011). Typically, the resource-based view (one of the four categories in this matrix) considers scarce and valuable resources, and how management can fully exploit them (Day, 2011). The dynamic capability point of view also looks internally on how management systems, managerial traits and organizational designs must be continuously reevaluated, in order to identify new opportunities and threats in the market and stay on top of competition (Day, 2011).

In contrast, the outside-in perspective on strategy starts by considering the market (Day, 2011). Management analyzes the market to evaluate why customer behavior is changing, what they need, how the firm can solve their problems and how the firm can help them earn more money etc (Day, 2011). The two other dimensions on the matrix, exploiting and exploring, evaluates whether the firm are exploring new opportunities through experimentation, risk taking, and discovery or exploits the existing ones by striving for increased efficiency (Day, 2011). Based on this matrix, how do EO and S-D orientation compare?

Figure 3: Adaptive versus dynamic marketing capabilities (Day, 2011)

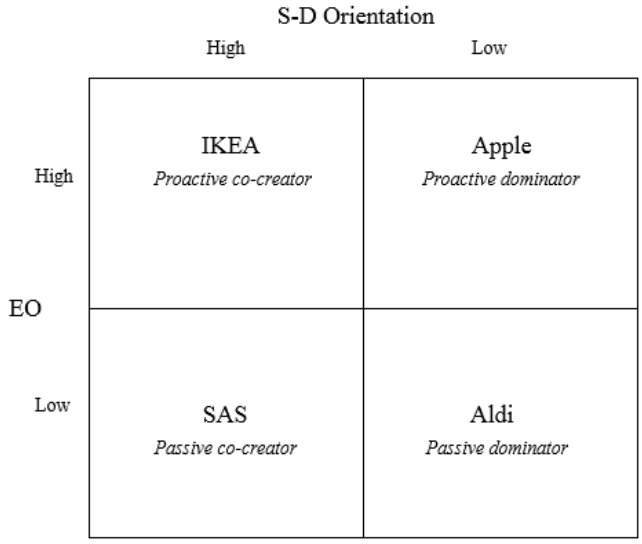


When considering EO, one look at the three or five dimensions internally in the firm. The internal dimensions of risk-taking, innovativeness, proactiveness, autonomy and competitive aggressiveness all describes the firm, and the orientation considers the firm as a starting point. Thus, EO is an inside-out construct. Furthermore, EO's looks to promote new entry into new markets, new products or new processes (Lumpkin and

Dess, 1996). This is highly in line with the explorative dimension of Day's (2011) matrix. EO as a construct fits well into the "Dynamic capabilities" perspective.

S-D orientation, on the other hand, considers several stakeholders' interests and seek to develop mutual benefit (Karpen et.al, 2012). It is a value co-creation orientation, consisting of six interaction capabilities that will enable a firm to co-create value together with its network partners (Karpen et.al, 2012). Even though the construct consists of internal capabilities, the capabilities are to be applied for the network partners' betterment. Thus, the perspective here is clearly of an outside-in nature. S-D orientation also appears to fall within the exploiting dimension. The focus is on existing network partners and how internal capabilities can promote value co-creation. In conclusion, it appears that S-D orientation falls within the category "Capabilities of market-driven organizations" and differs from EO on both dimensions in the matrix. The categorization of EO and S-D orientation is important in order to determine that they indeed are differing construct, measuring different aspects of firms. Moreover, this is crucial when measuring their combined and comparative impact on performance. For the purpose of hypothesis development, this study illustrates a two-dimensional matrix with EO and S-D orientation on the axes. The matrix is presented with example companies in order to give an impression on how a typical company in the different outcomes are conducting themselves.

Figure 4: S-D Orientation and EO Configurations. Author's own design.



The outcome of high EO and S-D orientation is called a "*proactive co-creator".* IKEA is used as an example company. They have illustrated a high level of EO in recent decades, by entering a vast number of national markets like France, UK, Italy, Portugal, USA, Japan, Russia, China and Singapore (Baraldi, 2008) Plenty of risk has been taken by entering these vastly different markets. They are also constantly introducing innovation to their product inventory, and also adjusting their product offering to the different national markets (Ringström, 2013). IKEA has also introduced innovations such as flat-packed furniture and the "showroom warehouse" (Baraldi, 2008). In addition, IKEA has launched a residential solar power solution in cooperation with Chinese thin-film manufacturer Hanergy (Parnell, 2014). This partnership is also an example of value co-creation with network partners. IKEA is an outstanding example of how value is co-created with both customers and suppliers. IKEA is highly dependent on their network partners in order to co-create the products at the promised low prices (Baraldi, 2008). IKEA annually interacts with thousands of homes surrounding their stores, worldwide, in order to improve their offering (Ringström, 2013). Furthermore, customers are essential in the value creation process as they take directly part in the production by assembling the furniture. Moreover, IKEA's suppliers and partners plays an integral role in delivering IKEA's products to the customers (Baraldi, 2008).

Apple is a great example of a company with high EO. Their innovative solutions for smartphones, mp3 players, laptops, tablets and purchasing music is indeed impressive, and a great illustration of the three original dimensions of EO. It is reasonable to assume that huge (financial) risks were taken when they launched a phone without buttons for the first time in history. The thinking that lead to the first phone without buttons must surely be considered proactive. Their competitive aggressiveness has also led to fierce competition against Samsung and others. Apple, especially under the leadership of Steve Jobs, will not be remembered for excelling in co-creating value with network partners. His famous quote *"Customers don't know what they want"* is a great example of this and market research was seldom taken into consideration (Mui, 2011). Apple does obviously need to interact with their network partners both for distribution and materials, but the product innovation happened within Apple's own walls (Mui, 2011). This outcome has been named *"proactive dominator".*

Scandinavian Airlines (SAS) is a member of the Star Alliance, a leading global airline network (Star Alliance, 2016). Together with the other 26 members of the alliance, SAS provides its customers with global reach. A Norwegian customer can book a flight to Singapore through SAS' homepage, even though SAS does not fly to Singapore. The product is delivered in cooperation with Singapore Airlines, but the customer does not have to book two different flights, nor check in with a different airline. The customers' experience is of a "one-stop-shop" nature despite dealing with two different airlines. For such a product to be successfully delivered and co-created, interaction and communication is required. Thus, the customer experience is highly dependent on SAS' cooperation and interaction with its partners. This reasoning can be used for several other airlines, but given the nature of this study, a Scandinavian option was preferred. It is difficult to characterize SAS as proactive, risk-taking or innovative. The aviation industry is highly competitive, so some level of competitive aggressiveness will be found within the corridors of SAS HQ, but this is not enough to get a high EO score. This matrix outcome is called *"passive co-creator".*

The final outcome, the one with low EO and S-D orientation is called "*passive dominators".* The example company used is German grocery retailer Aldi. Aldi is a low-cost retailer, with a limited range of quality products, sold under their own private labels for a discount price (Rudolph, Schlegelmilch, Franch, Bauer and Meise, 2012). Aldi is restrictive in terms of releasing financial data, but estimates has it that Aldi has a sale per square meter of approximately €8,650. In comparison, traditional retailers strive for the €4,000 mark (Rudolph et.al 2012). In short, Aldi's simplistic model is very successful. Aldi is not known for innovative solutions, as their business model has been mostly unchanged since the 1940's. It is noteworthy that Aldi has shown signs of entrepreneurial behavior by expanding to other European markets, but when doing so, the entire expansion was financed by retained earnings (Rudolph et.al. 2012). Hence, Aldi did not expose themselves to credit risk, keeping the overall riskiness of the expansion to a minimum. When establishing Aldi outlets in new markets, their approach remains largely the same. Aldi adjust their approach to marketing slightly depending on the local market, but it is hardly innovative nor proactive (Rudolph et.al 2012). Even though Aldi has entered new markets, one can argue that they are only scaling their own business. They hardly change their approach, and the inventory and overall approach to

retailing remains the same. As their expansions are also financed by retained earnings, they run a low risk. Hence, Aldi scores low in terms of EO.

There is not much evidence indicating that Aldi excels in terms of value co-creation. Aldi's low prices are due to the extensive quantity of products they are acquiring from their suppliers (Rudolph et.al, 2012), but one can assume that this is due to tough negotiation techniques rather than interaction capabilities. Aldi's customers must face some inconvenience that most grocery customers will not, but this is hardly value co-creation. Therefore, Aldi score low on S-D orientation. As illustrated by the example companies in this matrix, all combinations of EO and S-D orientation can be successful, especially in terms of financial performance and market performance. The question remains, which configurations generates the best results and how internal and external conditions affect these configuration/performance relationships.

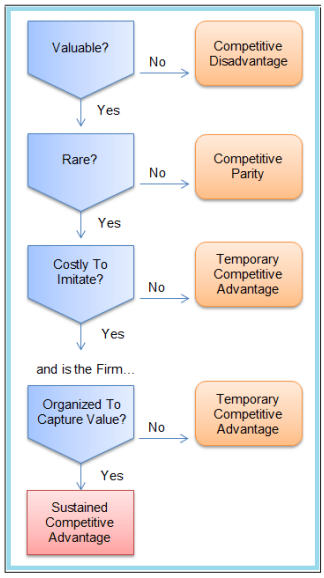
3. Hypotheses Development

The literature review highlighted that both EO and S-D orientation to a certain extent have proven impact on firms' performance indicators. In regards to the impact of EO, however, there is still some disagreement regarding the magnitude of its impact on performance. Sciascia et.al (2014: 761) goes as far as to suggest that there is no universal relationship between EO and performance. Moreover, the authors suggests that both internal and external factors might moderate the EO/performance relationship. The extant literature (e.g., - Lumpkin and Dess, 1996) also suggests that the magnitude of the relationship might be highly context specific. Specifically, several internal and external factors may affect the relationships. With regards to the performance impact of S-D orientation, research is still in its infancy, and further research is needed. Karpen et.al. (2015) found that S-D orientation positively impacts on several customer and market performance outcomes.

Barney (1991) states that a firm has sustained competitive advantage if the firm implements a value creating strategy, that no other firm can easily implement or reap the benefit from. The word sustained does not suggest that it will last forever, however

it will offset both current and future competitors (Barney, 1991). Randall et.al (2010) argue that focusing on value co-creation instead of the production of products, will indeed lead to sustainable competitive advantage. The resource-based view suggests that firms with a resource or a capability that is valuable, rare, imperfectly imitable and organized and understood by the firm will outcompete industry rivals (Barney, 1991). Karpen et.al (2015) discovers that the S-D orientation, as a set of interaction skills, is a sustainable competitive advantage, if exploited properly by an organization. This was discovered by conducting a VRIO-analysis. The VRIO-framework is used to evaluate whether internal resources can be considered sustainable competitive advantage. If the resource is valuable, rare, costly to imitate and the focal firm is organized to capture its value, the resource is considered a competitive advantage (Barney, 1995).

Figure 5 – The VRIO-framework (Rothaermel, 2013)



By using this framework we can determine whether or not EO is a sustained competitive advantage, as well. First, one must ask whether EO is valuable. Considering that EO leads to new entry in the form of new markets, products or firms (Miller, 2011), EO should be valuable, even though the outcomes of the entrepreneurial act is uncertain. Kila (2014) states that firms are left with the choice of innovate or die, thus supporting EO's value, given the assumption of new entry being innovative. Furthermore, as the literature review has found, several studies support a positive EO/performance relationship, even though there is no universal relationship. However,

the question is whether EO adds value by enabling a firm to exploit opportunities and/or defend against threats (Barney, 1995). As already argued, EO leads to new entry, which most certainly is opportunity exploiting. In addition, Brouthers et.al (2014) argues that EO can help overcome certain barriers in foreign markets. Thus, this study concludes that EO is valuable. Considering EO's value, and the evidence that suggests a positive EO/performance relationship, this study hypothesize:

H1: *EO has a positive impact on firms' financial-, market-, and innovation performance.*

The next element to consider is whether EO is rare. The processes, practices and decision-making activities that leads to entrepreneurship (Lumpkin and Dess, 1996) or new entry are not rare. All companies that have launched a new entry has to a certain extent illustrated levels of EO. By following the steps in figure 5, this study concludes that EO is not a sustainable competitive advantage, but a competitive parity, in contrast to S-D orientation as found by Karpen et.al. (2015). Given the logic of the resource-based view (Barney, 1991) and the VRIO-analysis of EO and S-D orientation, this study hypothesize that S-D orientation in general will lead to better performance for firms, compared to EO. More formally:

H2: *Firms' S-D orientation has a more positive impact on financial-, market-, and innovation performance, compared to firms' EO.*

3.1. Configuration Hypothesis

According to configuration theory, there is no correct way to organize your firm (Greenwood, 2008). There are a vast number of different configurations that all can be successful. This is illustrated in the EO/S-D orientation matrix. Four different companies with four different configurations of EO and S-D orientation have all proven to be successful. The key insight provided by configuration theory, the fact that performance is influenced by the interplay of organizational structure and

unforeseeable circumstances (Greenwood, 2008), is highly relevant for this study. Firms operate in ever-changing environments with different circumstances and contingencies, thus different constellations of firms are needed as a response to unstable environments (Greenwood, 2008). This study hypothesize that S-D orientation has a more significant impact on performance compared to EO (H2), configuration theory suggests that there are both internal and external elements that might have an impact on this relationship. A combination of the two orientations might be the ideal choice.

Knowledge-based theory consideres knowledge to be the most strategically important resource within a firm (Grant, 1996: 110). Using knowledge increases its value, in contrast to tangible goods which loose value when used (Sveiby, 2001: 347). By transfering knowledge from one value chain partner to another, the value of the knowledge is in theory doubled. In order to create value, communication and conversion must be effective (Sveiby, 2001). The developmental interaction capability of S-D orientation is defined as follows:

> "*An organisation's ability to assist individual actors' own knowledge and competence development within the service system."* (Karpen et.al, 2015: 91).

This capability refers to firms' ability to educate network partners and increase the level of skill within the organization. Value is then co-created because partners with improved knowledge will apply resources more purposefully and make better decisions (Karpen et.al, 2015: 91). The value of knowledge is increased by transferring it to other firms (Sveiby, 2001: 347) and knowledgeable network partners co-create value because their resources are more purposfully applied. In addition, firms make better decisions as their level of knowledge rise (Karpen et.al, 2015: 91). Given the importance of knowledge and knowledge-containing interaction, it seems given that an organizational configuration with a high level of S-D orientation will lead to positive performance outcomes.

Killa (2014) claims that firms today face fierce competition and companies that do not innovate will die. The author further argues that innovation is a key driver in the economic development. Within a firm, innovation can ultimately lead to positive strategic change and desirable outcomes, such as sustained competitive advantage (Killa, 2014). Lumpkin and Dess (2005: 148) defines innovativeness (one of EO's three original dimensions) as follows:

> "*A willingness to introduce newness and novelty through experimentation and creative processes aimed at developing new products and services, as well as new processes."*

As discussed in the literature review, certain members of the EO literature claims that not all dimensions of EO has to be illustrated within one firm (Lumpkin and Dess, 1996: 137). Covin and Slevin (1989) and Miller (1983) argues that the three dimensions covary. Given that the dimensions covary, firms' EO should in theory generate innovation. Both Jiang's et.al (2014) and Killa's (2014) findings supports a positive EO/innovation performance relationship. To summarize, configuration theory states that there is no correct way to organize your firm, thus a combination of EO and S-D orientation might create even better performance outcomes than one of the orientations isolated. Furthermore, the knowledge-based view highlights the significance of knowledge and knowledge transfer between firms, thus elevating S-D orientations relevance in terms of value (co-)creation. Finally, innovation is crucial to a firm's survival and development of desirable internal outcomes. Based on these arguments, this study hypothesize that proactive co-creators (firms with high levels of both EO and S-D orientation) will outperform the other configurations. More formally:

> **H3:** *Proactive co-creators will outperform firms with other EO/S-D orientation configurations in terms of financial-, market-, and innovation performance.*

3.2. Moderator hypotheses

This study wants to measure the impact of EO and S-D orientation and the optimal EO/S-D orientation configuration. Furthermore, internal and external factors that might moderate the configurations' impact on performance are included in the scope of the

study. In this section, this study will hypothesize on the moderating impact of adaptability, competitive intensity, market turbulence and absorptive capacity.

3.2.1 The moderating influence of competitive intensity and market turbulence

Competitive intensity (CI) refers to the level of competition in a firm's trading area. More specifically, CI consider the number of competitors in the industry, how often these competitors apply marketing techniques to gain market share and how intensely these techniques are used (Homburg et.al, 2002). Industries experiencing CI are recognized by cutthroat competition, promotional wars and price competition (Jaworski and Kohli, 1993; Stock and Reiferscheid, 2014). Examples of such industries are the airline industry, fast-food restaurant industry and the grocery retailing industry. In his article, Porter (1997) highlights a certain strategic alternative named "cost leadership". According to Porter (1997), the advantages of such a strategy are: (1) companies are defended against cost cutting tactics by less efficient competitors, as the profit margin will be greater for the "cost leader" at any given price. (2) Companies pursuing this strategy are ideally placed to defend against intensified competition in the form of substitutes and new entrants. (3) Cost leaders have price flexibility to minimize potential impacts of demanding suppliers. (4) Price-sensitive customers work in the "cost leader's" advantage. Thus, the "cost leadership" seems to have the characteristics needed to survive and prosper in an industry with CI.

Porter (1997) explains that firms pursuing a "cost leadership" strategy tend to minimize (and even avoid) spending on R&D and customer service. Porter's description of the "cost leadership" strategy share similarities with Aldi, the company used to describe the "passive dominators" outcome. The intention is not to suggest that all cost leaders are passive dominators, or vice versa. However, a lot of the successful cost leaders from industries such as airline, fast food restaurants and grocery retailing share similarities with Aldi in terms of EO and S-D orientation levels. Companies like Ryanair, Wal-Mart and McDonald's comes to mind. These companies, and other similar firms in the same industries are performing very well. Israel (2014) illustrates how low cost airlines are capturing more and more market shares in the airline industry. There are also similar evidence from the grocery retail industry (Pettinger, 2014). Thus,

this study hypothesize that passive dominators will be the favorable option when competition is intense in the industry.

Market turbulence (MT) refers to the degree of which customers' preferences change over time, and whether these customers are seeking elsewhere to satisfy their needs (Olson, Slater and Hult, 2005: 62). As already learned by studying contingency theory, firms operate in unstable environments and external factors affects performance (Greenwood, 2008). Changes in customer preferences is an excellent example of such factors. When external factors in the market are changing, firms must consider whether to change internal factors. The interplay between internal and external factors are determinable for performance, as suggested by contingency theory (Greenwood, 2008). So what internal factors are needed in a scenario with MT? In their article, Homburg et.al (2002) highlights the importance of a service-oriented strategy to deal with changing customer needs. Moreover, service is an additional factor to satisfy customer needs, beyond what the product itself is able to, thus creating extra value for the customer (Homburg et.al. 2002). By considering the interaction capabilities from Karpen et.al. (2015: 91), one can get a picture of how additional value through service is possible. A firm can achieve additional value through individuated interaction with network partners, in this case customers, thus assist customers in creating desired experiences (Karpen et.al. 2015: 91). Empowered interaction enables firms to engage network partners, again referring to customers, in organizational processes so that they can contribute to favorable experiences. It appears like S-D orientation will enable firms to create the extra value needed to maintain customer relationships even when customers' preferences are changing.

Moreover, a high level of EO within a firm might also provide firms with highly useful tools and attitudes when facing MT. Killa (2014) argues that innovation is the key solution to survive. The innovation dimension of EO, refers to firms' ability to introduce newness to the organization through experimentation and creative processes with the purpose of creating new products, services and processes (Lumpkin and Dess, 2005: 148). Moreover, proactiveness, the forward-looking perspective typical of a marketplace leader that seize opportunities in anticipation of future demand (Lumpkin and Dess, 2005: 148) seems to be useful in turbulent markets. When customer

preferences are changing, it should be essential to introduce newness to your product portfolio in order to keep up with the customers. These two dimensions combined provides firms with the ability to identify and enter a blue ocean market, thus introducing new products in anticipation of changing customer preferences. A blue ocean market is characterized by unexploited market space, creation of demand and the prospect of profitable growth (Kim and Mauborgne, 2005). When a firm introduce a new product innovation, it creates a temporary monopoly scenario with the prospect of high product prices and margins (Utterback and Suarez, 1993: 2). Thus, EO provide firms with the ability to create new opportunities for themselves. In addition, EO enables firms to create products and services in anticipation of changing customer preferences and needs. A high level of both S-D orientation and EO seems to be the ideal configuration in industries with MT. S-D orientation enables firms to increase value for customers, thus keeping their business. EO enables firms to effectively avoid competition and/or face competition with an aggressive stance. These arguments surrounding competitive intensity and market turbulence, leads to the following hypothesis:

H4: *In high competitive intensity contexts, Passive Dominators outperform the other configurations; in high turbulence contexts, Proactive Cocreators outperform the other configurations.*

3.2.2 The moderating influence of adaptability and absorptive capacity

According to Tuominen, Rajala and Möller (2004), adaptability is defined as a firm's ability to identify and act upon emerging market trends and technological opportunities. The general assumption in the literature is that firms act in response to changes in the environment, or to create their own environment (Tuominen et.al. 2004). Furthermore, adaptability refers to which degree firms can deploy a variety of organizational capabilities (Tuominen et.al. 2004). In terms of performance, several studies have indicated that adaptability is essential for business performance in complex and turbulent markets (Tuominen et.al. 2004). Oktemgil and Greenley (1997) finds that high levels of adaptability has a positive impact on sales growth, market share

and new product success rate. Adaptability is costly as it may lead to inefficiency, but the benefits of increased performance offset the costs (Oktemgil and Greenly, 1997). According to Lumpkin and Dess (1996), the definition of adaptability is the willingness to change as the business environment changes. Both Lumpkin and Dess (1996) and Tuominen et.al (2004) describe an ability to change internally as response to external changes. Greenwood (2008) emphasize the importance of the interplay between internal configurations and unforeseen external changes. Configuration theory suggests that all firms operates in unstable environments (Greenwood, 2008), thus adaptability should have a desirable impact on firms' performance. Jambulingam, Kathuria and Doucette (2005) argues that firms possessing the competitive aggressiveness, proactiveness and the risk-taking dimensions are expected to be more adaptable. Moreover, proactiveness and competitive aggressiveness require a certain level of environmental awareness and an ability to react to it (Jambulingam et.al 2005). Hence, it appears that EO and adaptability are reciprocally reinforcing concepts. Adaptability seems to be important for optimal application of EO. Considering adaptability's positive impact on performance, and the reinforcing effect on EO, this study hypothesize that adaptability has a positive moderating impact on proactive dominators and proactive co-creators.

Absorptive Capacity (ABCAP) is defined as a firm's ability to see the value of new, external information, absorb it and to apply it in a business context in order to sustain competitive advantage (Wu and Voss, 2015). The development of ABCAP, is according to Wu and Voss (2005) dependent on the level of related and existing knowledge. According to Zahra and George (2002), ABCAP is a four dimensional construct consisting of the following dimensions: acquisition, assimilation, transformation and exploration. The four dimensions describes the entire process of gaining and applying knowledge in a commercial setting. Furthermore, the four dimensions are divided into two components of ABCAP (Zahra and George, 2002). Acquisition and assimilation are categorized as potential absorptive capacity (PABCAP), and refers to the firm's willingness and ability to gain new external knowledge. However, it does not guarantee exploitation of the knowledge (Zahra and George, 2002). The remaining two dimensions are known as realized absorptive

capacity (RABCAP), and these two categories have to co-exist in order to achieve ABCAP (Zahra and George, 2002).

Engelen, Kube, Schmidt and Flatten (2014) highlights ABCAPs reputation for being a dynamic capability. According to Engelen et.al (2014) dynamic capabilities have additional value in dynamic environments. Contingency theory suggests all firms operate in unstable environments, thus ABCAP as a dynamic capability should prove its worth. Engelen et al. (2014) argues that ABCAP is particularly important to EO. Effective and efficient implementation of entrepreneurial activities involves a lot of uncertainty. Firms often lack existing knowledge and information, thus ABCAP's impact on EO should be evident. Moreover, Engelen et al. (2014) discovers that ABCAP's strengthens EO/performance relationship in turbulent markets. Sciascia et.al. (2014) found a positive EO/performance relationship when combined with ABCAP.

When firms pursue entrepreneurial opportunities (new markets, new products etc.), gaining first-mover advantage is a desirable outcome for obvious reasons. By stimulating the demand side of the economy and creating new market spaces, firms make competition irrelevant (Kim and Mauborgne, 2005). Firms pursuing this type of strategy (called blue ocean strategy) do not use existing industry boundaries and standards as benchmarks. Input and knowledge gained from network partners (customers, suppliers, distributors etc.) will most likely provide you with information and insights based on existing industry boundaries. *"Customers don't know what they want"* is a famous quote by Steve Jobs, which perfectly illustrates what knowledge and entrepreneurial activity can do when combined (Mui, 2011). Apple has typically been skilled in creating such blue ocean scenarios with their game changing mp3 players, smart-phones and tablets. They have done so without interacting with their network partners (Mui, 2011), as argued in the literature review. ABCAP has a positive impact on the EO/performance relationship (Engelen et.al 2014; Sciascia et.al. 2014). EO and ABCAP combined enable firms to create new market space where competitions is irrelevant, thus firms will experience monopoly-like conditions. It is done without knowledge based on limiting industry boundaries. This study therefore hypothesize that firms with high levels of EO and low levels of S-D orientation

outperform firm with other EO/S-D orientation configuration when combined with ABCAP. Based on these arguments, this study hypothesize the following:

H5: *Adaptability has a positive moderating impact on Proactive Dominators and Proactive Co-creators, while Absorptive Capacity has a positive moderating impact on Proactive Dominators but not on any of the other configurations.*

4. Methodology and Data Collection

This section will describe the methodological approach of this study and the data collection process. Furthermore, a thorough description of the data collection process, the questionnaire and its theoretical foundation will follow. That includes a description of the measurement items used for measuring EO, S-D orientation, as well as the performance outcomes and moderator variables.

4.1.Structural Equation Modelling

Structural equation modelling (SEM), as an analytic method, has experienced growth in popularity in recent years, and has obtained a status as quasi-standard in marketing research (Hair, Sarstedt, Ringle, Mena, 2011). One of the advantages of using this method is that SEM allows researchers to test complete theories and concepts (Hair et.al. 2011), which is a clear advantage when measuring the effects of two theoretical concepts, such as EO and S-D orientation. There are two alternative approaches of SEM; covariance-based (CB) SEM and partial least square (PLS) SEM. For the analyses of this study, PLS SEM was the preferred method.

4.2. Primary Data

As highlighted in the literature review, this research is original in the sense that it measures EO's and S-D Orientation's combined and comparative impact on performance outcomes, in a Norwegian/Danish context. Naturally, this limits the availability of secondary data. Therefore, this study applied an online survey to collect

primary data. The online survey was distributed to Norwegian and Danish companies, some with operations in both countries. A thorough list of companies was provided by Innovasjon Norge (Innovation Norway), a Norwegian publicly owned firm who consult and support domestic entrepreneurs and Norwegian companies in their internationalization process. Furthermore, this study will apply a quantitative mono method for the data collection, using a survey as research strategy.

4.2.1 Self-completed internet questionnaire

A questionnaire is the preferred method of collecting data when conducting descriptive or explanatory analysis (Saunders, Lewis and Thornhill, 2011). In this study, a self-completed internet questionnaire was applied. This is consistent with the existing measurement items in the EO and S-D orientation literature. The questions take the form of scales, where the questions serve as indicators of a construct or concept (Saunders, Lewis and Thornhill, 2011). In order to accurately measure EO and S-D orientation, the questionnaire will be based on proven measurement items from the literature.

4.2.1.1 Main variables

This study applied a five-dimensional EO construct, where the original three dimensions are based on Anderson et.al (2014) reconceptualization of EO. The last two items, originally suggested by Lumpkin and Dess (1996), are included. The measurement items for these dimensions are based on Lumpkin and Dess (2001) bipolar measures. All dimensions takes the form of bipolar statements, scaled on a seven point likert scale. The S-D orientation items are based on Karpen et.al (2015) measurement items. Minor modifications were required as the original items were designed for customers to answer. Hence, the items were re-written for employees/managers.

4.2.1.2 Performance outcomes

The performance measures were adapted from a variety of sources. For innovation performance, Ordanini and Parasuraman's (2011) innovation radicalness measures were applied. Homburg and Pfesser's (2000) market performance measures were also

applied. Finally, the financial performance measure were adapted from Homburg, Arzt and Wieseke (2012) and Karpen et.al (2015).

4.2.1.3 Moderators

As learned from configuration theory, several external and internal factors might affect firm performance (Greenwood, 2008). Hence, this study wanted more insight in which factors that could impact the EO/S-D orientation configurations' performance relationship. The adaptability measures is based on Jambulingam, Kathuria and Doucette (2005). As the research process progressed, competitive intensity, market turbulence and absorptive capacity were added to the study. The first of the fore-mentioned variables were adapted from Homburg et.al. (2002), the second from Olson et.al (2005), and the latter from Wu and Voss (2005). All variables included in the questionnaire were measured in accordance to the literature. To ensure quality in the survey, all measurement items were taken from A* or A rated journals, ranked in the ABCD (Australian Business Deans Council) Journal Quality List.

4.2.2 The data collection process

The initial step of the data collection process was defining the population of the study. In the study's infancy the population was defined as all Norwegian companies with operations in Denmark. However, this appeared to be a rather small population. Thus, the scope of the study and the population was expanded. In order to be included in the population, the companies had to meet two of the following criteria:

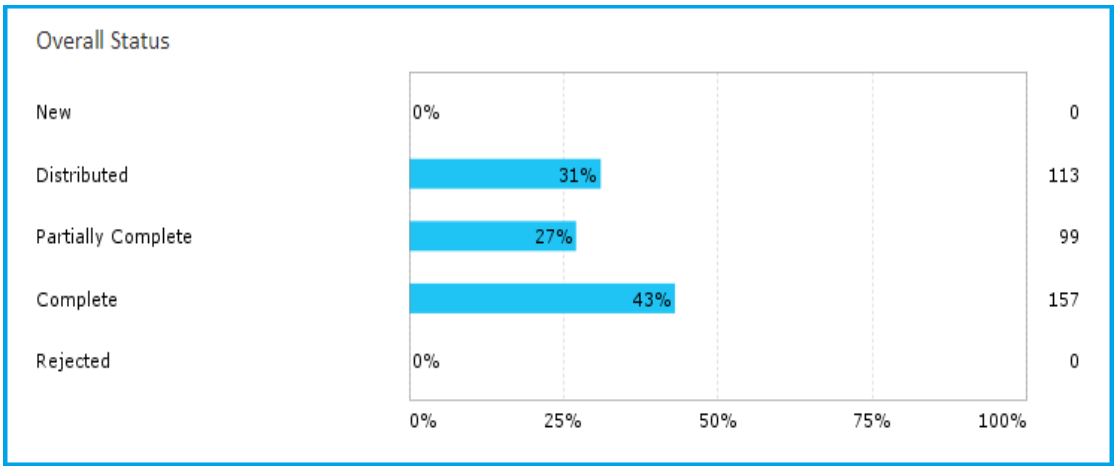
- The company need to have Danish majority ownership.
- The company need to have Norwegian majority ownership.
- The company need to have Danish or Norwegian ownership with subsidiaries in both countries.

The population reached a tally of 994 companies. The population and scope of the study grew simultaneously. The findings of this study are able to conclude on the effects of EO and S-D orientation in the Norwegian and Danish market. The next step was

collecting e-mail addresses in order to create a distribution list for the survey. This information was available through a list provided by Innovasjon Norge's (Innovation Norway) Danish office and company websites. The data collection process took several measures in use in order to increase the response rate. Firstly, the link to the survey was distributed in an e-mail written to the individual company, as the feeling of tailored content would increase the probability of completed response, as suggested by Saunders, Lewis and Thornhill (2011). Moreover, an explanatory cover letter initiated the survey with the purpose of committing the respondents to completing it, again as suggested by Sanders, Lewis and Thornhill (2011). To further increase the response rate, a summary of the findings were offered to every respondent. The effect of this measure is most likely limited as none of the respondent made inquiries about such a summary.

The figure below illustrates a distribution of the respondents who only opened the survey (categorized as "Distributed"), respondent who started the survey but failed to complete (categorized as "Partially Complete") and the respondent who completed the survey and thus falls within the dataset of this study. Out of the 994 companies who received an invitation to participate in the survey, 15, 8 % completed the survey. Unfortunately, 208 companies failed to complete the survey. E-mail reminders were distributed, but the tool applied could not track respondent progress down to the individual respondent. Thus, it is unknown whether these reminders served their purpose.

Figure 5: Response rates from data collection process



It is difficult to explain why 21, 3 % opened the survey without completing it. However, some of the feedback suggest that the complexity of the language used in the different measurement items was a barrier for completing the survey. Norway ranks 4th in the world in terms of English proficiency, and Denmark ranks 1st, according to Education First English Proficiency Index for companies 2014 (Eduation First, 2014). Thus, the language barrier was not considered an issue for this study. The academic nature of the language in the survey might be difficult to grasp for business professionals. For future research on EO and S-D orientation in Scandinavia, translating the measurement items might generate a better response rate.

4.2.3 Reliability and validity

In order to collect the data accurately, certain steps of reliability and validity was taken into consideration. First of all, the questions must be understood in the intended way by the respondents, and the responses must be understood in the intended way by the researcher (Saunders, Lewis and Thornhill, 2011). Internal validity and construct validity were considered carefully. Internal validity refers to the questionnaire's ability to measure what the research intends to measure. Moreover, construct validity is concerned with whether the questionnaire measures the presence of the constructs, as intended by the researcher (Saunders, Lewis and Thornhill, 2011). The majority of the questionnaire is based on proven measurement items from the literature, hence its reason to believe that the validity of the questionnaire is satisfactory.

Reliability can be interpreted as consistency in respondents' interpretation of the items in the questionnaire (Saunders, Lewis and Thornhill, 2011). The existing measurement items are written in English, which is a second language to the population of this study. Norway ranks 4th in the world in terms of English proficiency, and Denmark ranks 1st (Education First, 2014). This suggests that Norwegian business professionals should be comfortable with the language in the questionnaire. Nevertheless, according to feedback from a handful of subjects from the population, the language in the survey was perceived too complex to answer. As can be seen in the "Data Analysis" section, the reliability was satisfactory. Saunders, Lewis and Thornhill (2011) recommends a four-step procedure to ensure both validity and reliability:

- *Researcher is clear about the data required and designs the questions*
- *Respondents decodes the questions in the way the researcher intended.*
- *Respondents answer the questions.*
- *Researcher decodes the answers in the way the respondents intended.*

In addition, a pilot test group of Norwegian and Danish graduate business students were asked to answer the questionnaire and provide feedback. This is a useful method to obtain an assessment of the questions' validity and reliability (Saunders, Lewis and Thornhill, 2011). Moreover, business professionals from both countries provided useful, non-academic feedback to the survey upon its release. When the data was collected, the individual response time was investigated to make sure that the respondents had read and answered the questions thoughtfully. Respondents who spent less than 8 minutes on the survey was deleted from the dataset. The "Data Analysis" chapter will consider the reliability and validity, based on statistical estimators.

4.2.4 Description of the dataset

All the respondents were asked a handful of control questions in order to describe the population. Respondents had to inform about gender, title/level of employment, when the firm was established and how many employees the firm currently employed. As the following tables illustrates, the dataset contains a good mix of age and number of employees. Not surprisingly, the majority of the respondents had a lower level of employment. There is also a majority of males in the data set (95).

Table 3: Descriptive data of the respondents. Based on the dataset.

Year founded	No. Of respondents	No. Of employees	No. Of respondents
2000 - 2016	59	0 - 50	52
1960 - 1999	55	51 - 250	28
1900 - 1959	19	251 - 500	17
< 1900	24	501 - 1000	9
		1001 <	51
Title	**No. Of respondents**	**Gender**	**No. Of respondents**
Managing director	11	Female	62
CEO/CFO/COO/C-level	23	Male	95
Department manager	52		
Manager	71		

5. Data Analysis

5.1 Measure Quality Analysis

Before initiating the hypothesis analysis, a handful of preliminary tests were conducted to ensure measurement validity and reliability. Scales for both EO and S-D orientation were submitted to the same statistical tests. First, the reliability of the EO scale were tested, in the form of a factor analysis. The purpose of a factor analysis is to account for correlations among the measured variables (Cudeck and O'Dell, 1994). In general, the reliability of EO was satisfactory, with factor loadings above 0.7 as illustrated in Table 4. The first item within the competitive aggressiveness dimension and the first item of innovativeness were removed from the dataset due to low factor loadings (below 0.7).

Table 4: EO reliability: factor analysis of factor loadings – based on SmartPLS

	Autonomy	CompAgress	Innovativeness	Proactiveness	Risktaking
AUT1	0.735				
AUT2	0.820				
AUT3	0.736				
AUT4	0.870				
CA2		0.876			
CA3		0.838			
CA4		0.860			
INN2			0.916		
INN3			0.830		
PRO1				0.833	
PRO2				0.880	
PRO3				0.911	
RISK1					0.785
RISK2					0.858
RISK3					0.876

The S-D orientation items achieved satisfactory factor loadings and had a satisfactory inter-item correlation, as illustrated in Table 7. Furthermore, both EO and S-D orientation achieved composite reliability above required levels of 0.7 as shown in Table 5 and 6. When applying SEM and estimating reliability, the estimator is often referred to as composite reliability (Peterson and Kim, 2013). Composite reliability is a widely acknowledge alternative to the popular Cronbach's alpha. Composite reliability has certain advantages as it allows loadings to vary (Peterson and Kim, 2013). The composite reliability factor loadings of EO and S-D orientation are illustrated in Table 5 and Table 6, respectively.

Table 5: S-D orientation composite reliability

	Composite Reliability
CIC	0.928
DIC	0.924
ETIC	0.934
EMIC	0.916
IIC	0.912
RIC	0.916

Table 6: EO composite reliability

	Composite Reliability
Autonomy	0.870
CompAgress	0.894
Innovativeness	0.866
Proactiveness	0.908
Risktaking	0.878

*Table 4 and Table 5 are both based on SmartPLS.

Table 7: S-D orientation reliability: factor analysis of factor loadings – based on SmartPLS.

	CI	DI	EMI	EI	II	RE
CIC1	0.783					
CIC2	0.866					
CIC3	0.884					
CIC4	0.868					
CIC5	0.845					
DIC1		0.799				
DIC2		0.818				
DIC3		0.890				
DIC4		0.839				
DIC5		0.862				
EMIC1			0.781			
EMIC2			0.872			
EMIC3			0.841			
EMIC4			0.803			
EMIC5			0.838			
ETIC1				0.761		
ETIC2				0.830		
ETIC3				0.889		
ETIC4				0.928		
ETIC5				0.884		
IIC1					0.792	
IIC2					0.825	
IIC3					0.825	
IIC4					0.853	
IIC5					0.809	
RIC1						0.825
RIC2						0.855
RIC3						0.830
RIC4						0.843
RIC5						0.784

The last of these preliminary tests, discriminated validity, gave satisfactory results for both EO and S-D orientation. One of the most commonly applied methods for evaluating this estimator in PLS SEM analyses is cross-loading (Henseler, Ringle and Sarstedt, 2015). The results are illustrated in Table 8 and Table 9. By following the diagonal line from the top left corner down to the bottom right corner, one can see that square root of the average variance extracted is higher than the correlation between each of the dimensions. These results suggest that the items measure what they are intended to measure, and that the items are not measuring the same thing (Henseler, Ringle and Sarstedt, 2015).

Table 8: Discriminant validity for EO – based on SmartPLS

	Autonomy	CompAgress	Innovativeness	Proactiveness	Risktaking
Autonomy	**0.792**				
CompAggress	0.209	**0.858**			
Innovativeness	0.087	0.309	**0.874**		
Proactiveness	0.308	0.268	0.269	**0.876**	
Risktaking	0.364	0.414	0.416	0. 632	**0.840**

Table 9: Discriminant validity for S-D orientation – based on SmartPLS

	CIC	DIC	ETIC	EMIC	IIC	RIC
CIC	**0.850**					
DIC	0.493	**0.842**				
ETIC	0.495	0.407	**0.861**			
EMIC	0.532	0.451	0.286	**0.827**		
IIC	0.639	0.577	0.512	0.480	**0.821**	
RIC	0.475	0.500	0.234	0.410	0.586	**0.828**

These statistical estimators supports the argument from section 4 "Methodology and Data Collection", where this study argues that the items indeed have reliability and validity based on more qualitative measures, as suggested by Saunders, Lewis and Thornhill (2011).

5.2 Results of Hypotheses Testing

The first hypothesis of this study, H1, aimed to test the individual impact of EO on financial-, market-, and innovation performance. Figure 6 is a SmartPLS illustration of the analyses testing for EO's impact on financial-, and market performance (beta coefficients on the left and t-values on the right). In this isolated analysis, only measuring EO's impact on the performance outcomes, EO has a highly significant positive impact on innovation performance (innovation radicalness) (9.755>1.96, β: 0.582). EO also has a positive significant impact on market performance (3.957>1.96, β: 0.335), but no significant impact on financial performance (0.142<1.96). This is surprising, considering Rauch et.al's (2009) prediction that the performance relationships between EO and financial performance outcomes would be higher than the relationships between EO and non-financial outcomes. On the other hand, EO's impact on innovation performance is in line with the findings of Morgan et.al (2014) and Killa (2014). The analysis in Figure 6 also illustrates that innovation- and market

performance have positive impact on financial performance (2.482>1.96 and 7.274>1.96) (β: innovation performance: 0.209, β: market performance: 0.516). Thus, this study finds that EO has a positive direct impact on market- and innovation performance, and an indirect positive impact on financial performance.

Figure 6: EO's impact on market-, innovation- and financial performance – illustration from SmartPLS.

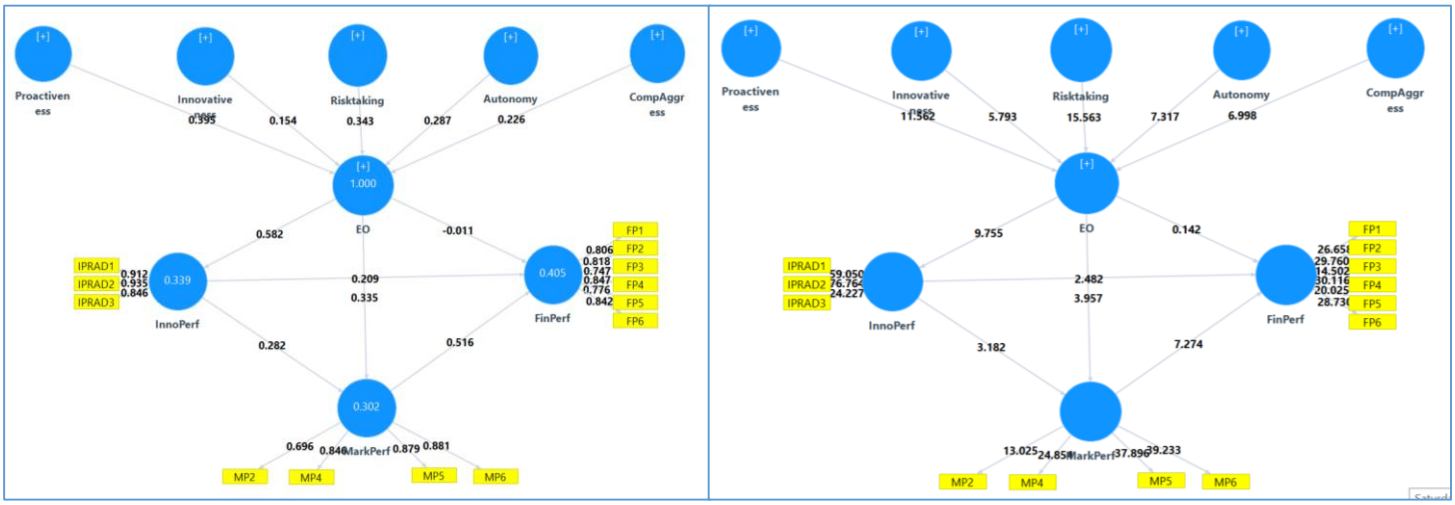
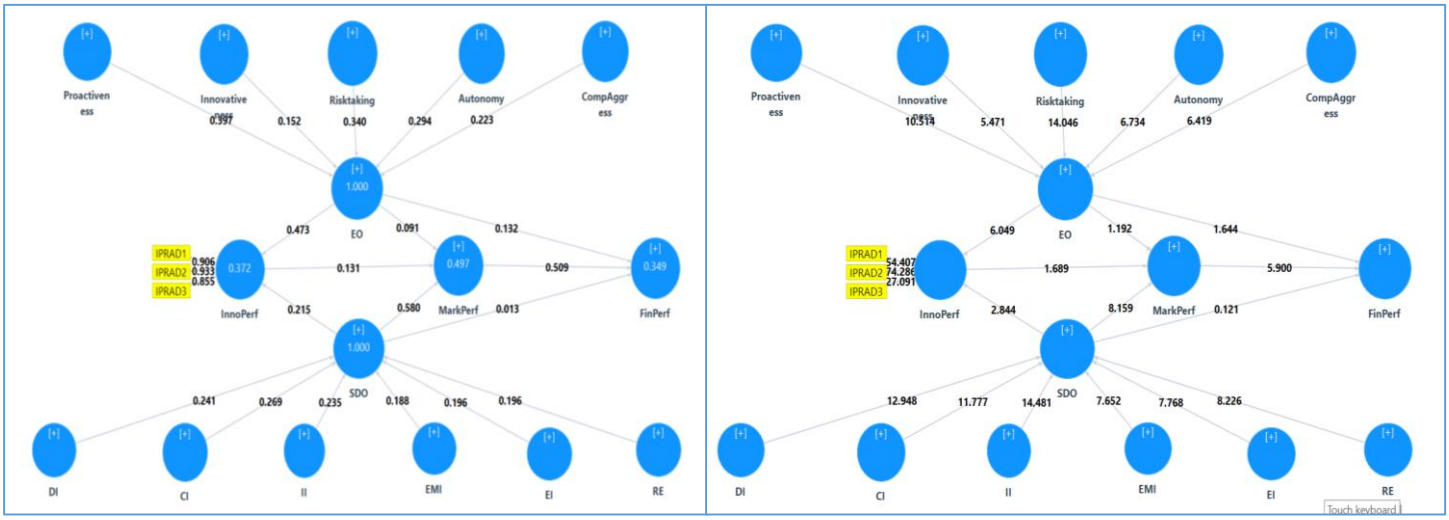


Figure 7 : EO's and S-D orientation's comparative impact on market-, and financial performance – illustration from Smart PLS.

In H2, this study hypothesize that firms' S-D orientation has a more positive impact on the performance outcomes compared to firms' EO. Figure 7 illustrates the results of the analysis with beta coefficients on the left and t-values on the right. Both EO (2.219>1.96) and S-D orientation (9.494>1.96) have positive significant impact on

market performance, however S-D orientation explains a lot more of the variance in market performance, which can been seen on the difference in t-values, and again on the explanatory power of the orientations (β for S-D orientation: 0.604 compared to EO β: 0.160). None of the orientations has a significant impact on financial performance, however market performance drives financial performance significantly in a positive direction (t-values: 5.900>1.96, β: 0.509). Thus, both orientations have an indirect significant impact on financial performance. The finding of S-D orientation's impact on market performance and indirect impact on financial performance supports the findings of Karpen et.al. (2015).

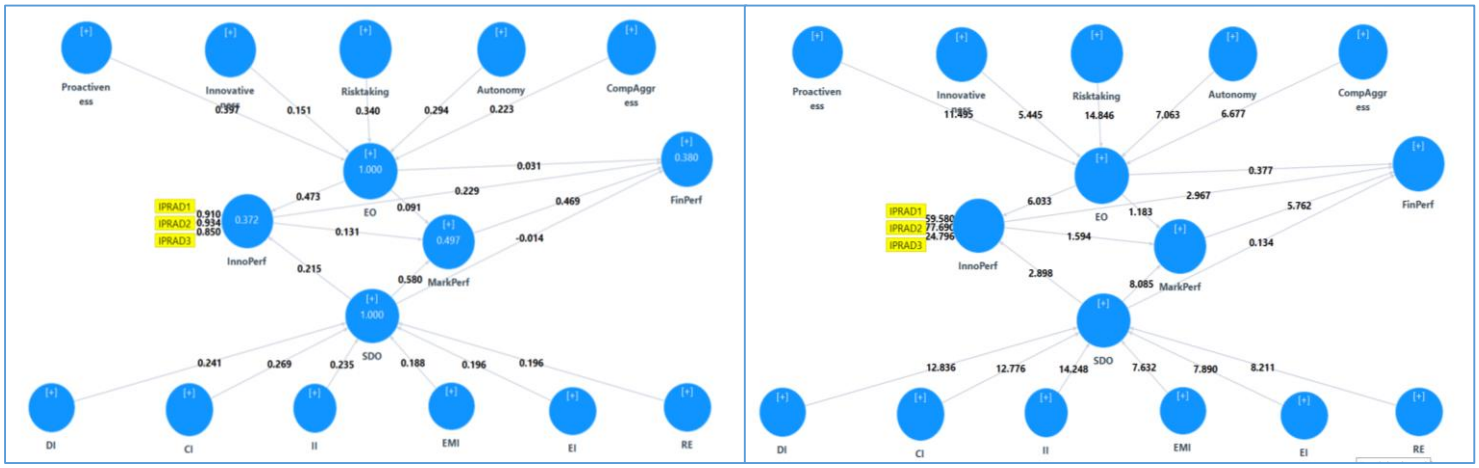
Figure 8 : EO's and S-D orientation's comparative impact innovation performance – illustration from Smart PLS.



Whereas S-D orientation outperforms EO in terms of market performance, and then indirectly in terms of financial performance, EO outperforms S-D orientation in terms of innovation performance. Both orientations have a significant positive impact on innovation performance, as suggested by the t-values and β (EO: 6.049>1.96, β: 0.473 – S-D orientation: 2.844>1.96, β: 0.215). As these results suggests, both S-D orientation and EO have value for firms in the form of their relationship with different performance outcomes. This is interesting before analyzing the different EO/S-D configurations and it proves that both orientations serves a purpose within a firm, and might very well complement each other. As illustrated in Figure 9, innovation performance, in the form of innovation radicalness, has a significant positive impact on financial performance (t-value: 2.967>1.96, β: 0.229). Innovation radicalness is important to firms' financial performance, and both orientations provide firms with

radical innovation, thus highlighting their importance of both orientations to firms further. In conclusion, S-D orientation outperforms EO in terms of market performance and financial performane, while EO outperforms S-D orientation in terms of innovation performance.

Figure 9: EO's and S-D orientation's impact on innovation performance, and innovation performance' impact on financial performance. Illustration from SmartPLS.



In H3, this study hypothesized that firms categorized as proactive co-creators (firms with high levels of both EO and S-D orientations) would outperform the other EO/S-D orientation configurations. As illustrated in Figure 10, both proactive dominators (2.710>1.96, β: -0.220) and passive dominators (6.840>1.96, β; -0.506) have a significant negative impact on market performance. When comparing their negative impact, passive dominators have the highest impact. These findings truly underlines the importance of S-D orientation in firms. Both configurations fail to prove a significant impact on financial performance in either direction. Passive co-creators have no significant impact on any of the performance outcomes. Proactive Co-creators have a positive significant impact on market performance (2.697>1.96, β: 0.306) as seen in Figure 11, also illustrated in Figure 12 (7.449>1.96, β: 0.533). The difference of Figure 11 and Figure 12 is due to the combination of configurations included in the analyses. Furthermore, proactive co-creators have a positive significant impact on innovation performance (2.133>1.96, β: 0.178) as seen in Figure 13. Additionally, as the analyses in Figure 11, 12 and 13 shows us, market performance and innovation performance has a highly positive significant impact on financial performance, thus proactive co-creators have an indirect positive impact on financial performance. When both included in the same analysis, both proactive co-creators

and proactive dominators have a significant positive impact on innovation performance. However, by looking at t-values and β, proactive co-creators outperforms proactive dominators. Again, this illustrates the importance of both EO and S-D orientations within firms. Passive co-creators can only show for a positive significant impact (3.818>1.96, β: 0.309) on market performance when included in an analysis with proactive co-creators and proactive dominators (see Figure 12). From these results, we can conclude that proactive co-creators indeed outperform the other EO/S-D orientation configurations.

Figure 10: Comparing proactive dominators', passive dominators' and passive co-creators' impact on market- and financial performance. Illustration from SmartPLS.

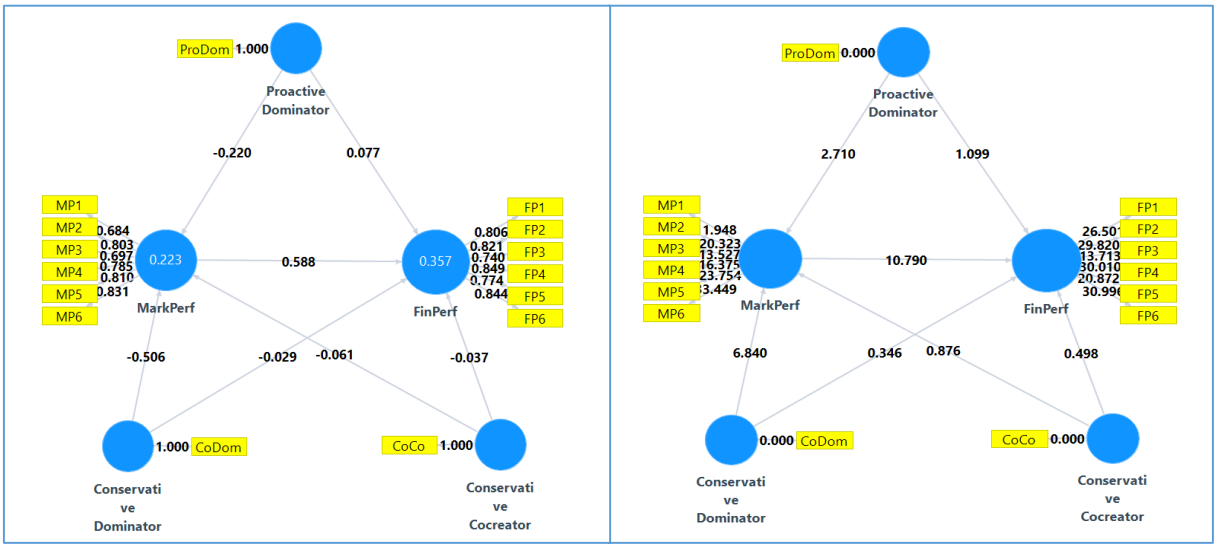


Figure 11: Comparing proactive co-creators', passive dominators' and passive co-creators' impact on market- and financial performance. Illustration from SmartPLS.

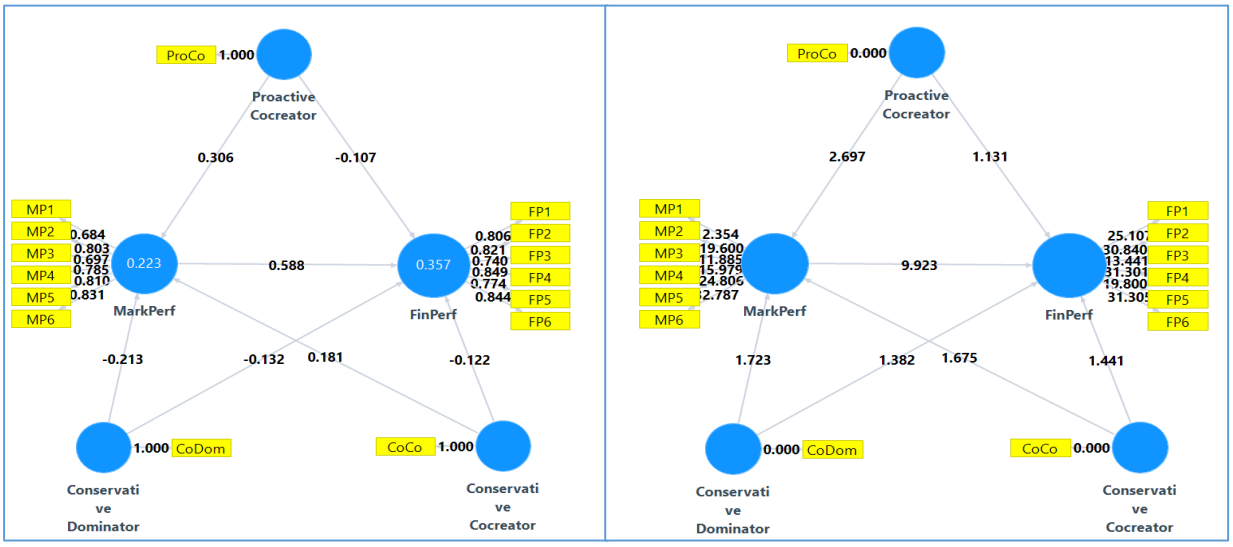


Figure 12: Comparing proactive co-creators', passive dominators' and passive co-creators' impact on market- and financial performance. Illustration from SmartPLS.

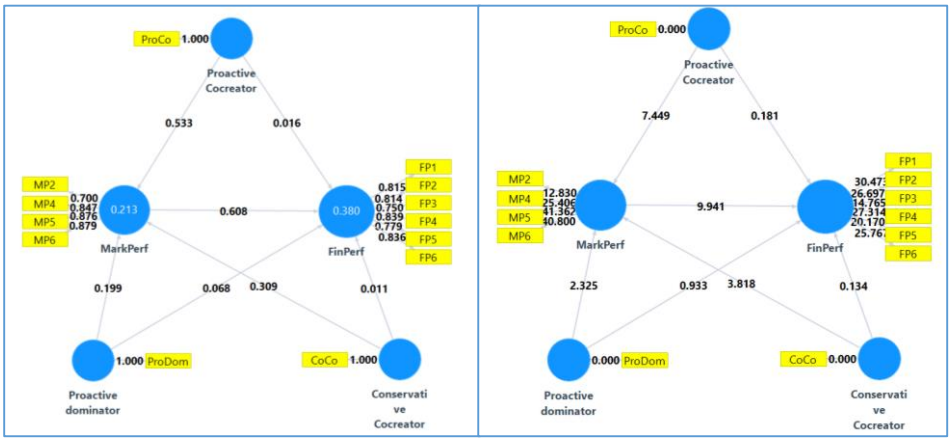


Figure 13: Comparing proactive co-creators', passive dominators' and passive co-creators' impact on innovation performance. Illustrations from SmartPLS.

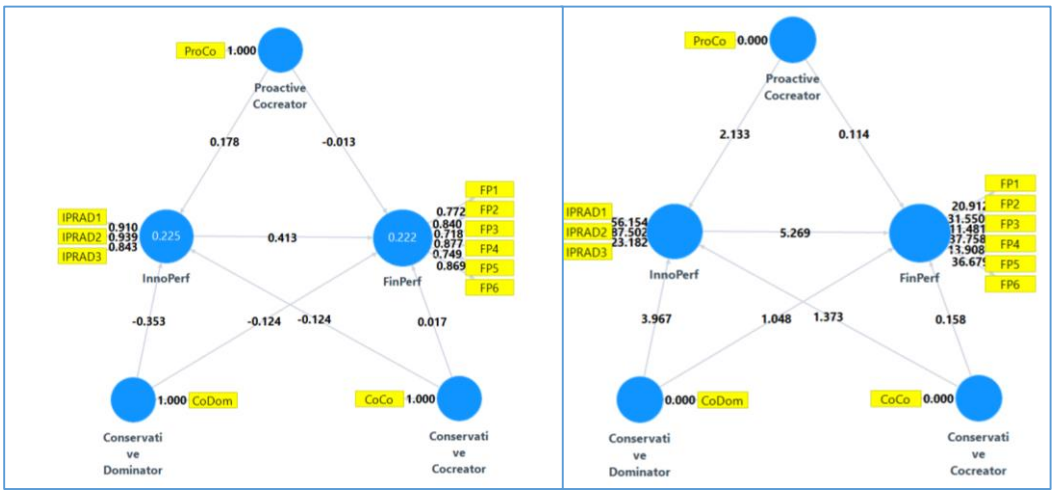
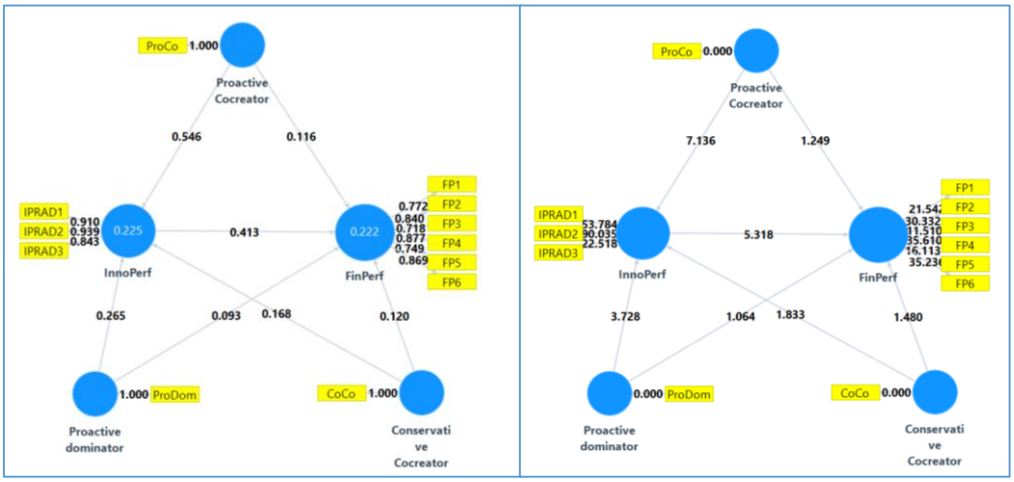
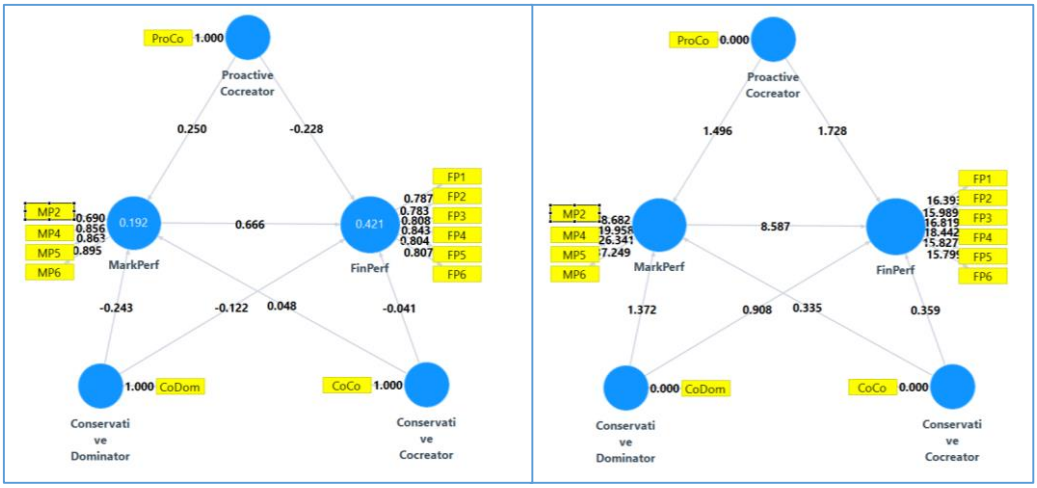


Figure 14: Comparing proactive co-creators', proactive dominators' and passive co-creators' impact on innovation performance. Illustration from SmartPLS.



H4 hypothesize that passive dominators outperform the other configurations when they find themselves in a highly competitive context. For this analysis, the dataset was divided in two groups: high and low competitive intensity, where the sample mean was the criterion used to place respondents into the two groups. The analysis is illustrated in Figure 15. In an environment with high competitive intensity, this study could not identify any significant impacts from the three analyzed configurations (proactive co-creators, passive dominators and passive co-creators). Interestingly, passive dominators do not have the same negative impact on performance in this highly competitive context, compared to other analyzes where passive dominators compares to proactive configurations. The analysis in Figure 15 shows that proactive co-creators remain the most important driver for performance, despite the impact not being statistically significant. H4 also hypothesized that proactive co-creators will outperform the other configurations in highly turbulent environments. The same procedure was applied in this analysis. The dataset was divided into two groups, high and low turbulence, using the sample mean as criterion. The analyses in a high/low market turbulence was conducted in the same manner as the analyses in Figure 10-15, and generated the same results. The proactive co-creators did indeed outperform the other configurations in a high turbulence context. Interestingly, proactive co-creators also outperformed the other configurations in a low turbulence context. This speaks for the importance and impact of high levels of both EO and S-D orientation, across different contexts. The findings failed to prove that passive dominators outperformed the other configurations in a highly competitive context, but established that proactive co-creators outperforms the others in a high turbulence context.

Figure 15: Comparing proactive co-creators', passive dominators' and passive co-creators' impact on performance outcomes in a high competitive intensity/high turbulence context. Illustration from SmartPLS.



The final hypothesis of this study, H5, hypothesized that adaptability has a positive moderating impact on proactive dominators and proactive co-creators. While adaptability itself has a highly positive impact on market performance (7.741>1.96, β: 0.542), when analyzed with proactive dominators, this study found no evidence of a moderating effect between adaptability and proactive dominators (Figure 16). Proactive dominators had no significant impact on performance in this analysis, and is actually outperformed by adaptability in that regard. When analyzing adaptability's potential moderating impact on proactive co-creators (Figure 17), this study again found that adaptability had a positive significant impact on market performance (5.892>1.96, β: 0.465). Proactive co-creators have a positive significant impact on market performance (2.410>1.96, β: 0.185), but also in this case, adaptability has the most significant impact. In both analyses involving adaptability, market performance maintains a highly positive significant impact on financial performance. However, this study found no evidence of adaptability having a moderating impact on the proactive configurations.

Figure 16: Analysis of the potential moderating impact of adaptability in correspondence with proactive dominators. Illustration from SmartPLS.

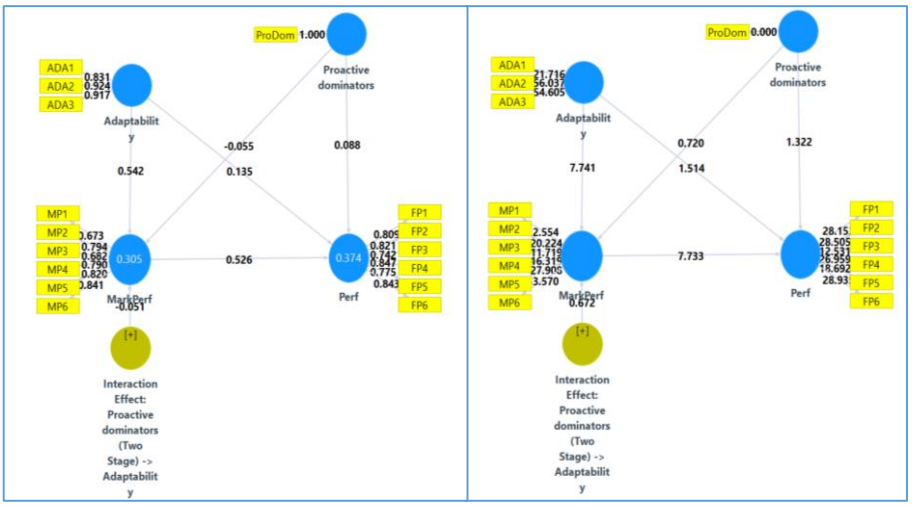
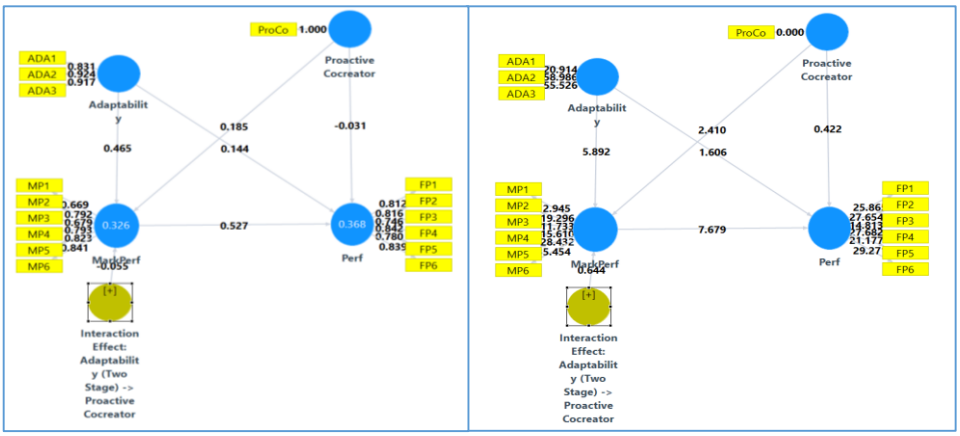


Figure 17: Analysis of the potential moderating impact of adaptability in correspondence with proactive co-creators. Illustration from SmartPLS.



Finally, H5 hypothesized that absorptive capacity has a positive moderating impact on proactive dominators, but not on any other configurations. As illustrated in Figure 18, absorptive capacity has a highly positive significant impact on market performance (5.976>1.96, β: 0.408) when analyzed with proactive dominators. Proactive dominators on the other hand cannot show for any impact on performance in this analysis (Figure 18). This analysis finds no evidence of significant moderation effects between absorptive capacity and proactive dominators. When analyzing absorptive capacity with proactive co-creators (Figure 19), absorptive capacity can again show for a positive significant impact on market performance (5.278>1.96, β: 0.349). In contrast to the previous analysis (Figure 18) where proactive dominators had no significant impact on performance, proactive co-creators have a positive significant impact on market performance (4.234>1.96, β: 0.289). This finding serves as another evidence of the superiority of proactive co-creators compared to the other configurations.

Figure 18: Analysis of the potential moderating impact of absorptive capacity in correspondence with proactive dominators. Illustration from SmartPLS.

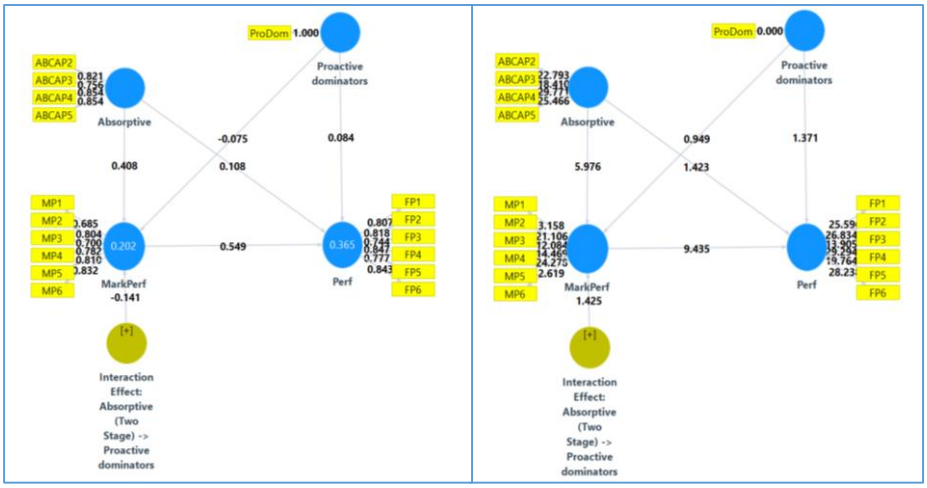
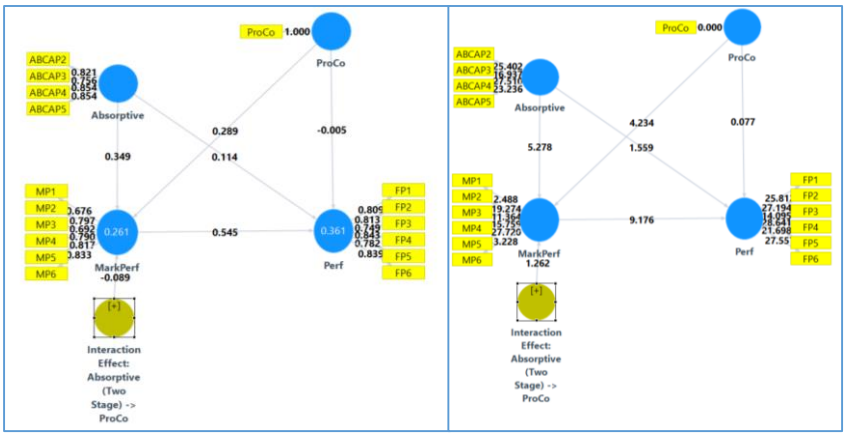


Figure 19: Analysis of the potential moderating impact of absorptive capacity in correspondence with proactive co-creators. Illustration from SmartPLS.

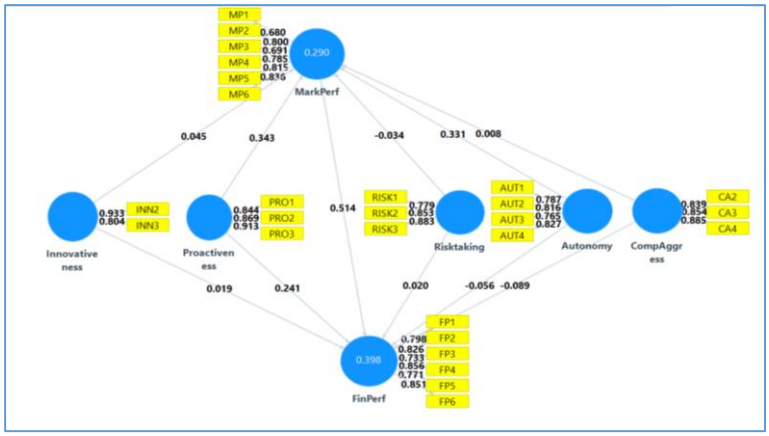


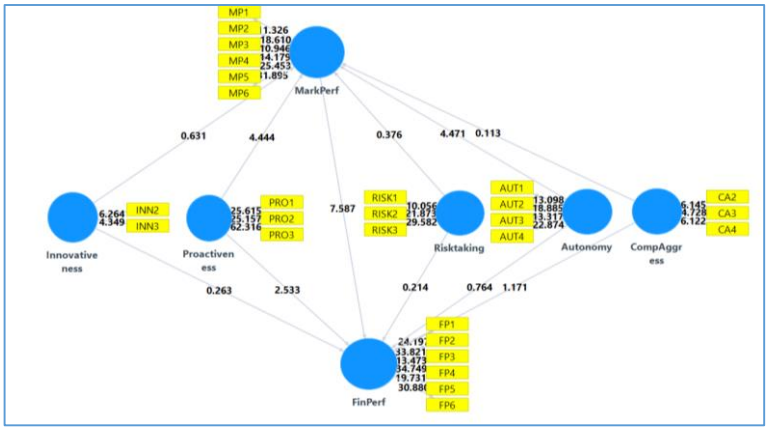
In conclusion, neither absorptive capacity nor adaptability can show for any moderating impact on the EO/S-D orientation configurations, yet, both internal factors have positive significant impact on performance.

5.3 Additional Analysis

For additional insight into the impact of EO and S-D orientation, the individual EO dimensions' and the individual S-D orientation interaction capabilities' impact on performance was put under the microscope.

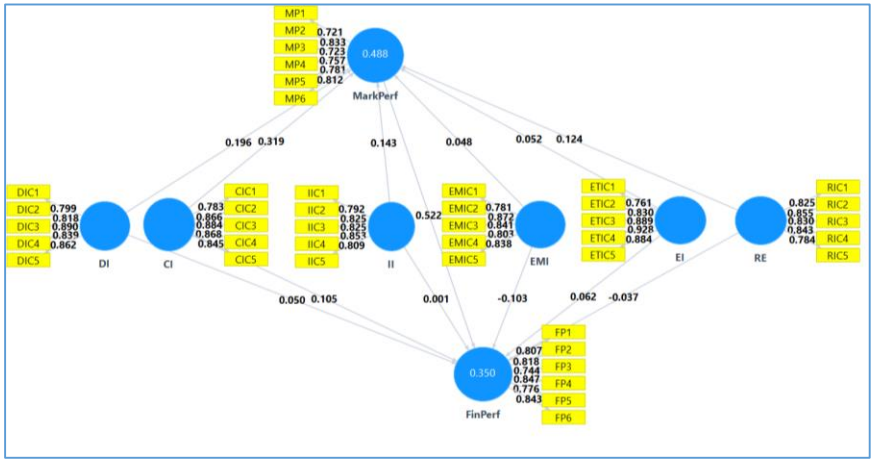
Figure 20: The EO dimensions' individual impact on market- and financial performance. (Continues on next page).

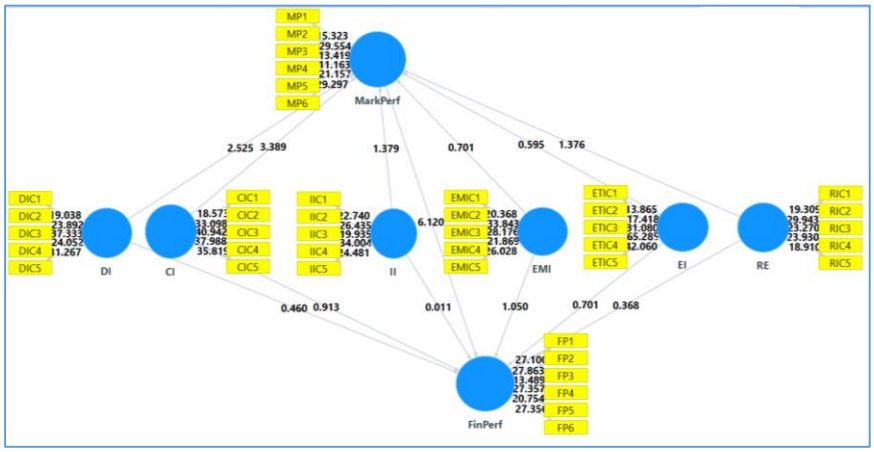




In this analysis, the combined impact of the EO dimensions only explains 29 % of the variance of market performance. There are interesting findings in this analysis, however. By looking at the dimensions' individual impact, only proactiveness (4.444>1.96, β: 0.343) and autonomy (4.471>1.96, β: 0.331) have a positive significant impact on either performance outcome. Proactiveness also has a positive significant impact on financial performance (2.533>1.96, β: 0.241). This speaks for the benefit of using a five dimensional EO construct, as it explains more of the variance in performance. Moreover, market performance has a highly positive impact on financial performance (7.587>1.96, β: 0.514). EO has failed to show a direct positive impact on financial performance in any other analysis in this study, and is truly and interesting finding, considering Rausch et.al (2009) prediction of EO having a more positive impact on financial performance outcomes, than non-financial performance outcomes. The analysis of the interaction capabilities' impact on performance resulted in the following:

Figure 21: The S-D orientation interaction capabilities' individual impact on market- and financial performance. (Continues at next page).





The combined explanatory power of the interaction capabilities on market performance is as high as 48, 8%. Interestingly, only the developmental (2.525>1.96) and concerted interaction capability (3.389>1.96) have a direct significant impact on market performance. None of the interaction capabilities has a direct significant impact on financial performance. This speaks for the combined impact of the interaction capabilities and the importance of thinking holistically about value co-creation in interaction with customers and other value network partners. Longer legs might propel Usain Bolt to run faster than the competitors, however, a single long leg would do him no good.

6. Theoretical and Managerial Implications

To the best of the author's knowledge, the findings of this study provide the first empirical insight to the comparative and combined impact of EO and S-D orientation on performance outcomes. This study makes an original contribution to the EO and S-D orientation literature, by finding an optimal configuration of the two orientations, with high levels of both proving to outperform the other configurations. These findings also contribute to the strategic management and strategic marketing literature, by proving that both orientations can, and should, exist within firms. The knowledge generated in this study is valuable to managers in the process of closing Day's (2011) marketing capability gap within their firms.

EO's positive impact on performance in this study speaks for the general importance of implementing and nurturing the EO dimensions into firms. The fourth industrial revolution is upon us (Schwab, 2016) and firms will have to re-think their management- and marketing capabilities. Firms must choose to innovate or die (Killa, 2014), not only in terms of new products, but also in terms of internal processes and capabilities. Considering EO's impact on radical innovation, and radical innovation's impact on financial performance, it should be self-explanatory that firms should focus on supporting and if not present, implementing, these dimensions into their organizations. Firms should aim to implement EO dimensions in their processes, practices and most importantly, in their decision-making. The analysis of the EO dimensions' individual impact leads back to a central discussion in the EO literature (and in this study's literature review), whether EO is a three- or a five dimensional construct. As the analysis in Figure 20 illustrates, autonomy has a positive significant impact on market performance. Autonomy is one of the two additional EO dimensions, formulated by Lumpkin and Dess (1996). Zhang et.al (2014) argues that the popularity of the three-dimensional construct is due to the lack of research and understanding of autonomy and competitive aggressiveness. The significant impact of autonomy in this analysis will hopefully encourage more research based on the five dimensional EO construct, with the goal of reaching consensus on a five dimensional EO scale. Moreover, these findings speaks for the benefit of measuring EO as a five dimensional construct as it explains more of the variance in performance. Furthermore, the joint impact of the dimensions and lack of individual impact, speaks for the power of EO as a holistic orientation.

S-D orientation outperformed EO in regards to impact on the chosen performance outcomes. These findings supports the limited body of research on S-D orientation's impact on performance. Moreover, the findings can highlight the potential gains for firms by turning their attention to these interaction capabilities and co-creation of value with customers and other network partners. The analysis in Figure 21 highlights that S-D orientation has a more positive impact on performance outcomes than the individual interaction capabilities. When combining EO and S-D orientation in configurations, S-D orientation again showed its value to firms. As illustrated in the analysis in Figure 10 the

passive dominators and proactive dominators (both configurations have low levels of S-D orientation) both had a direct negative impact on market performance.

The superiority of proactive co-creators give useful indications for firms, and could help firms to close the marketing capability gap (Day, 2011) mentioned in the introduction of this study. Primarily, it proves that EO and S-D orientation in no way are contradicting orientations that cannot co-exist in a firm. Executives are not left with a choice of one or the other, rather they are provided with an opportunity to implement both in their firms and reap benefit from the synergy effects of combining high levels of both orientations. More specifically, executives should provide their middle managers and employees with decision-making power, giving them the trust and autonomy needed to bring business opportunities to the table. Moreover, executives should set the example of proactive, forward-leaning thinking for their employees. EO is a managerial orientation (Anderson et.al, 2014) and management teams will benefit from setting EO on the agenda. The superiority of proactive co-creators also provide valuable learning for executives. As Skjøtt-Larsen et.al (2007) argues, management's capabilities in establishing and maintaining long-term, trust-based relationships with customers, suppliers and other network-partners is highly crucial in terms of competition. The interaction capabilities should be of high value in that regard, and firms are likely to reap massive benefits from implementing this way of thinking in relation to customers and other network partners. The interaction capabilities serve as useful indicators of how firms should strive to interact with their customers in a mutually beneficial manner, and how to build long-term, prosperous relationships.

7. Conclusion

This study aimed to discover EO's impact on the chosen performance outcomes, as formulated in research question 1. Through the analyses conducted, this study find EO's positive significant impact on market- and innovation performance. Furthermore, EO affects financial performance indirectly through market performance's highly positive significant impact. Additionally, this study shows EO's important impact on radical innovation, which again is a significant driver for financial performance. However, EO has no direct impact on financial performance.

Moreover, this study investigated S-D orientation's impact on the same performance outcomes, according to research question 2. This study has identified S-D orientation's positive impact on the chosen performance outcomes. S-D orientation has a significant positive impact on market performance and innovation performance. Indirectly through market performance, S-D orientation also has a positive impact on financial performance. When comparing the orientations' impact, S-D orientation does indeed outperform EO. S-D orientation has a stronger impact on market performance and indirectly on financial performance. EO on the other hand, outperforms S-D orientation in terms of innovation performance. This highlights the importance of nurturing both orientations within firms, and speaks for both EO and S-D orientation as performance drivers.

A third objective of this study, as formulated in research question 3, was to identify the optimal configuration of EO and S-D orientation. When comparing the four EO/S-D orientation configurations, it becomes clear that proactive co-creators outperform the other configurations in terms of the chosen performance outcomes. It is clear that high levels of both EO and S-D orientation is the optimal configuration, thus answering research question 3. Furthermore, proactive co-creators outperform the other configurations across different market contexts. Both in an environment experiencing high competitive intensity and in turbulent markets with changing customer preferences, proactive co-creators outperform the others. This speaks for the importance of this configuration and for the importance of EO and S-D orientation in firms, across different market contexts. Competitive intensity and market turbulence had no moderating impact as proactive co-creators, also in these contexts, outperformed the other configurations.

Both absorptive capacity and adaptability have significant positive impact on market performance, but do not have a significant moderating effect in correspondence with the EO/S-D orientation configurations. These findings speaks for the advantage of these internal factors, but fails to establish a moderating impact on the EO/S-D orientation configurations' performance relationships. Thus, this study has not been able to identify internal factors, which moderates the configurations' impact on the performance outcomes.

However, the analysis on absorptive capacity and adaptability serve as an indication of these factors' potential positive impact on performance.

8. Limitations and Future Research

This study has limitations that needs to be highlighted. First, the population of this study is based on Norwegian and Danish companies, thus its findings does not necessarily translate to other geographical contexts. Nationality was the main criterion for being included in the population of the study, and for even more interesting findings, the scope could have been narrowed down to a specific industry. However, in small nations like Norway and Denmark, such a scope could prove difficult in regards to collecting sufficient amounts of data. Secondly, the dataset should have been larger, including even more respondents. However, the time-frame of this thesis did not allow for further data collection. Lastly, radical innovation was the sole item for measuring innovation performance. Radical innovation is by no doubt important for firms, but the measure does not account for incremental innovation. Incremental innovation also has an important role in firms. Ideally, a measurement item for incremental innovation could have been included in this study to provide a more holistic picture on EO/S-D orientation's and the configurations' impact on innovation performance in firms.

This study has provided interesting findings, which might serve as a platform for further research, both in the field of EO and S-D orientation. Sciascia et.al (2014: 761) argues that there are no universal relationship between EO and performance. The findings of this study is far from a determining factor in that regard, but it might serve as encouragement for further research. The highly positive impact of EO on innovation performance/radical innovation is exciting, and supports findings from Morgan et.al (2014) and Killa (2014). The measurement item used for measuring innovation performance is one of the limitations of this study, thus this study would like to call out for more research on the EO/innovation performance relationship, preferably with more holistic measurement items for innovation performance, including incremental innovation. Moreover, the analyses generated interesting results in terms of EO and market performance. As mentioned in the literature review, no literature was found on the EO/market performance relationship. That is not to say such research is non-existing, yet market performance might deserve a more central

place in future EO research, especially when considering market performance impact on financial performance.

Boso, Story and Cadogan (2013) discovered that entrepreneurial companies gain better performance when high levels of EO is combined with high levels of market orientation (MO). The results from this study concludes that this is also the case for the combination of high levels of EO and high levels of S-D orientation. This study calls out for more research on the impact of proactive co-creators, with the ultimate goal of establishing a proactive co-creator/performance relationship. Moreover, it would be interesting to investigate EO in combination with other orientations from the strategic management- and strategic marketing literature. Approximately a third of the population had less than 50 employees and was established this millennium. This might be a limitation in itself, but it also triggers curiosity. It raises the question of whether EO will have the same positive impact on performance outcomes in populations of firms in an early stage of the life cycle compared to a population at the peak, or even decline stage of the life cycle.

As mentioned in the literature review, S-D orientation is a rather newly conceptualized concept, and does not have the same body of research as EO. Thus, this study welcomes all contributions to S-D orientation research. More specifically, it is of interest to research S-D orientation's impact on innovation performance. Again, highlighting the limitations of the measurement item applied for innovation performance. By studying the interaction capabilities of S-D orientation, radical innovation is not the first thing that comes to mind. Based on the results from hypothesis 2, it seems like co-creation of value and interaction with customers and value network partners generate the input required for driving radical innovation. Furthermore, the superiority of the proactive co-creator configuration was indeed an interesting finding. Proactive co-creators outperformed the other configurations in different market context, and this study calls for more research on this combination of EO and S-D orientation. Moreover, testing the configuration's generalizability across different market conditions and national markets would be of interest.

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Appendix

Appendix 1: The questionnaire

Welcome to my questionnaire and thank you for taking time to answer it. The survey will take approximately 10-15 minutes to complete. It can be answered by employees from all levels in the organization. Your contribution will pay a key role in my entrepreneurship and service research in Norway and Denmark.

In which year was the firm you are working for founded?

_____

Please specify the number of employees working for your firm in the preceding business year.

_____

Please rate your agreement to the following statements.

In general, the top managers of my business unit favor...

(1) ❑ 1. A strong emphasis on the marketing of tried and true products or services.

(2) ❑ 2

(3) ❑ 3

(4) ❑ 4

(5) ❑ 5

(6) ❑ 6

(7) ❑ 7. A strong emphasis on R&D, technological leadership, and innovation.

How many new lines of products or services has your business unit marketed during the past three years?

(1) ❑ 1. No new lines of products or services

(2) ❑ 2

(3) ❑ 3

(4) ❑ 4

(5) ❑ 5

(6) ❑ 6

(7) ❑ 7. Very many new lines of products or services

Changes in product or service lines have...

(1) ❑ 1. ...been mostly of a minor nature

(2) ❑ 2

(3) ❑ 3

(4) ❑ 4

(5) ❑ 5

(6) ❑ 6

(7) ❑ 7. ...usually been quite dramatic

Please rate your agreement to the following statements.

In dealing with its competitors, my business unit…

(1) ❑ 1. Typically responds to actions which competitors initiate.

(2) ❑ 2

(3) ❑ 3

(4) ❑ 4

(5) ❑ 5

(6) ❑ 6

(7) ❑ 7. Typically initiates actions to which competitors respond

In dealing with its competitors, my business unit…

(0) ❑ 1. Is very seldom the first business to introduce new products/services, administrative techniques, operating technologies, etc.

(1) ❑ 2

(2) ❑ 3

(3) ❑ 4

(4) ❑ 5

(5) ❑ 6

(6) ❑ 7. Is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc

In general, the top managers of our business unit...

(1) ❑ 1. Have a strong tendency to "follow the leader" in introducing new products or ideas

(2) ❑ 2

(3) ❑ 3

(4) ❑ 4

(5) ❑ 5

(6) ❑ 6

(7) ❑ 7. Have a strong tendency to be ahead of other competitors in introducing novel ideas or products

To what extent do the following statements describe the competition related to your local market?

	1. Strongly disagree	2. Disagree	3. Somewhat disagree	4. Neither disagree nor agree	5. Somewhat agree	6. Agree	7. Strongly agree
- Competition in our industry is cutthroat.	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑
- Price competition is a hallmark of our industry.	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑
- There are many 'promotional wars' in our industry	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑

Please rate your agreement to the following statements.

In general, top managers of my business unit have…

(1) ❑ 1. A strong proclivity for low risk projects (with normal and certain rates of return)

(2) ❑ 2

(3) ❑ 3

(4) ❑ 4

(5) ❑ 5

(6) ❑ 6

(7) ❑ 7. A strong proclivity for high risk projects (with chances for very high returns)

In general, the top managers of my business unit have…

(1) ❑ 1. Owing to the nature of the environment, it is best to explore it gradually via cautious, incremental behavior

(2) ❑ 2

(3) ❑ 3

(4) ❑ 4

(5) ❑ 5

(6) ❑ 6

(7) ❑ 7. Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm's objectives

When confronted with decision making situations involving uncertainty, my business unit…

(1) ❑ 1. Typically adopts a cautious "wait and see" posture in order to minimize the probability of making costly decisions.

(2) ❑ 2

(3) ❑ 3

(4) ❑ 4

(5) ❑ 5

(6) ❑ 6

(7) ❑ 7. Typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities.

Please rate your agreement to the following statements.

In general, the top managers of my business unit…

(1) ❑ 1. Require individuals or teams to rely on senior managers to guide their work

(2) ❑ 2.

(4) ❑ 3.

(6) ❑ 4.

(7) ❑ 5.

(8) ❑ 6.

(9) ❑ 7. Support the efforts of individuals and/or teams that work autonomously

In general, the top managers of our business unit believe that…

(1) ❑ The best results occur when the CEO / top managers provide the primary imputs for pursuing business

(2) ❑ 2.

(4) ❑ 3.

(6) ❑ 4.

(7) ❑ 5.

(8) ❑ 6.

(9) ❑ 7. The best results occur when individuals and/or teams decide for themselves what business opportunities to pursue

In our business unit…

(1) ❑ 1. Individuals and/or teams pursuing business opportunities are expected to obtain approval from their supervisor(s) before making decisions

(2) ❑ 2.

(4) ❑ 3.

(6) ❑ 4.

(7) ❑ 5.

(8) ❑ 6.

(9) ❑ 7. Individuals and/or teams pursuing business opportunities make decisions on their own without constantly referring to their supervisor(s)

In our business unit…

(1) ❑ 1. The CEO / top management team play a major role in identifying and selecting the entrepreneurial opportunities our firm pursues

(2) ❑ 2.

(4) ❑ 3.

(6) ❑ 4.

(7) ❑ 5.

(8) ❑ 6.

(9) ❑ 7. Employee initiatives and input play a major role in identifying and selecting the entrepreneurial opportunities our firm pursues

Our business unit excels in…

	1. Strongly disagree	2. Disagree	3. Somewhat disagree	4. Neither disagree nor agree	5. Somewhat agree	6. Agree	7. Strongly agree
...integrating extant knowledge internally	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑
...applying knowledge to a specific problem or task	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑
...effectively categorizing knowledge and waiting to use it in the future	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑
...effectively utilizing extant or newly acquired knowledge to cope with the environment	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑
...flexibly utilizing extant or newly acquired knowledge to cope with the environment	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑

Please rate your agreement to the following statements.

In dealing with its competitors, my business unit…

(1) ❑ 1. Typically seeks to avoid competitive clashes, preferring a “live-and-let-live” posture

(2) ❑ 2.

(4) ❑ 3.

(6) ❑ 4.

(7) ❑ 5.

(8) ❑ 6.

(9) ❑ 7. Typically adopts a very competitive “undo-the-competitors” posture

In dealing with its competitors, my business unit…

(1) ❑ 1. Makes no special effort to take business from the competition

(2) ❑ 2.

(4) ❑ 3.

(6) ❑ 4.

(7) ❑ 5.

(8) ❑ 6.

(9) ❑ 7. is very aggressive and intensely competitive

In dealing with its competitors, my business unit…

(1) ❑ 1. Doesn’t make use of unconventional strategies to challenge competitors in our target markets.

(2) ❑ 2.

(4) ❑ 3.

(6) ❑ 4.

(7) ❑ 5.

(8) ❑ 6.

(9) ❑ 7. Takes hostile steps to achieve competitive goals in our target markets.

In dealing with its competitors, my business unit…

(1) ❑ 1. Can be termed as unaggressive or passive toward competitors.

(2) ❑ 2.

(4) ❑ 3.

(6) ❑ 4.

(7) ❑ 5.

(8) ❑ 6.

(9) ❑ 7. Can be termed as aggressive toward competitors

Please rate your agreement to the following statements.

In general, my business unit…

(1) ❑ 1. prefers to be cautious when it comes to considering new opportunities, to shy away from overly risky novel initiatives, and prefers to let rivals take the lead on innovation in our industry

(2) ❑ 2.

(3) ❑ 3.

(4) ❑ 4.

(5) ❑ 5.

(6) ❑ 6.

(7) ❑ 7. Is on the cutting edge when it comes to exploiting entrepreneurial opportunities because of our demonstrated ability to embrace novel and risky initiatives.

In general, I would consider my business unit to be…

(1) ❑ 1. managed with a more conservative, risk-adverse managerial philosophy

(2) ❑ 2.

(3) ❑ 3.

(4) ❑ 4.

(5) ❑ 5.

(6) ❑ 6.

(7) ❑ 7. managed with a more entrepreneurial, innovation-centric managerial philosophy.

Our business unit...

...makes every effort to support the development of emotional bonds with customers.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...has a strong emphasis on establishing a sense of personal connections with customers.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...strongly emphasizes the human element when interacting with customers.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...is excellent at establishing social ties with customers.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...puts in every effort to facilitate social links with customers.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

Please rate your agreement to the following statements.

In the last three years, relative to your competitors, how has your business unit performed with respect to...

	1. Very poorly	2. Poorly	3. Rather poorly	4. Neither poorly nor well	5. Rather well	6. Well	7. Very well
...achieving customer satisfaction?	(1) ❑	(2) ❑	(3) ❑	(4) ❑	(5) ❑	(6) ❑	(7) ❑
...providing value for customers?	(1) ❑	(2) ❑	(3) ❑	(4) ❑	(5) ❑	(6) ❑	(7) ❑
...keeping current customers?	(1) ❑	(2) ❑	(3) ❑	(4) ❑	(5) ❑	(6) ❑	(7) ❑
...attracting new customers?	(1) ❑	(2) ❑	(3) ❑	(4) ❑	(5) ❑	(6) ❑	(7) ❑
...attaining desired growth?	(1) ❑	(2) ❑	(3) ❑	(4) ❑	(5) ❑	(6) ❑	(7) ❑
...securing desired market share?	(1) ❑	(2) ❑	(3) ❑	(4) ❑	(5) ❑	(6) ❑	(7) ❑

Our business unit...

...has mechanisms in place that prevent the misuse of potential power advantages over customers.

(1) ❑ 1.Strongly disagree

(2) ❑ 2.Disagree

(4) ❑ 3.Somewhat disagree

(6) ❑ 4.Neither disagree nor agree

(7) ❑ 5.Somewhat agree

(8) ❑ 6.Agree

(9) ❑ 7.Strongly agree

...has effective procedures in place to prevent it from misleading customers.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...has effective policies in place to avoid the manipulation of customers.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...has effective policies in place to prevent it from taking advantage of customers.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...has effective mechanisms in place to ensure fair dealings with customers.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

Our business unit...

...deeply understands the specific requirements of individual customers.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...puts a lot of effort into analysing the individual customer.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...pays close attention to the individual customer's circumstances to offer service that fits their unique needs best.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...is excellent at understanding how individual customer with to experience our offerings.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...is excellent at understanding individual customers' circumstances in which they use our solutions.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

Our business unit...

...encourages customers to generate ideas or suggestions for new products/services.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...is excellent at letting customers influence the products/services they receive.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...enables customers to provide as much input into the service processes as possible.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...gives customers as much control as possible over the products/services they receive.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...offers customers a high level of participation in the creation of their experiences.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

To what extent do the following statements represent your business?

	1. Strongly disagree	2. Disagree	3. Somewhat disagree	4. Neither disagree nor agree	5. Somewhat agree	6. Agree	7. Strongly agree
- We are able to change quickly to meet the needs of our business environment.	(1) ❑	(2) ❑	(3) ❑	(4) ❑	(5) ❑	(6) ❑	(7) ❑
- We keep pace with changes required by our business environment.	(1) ❑	(2) ❑	(3) ❑	(4) ❑	(5) ❑	(6) ❑	(7) ❑
- We adapt to demands of our business environment.	(1) ❑	(2) ❑	(3) ❑	(4) ❑	(5) ❑	(6) ❑	(7) ❑

Our business unit...

...smoothly integrates all customer touch points across organizational units.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...manages to align all its business partners for smooth service flows towards customers.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...is excellent at synchronizing all interaction points into a coherent experience for customers.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...has effective procedures in place to ensure synchronized efforts towards customers.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...is excellent at integrating its information across organizational units.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

Our business unit...

...is excellent at educating customers with respect to our products/services.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...strongly supports the development of customers' own know-how through meaningful knowledge resources.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...is excellent at educating customers to help them make the best purchase or usage decision.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...invests considerable effort into developing our customers' knowledge.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

...is excellent at helping our customer to become smarter in using our offerings.

(1) ❑ 1. Strongly disagree

(2) ❑ 2. Disagree

(4) ❑ 3. Somewhat disagree

(6) ❑ 4. Neither disagree nor agree

(7) ❑ 5. Somewhat agree

(8) ❑ 6. Agree

(9) ❑ 7. Strongly agree

To what extent do the following statements represent your business unit?

	1. Strongly disagree	2. Disagree	3. Somewhat disagree	4. Neither disagree nor agree	5. Somewhat agree	6. Agree	7. Strongly agree
- We are renowned in the industry for our breakthrough new products and services.	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑
- We lead the way in introducing products and service innovations that requires brand new competences.	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑

	1. Strongly disagree	2. Disagree	3. Somewhat disagree	4. Neither disagree nor agree	5. Somewhat agree	6. Agree	7. Strongly agree
- We constantly consider introducing new products and services that satisfy future market needs.	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑

How many innovations (process, product or service innovations) has your business unit introduced during the last financial year? Please specify the number.

_____

Please indicate the degree to which you agree or disagree with the following statements, considering your business unit's performance over the last three years:

	1. Strongly disagree	2. Disagree	3. Somewhat disagree	4. Neither disagree nor agree	5. Somewhat agree	6. Agree	7. Strongly agree
- Return on investment met expectations.	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑
- Return on investment exceeded that of our major competitors.	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑
- Profitability met expectations.	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑
- Profitability exceeded that of our major competitors.	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑
- Return on sales met expectations.	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑
- Return on sales exceeded that of our major competitors.	(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑

Please specify the financial turnover (in NOK or DKK - example: 100000) of your firm in the preceding business year.

_____

Please specify the currency used in the previous question.

(1) ❑ DKK - Danish Kroner

(2) ❑ NOK - Norwegian Kroner

In our business, customers' product preferences change quite a bit over time.

1. Strongly disagree	2. Disagree	3. Somewhat disagree	4. Neither disagree nor agree	5. Somewhat agree	6. Agree	7. Strongly agree
(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑

Our customers tend to look for new products or services to satisfy their needs.

1. Strongly disagree	2. Disagree	3. Somewhat disagree	4. Neither disagree nor agree	5. Somewhat agree	6. Agree	7. Strongly agree
(1) ❑	(2) ❑	(4) ❑	(6) ❑	(7) ❑	(8) ❑	(9) ❑

Please select gender.

(1) ❑ Female

(2) ❑ Male

Please select your title.

(1) ❑ Managing director

(2) ❑ CEO/CFO/COO/other C-level

(3) ❑ Middle manager/department manager

(4) ❑ Manager

Thank you for taking your time to answer this questionnaire. Your contribution to this study is highly appreciated. Please click "Finish" to submit your answers. If you would like to learn about my findings, do not hesitate to contact me on e-mail: lars.olav.holm@gmail.com.

Best regards, Lars-Olav Holm