

# HOW CAN ENTREPRENEURIAL ORIENTATION BE PROMOTED IN SERVICE FIRMS AND WHAT ARE THE POTENTIAL EFFECTS? —AN EMPIRICAL STUDY OF FRONTLINE EMPLOYEES

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**ABSTRACT**

The aim of this paper is to explore how entrepreneurial orientation can be promoted in service firms. Previous research seems to have, to a certain extent, taken a broad approach when studying entrepreneurial orientation in service firms. In contrast, this study includes different levels of promoting factors and links these to service firms' entrepreneurial orientation. It also explores how service firms' entrepreneurial orientation is linked to both internal and external effects. A conceptual framework is developed and tested in an empirical study, where a total of 299 frontline service employees participated. The findings reveal that open communication, job autonomy and working as a team are the most influential factors in promoting service firms' entrepreneurial orientation. Furthermore, the findings support that service firms' entrepreneurial orientation is closely related to employee commitment as well as driving its competitive power when compared with relevant competitors. The paper discusses contributions and implications of these findings both theoretically and practically.

**KEY WORDS:** entrepreneurial orientation, organizational climate, leadership, competitive power, teamwork, communication.

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**1. INTRODUCTION**

Entrepreneurial orientation is an area that has received increased interest and focus in recent years. Research undertaken among service firms (which is focused on in this paper) has shown that entrepreneurial orientation has an impact on important and critical firm parameters, such as innovation and performance (Octavio et al., 2019). Furthermore, research has also shown that entrepreneurial orientation, in some situations, is linked to firms' successful foreign market entry (Baker et al., 2019). Since we live in a consumer society where competition among business firms, both nationally and internationally, increases, it becomes important to orchestrate, structure and organize firms in such a way that it contributes to sustaining firms' competitive advantage relative to their competitors in the market. Entrepreneurial orientation is suggested to be a type of resource that firms can potentially capitalize on to pursue this preferred goal.

A company's entrepreneurial orientation is its tendency to act independently, create something new, take chances and act proactively when confronted with new market opportunities (Lumpkin and Dess, 1996). Entrepreneurial orientation as a concept is related to and can be categorized within the domain of organizational climate and culture, where it is considered dynamic, in contrast to static, and changeable only through long-term strategic decisions and processes. According to Hart (1992), the dimensions of a company's strategic process can be seen as encompassing the full range of organizational activities, such as planning, decision-making and strategic leadership. Such processes also include many aspects of a company's culture, shared value systems and corporate vision (Lumpkin and Dess, 1996). Consequently,

considering the complexity and multifaceted nature of entrepreneurial orientation, it becomes important and highly valuable to understand and have precise knowledge about the steps that are needed and are most effective in building and cultivating an organizational climate that promotes firms' entrepreneurial orientation. This is the area of research and focus in this paper.

It seems that previous research, to a certain extent, has taken a broad approach when studying factors that potentially promote firms' entrepreneurial orientation. This is especially the case when it comes to research on entrepreneurial orientation in service firms. It is well-known that for service firms, the human capital and, in general, the human factor and role are extremely important for service firms' output or service «product», competitiveness and ability to survive both in the short and long term. Based on these knowledge gaps in previous research, this study has three aims. First, it studies entrepreneurial orientation from a service firms' perspective. Second, it explores whether and how different levels of factors are able to promote service firms' entrepreneurial orientation. Third, it examines whether and how service firms' entrepreneurial orientation is related to both internal as well as external outcomes.

In the following section, the overall conceptual model for this study is briefly explained. Then, there is a review of the literature. Next, the methodology and findings are presented. The paper continues with a discussion of contributions and closes with a conclusion that can be drawn from this study.

## 2. CONCEPTUAL FRAMEWORK AND LITERATURE REVIEW

Figure 1. Conceptual framework

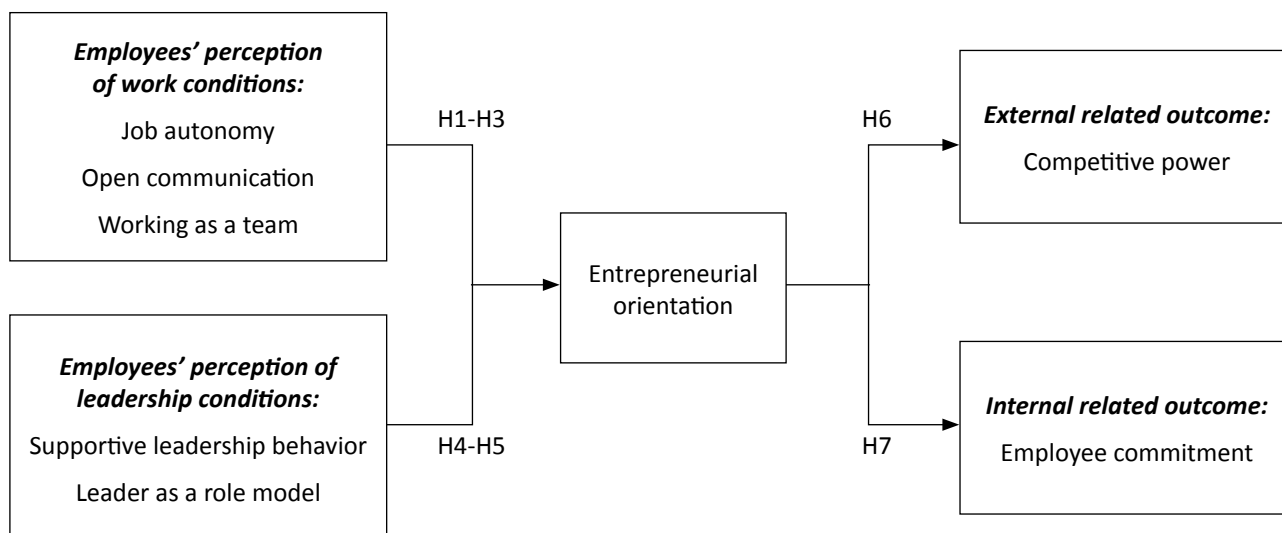


Figure 1 visualizes the overall conceptual framework for this study. As seen in the figure, there are two main groups that represent factors promoting entrepreneurial orientation. The first group is labelled as *employees' perception of work conditions*. This group is represented by three factors: (i) job autonomy, (ii) open communication and (iii) working as a team. The second group of promoting factors is labelled as *employees' perception of leadership conditions*. This group is represented by two factors: (i) supportive leadership behavior and (ii) leader as a role model.

Furthermore, Figure 1 suggests that entrepreneurial orientation is related to two types of positive outcomes: (i) external and (ii) internal related outcomes. The external outcome is represented by firms' competitive power and the internal outcome is represented by employee commitment. The content and linkages in the conceptual framework in Figure 1 are discussed as follows.

### 2.1. Entrepreneurial orientation

Entrepreneurial orientation in this study refers to a combination of three dimensions: (i) innovativeness, (ii) proactiveness and (iii) risk-taking (Miller, 1983; Wiklund, 1999). These three dimensions are used consistently in the literature (Rauch, 2009). Regarding the first dimension of entrepreneurial orientation, Lumpkin and Dess (1996) state that innovativeness reflects a tendency to actively support new ideas, news, experimentation and creative solutions in pursuit of a competitive

advantage. The second dimension of entrepreneurial orientation, proactiveness, refers to an attitude of anticipating and acting on future wants and needs in the market. The third dimension of entrepreneurial orientation, risk-taking, is associated with the willingness to commit large amount of resources to projects where the cost of failing can be high, and yet, the firm takes the initiative to compete aggressively with other companies (Wiklund and Shepherd, 2003).

An entrepreneurial firm is willing to dedicate resources to projects where the outcome is unknown and, thus, break away from what is safe and embark on the unknown (Wiklund and Shepherd, 2005). Consequently, entrepreneurial orientation reflects how a company is organized to discover and exploit opportunities (Wiklund and Shepherd, 2003).

## 2.2. Employees' perception of work conditions

As seen in Figure 1, an employee's perception of work conditions represents the first main group of factors promoting entrepreneurial orientation. This group focuses on and embraces how employees experience the day-to-day work in the firms they are employed in. Furthermore, this study limits its focus to three types of employee day-to-day work experiences: (i) job autonomy, (ii) open communication and (iii) working as a team.

### 2.2.1. Job autonomy

Job autonomy is the freedom and independence that employees, either as individuals or teams, experience in deciding how to perform their jobs (Slåtten and Mehmetoglu, 2011). In general, it means the ability and willingness to be self-directed in the pursuit of new opportunities (Lumpkin and Dess, 1996).

Job autonomy has often been emphasized as a basic job resource that meets basic human needs, such as personal growth, learning and development (Bakker and Demerouti, 2007), in a job situation. Previous research has linked job autonomy to employee engagement and employees' innovative behavior (Slåtten and Mehmetoglu, 2011). Based on this, it is reasonable to assume that when employees are provided job autonomy, they experience a sense of control because they have the freedom to choose how their time is spent and how work tasks should be performed. This should, in turn, lead to the potential release of more creativity and a distribution of innovative ideas across the organization and, consequently, positively promote entrepreneurial orientation. Previous research has indicated that autonomy is a precursor to entrepreneurial behavior (Lumpkin and Dess, 2001). Consequently, we hypothesize:

H1: Job autonomy is positively related to firms' entrepreneurial orientation

### 2.2.2. Open communication

Open communication captures the idea of companies' employees spontaneously and openly sharing information and knowledge and, thus, creating a potential for learning from and with organizational members. Open communication improves the exchange of resources and can also increase the likelihood of deeper insight among organizational members (Merlo et al., 2006). Furthermore, humor is also a part of open communication in the workplace.

Weick (1987) argues that interpersonal communication is the most important characteristic of business firms because communication creates the structures that determine what is said and who does what. In line with this, Kanter (1988) argues that innovation is more likely to happen in companies where communication is open. By contrast, a company with a culture and climate that contains no particular communication tends to stifle innovation because employees are discouraged from taking the initiative to solve problems (Merlo et al., 2006). Previous research has found that open communication, which includes a humoristic climate, is positively linked to both creativity and innovative behavior (Slåtten et al., 2011)—both important ingredients of entrepreneurial orientation. Consequently, it is reasonable to assume that open communication, where information is shared and spread across the organization, increases the firm's entrepreneurial orientation. Therefore, we hypothesize:

H2: Open communication is positively related to firms' entrepreneurial orientation

### 2.2.3. Working as a team

Working as a team refers to how the company promotes and encourages employees to collaborate and work together towards common goals. "Team is a small multidisciplinary group with a common purpose where members feel the shared responsibility to achieving results" (Assmann, 2008; 37). In what is labelled as *effective teams*, team members have a

clear understanding of what the team is supposed to achieve and what is required of each individual team member. They have a strong commitment to teamwork and those methods used when working in the team. Furthermore, effective teams are characterized by their open communication, and they are expected, if necessary, to ask questions regarding how things are done and how conflicts are resolved. Consequently, team decisions are made on the basis of dialogue and consensus regarding goals and working methods (Assmann, 2008)

Teamwork is important in most firms. However, considering the characteristics of effective teams, those firms that seek to have an entrepreneurial orientation would most probably positively promote creativity and innovative thinking as a result because of their employees working as a team. As such, common goals among team members would serve as guidelines that lead to more effective implementation of planned activities and, thus, positively strengthen or increase entrepreneurial orientation (Engelen et al., 2012). Therefore, we hypothesize as follows:

H3: Working as a team is positively related to firms' entrepreneurial orientation

### **2.3. Employees' perception of leadership conditions**

As seen in Figure 1, an employee's perception of leadership conditions represents the second main group of factors promoting entrepreneurial orientation. This group focuses on how frontline employees in service firms' experience leadership and perceive the performance of a leadership role. Furthermore, this study limits its focus to two types: (i) supportive leadership behavior and (ii) leader as a role model.

#### **2.3.1. Supportive leadership behavior**

Supportive leadership behavior is representative of the behavior of the leaders in an organization that indicates that they are friendly, attentive and considerate of the needs of the employees (Podsakoff et al., 1983). Consequently, supportive leadership behavior is reflected in leaders who show respect and concern and positively encourage and give praise to the employees in the organization.

Supportive leadership behavior contributes, generally, to the well-being of employees. On the other hand, support from a leader can also be a "tool" to shape and cultivate employees' behavior in the desired or preferred direction within the organization. Consequently, following this line of reasoning, there is good reasons to expect a positive relationship between supportive leadership behavior and the overall climate and culture of an organization, such as its entrepreneurial orientation. Previous research has indicated that leaders who demonstrate a caring and supportive behavior are associated with more engaged employees and increase the probability of a more effective execution of those activities inherent or included in entrepreneurial orientation (Engelen et al., 2012). Based on this reasoning, we hypothesize:

H4: Supportive leadership behavior is positively related to firms' entrepreneurial orientation

#### **2.3.2. Leader as a role model**

Leader as a role model refers to what extent leaders are models and examples for employees to follow regarding firms' entrepreneurial orientation. This idea of a leader as a role model is rooted in social cognitive theory, sometimes also called social learning theory, which emphasizes that humans in a social setting observe other people and have a tendency to imitate others through, what can be described as, observational learning (Rich, 1997).

It is important for leaders to be appropriate role models and examples, both in terms of their attitude and actual behavior, and are, thus, able to direct employees' behavior in a positive and preferred way, in line with the organization's overall values, strategies and goals. Clearly, there are variations in how a good leader performs as a role model. However, if the employees in an organization observe that leaders positively motivate and actively engage in entrepreneurial activities themselves, this should positively lead to an increase in an organization's entrepreneurial orientation. Consequently, the following hypothesis is proposed:

H5: Leader as a role model is positively related to firms' entrepreneurial orientation

## 2.4. External and internal related outcome of entrepreneurial orientation

As seen in Figure 1, entrepreneurial orientation is suggested in this study to have two types of outcomes: (i) an external and (ii) an internal outcome. The external outcome is reflected in the concept of competitive power and the internal outcome is reflected in the concept of employee commitment. Each of these types of outcomes is discussed as follows.

### 2.4.1. Competitive power

The concept of competitive power in this study focuses on employees' perception of a company's relative advantage in the marketplace in comparison to its most relevant competitors. Competitive power is reflected in such as being the first to introduce new services into the market, having more satisfied customers and hard for competitors to imitate firms' service offerings. Competitive power has some similarities with the concept that in the literature is labeled as competitive aggressiveness (for more detail regarding competitive aggressiveness, see, e.g., Rauch et al., 2009). However, although the concepts share some similarities, they are distinct in areas relevant to this study. First, competitive aggressiveness is studied in the literature as an antecedent of entrepreneurial orientation (Lumpkin and Dess, 1996). In contrast, in this study, competitive power is examined as a consequence or outcome of a firm's entrepreneurial orientation. Second, the concept of competitive aggressiveness has an emphasis on a firm's "intensity ... [and] ... efforts to outperform rivals" and the "aggressive responses" to threats from competitors (Rauch et al., 2009). In contrast, the concept of competitive power in this study has no specific focus on firms' intensity of effort or aggressive responses to threats from competitors. Instead, competitive power emphasizes firms' relative advantage and superiority in the marketplace in general terms.

It is important for the company to be at the same level or achieve parity with its competitors and to, preferably, perform better than its competitors. One important aim of competitive power is to differentiate a firm, in one way or another, from relevant competitors. Differentiation could, in some situations, mean creating a unique image or value for a product or service offered to customers. Research has found that differentiation can take many forms, including branding, customer service and product innovation (Craig et al., 2008). Entrepreneurial orientation is about innovativeness, proactiveness and risk-taking (Miller, 1983; Wiklund, 1999). Based on this, it is reasonable to assume that when companies manage the three components of entrepreneurial orientation, it should contribute positively to the increase of firms' competitive power in the marketplace. Research literature has indicated that companies with high entrepreneurial orientation can target first-class market segments, demand higher prices and "skim" the market ahead of its competitors (Rauch et al., 2009). Consequently, it is expected to find a positive link between firms' entrepreneurial orientation and level of competitive power. This leads to this hypothesis:

H6: Firms' entrepreneurial orientation is positively related to firms' competitive power

### 2.4.2. Employee commitment

Employee commitment refers to whether an employee is proud of the workplace, shares the values that the company has, thrives in the workplace and does not want to change jobs. Employee commitment means that employees feel connected to their company and care that their company is doing well and getting good results. Employee commitment can be divided into three factors: (i) a desire to continue to be a part of the company, (ii) a willingness to spend time and energy for the company's advantage and (iii) identifying with the company's values and objectives (Slåtten and Krogh, 2012). Consequently, employee commitment ties a person to the company and reduces the likelihood of the employee leaving the company (Meyer and Becker, 2004).

By nature, entrepreneurial orientation means that employees have relatively freedom and autonomy to control what to do and when to do it, and to make independent choices on how to perform their daily duties. Accordingly, entrepreneurial orientation will create opportunities for employees in several ways. For example, it can provide an opportunity for employees to participate in different types of work tasks as well as, on their own, decide how to and in what way different job tasks in the organization could or should be performed. Consequently, entrepreneurial orientation should contribute positively to employees' perception of having an exciting workplace and that their organization is a great place to work. Consequently, entrepreneurial orientation should definitely increase employee commitment. Based on this reasoning, we hypothesize:

H7: Firms' entrepreneurial orientation is positively related to employee commitment

### 3. METHODOLOGY

#### 3.1. Participants and data collection

This study aims to explore factors that potentially promote firms' entrepreneurial orientation as well as explore potential outcomes of firms' entrepreneurial orientation in service firms. Because the main concept of this study, entrepreneurial orientation, is defined as an organizational climate construct, all participants invited should be subordinate employees and work "on the floor" in service organizations. Specifically, "on the floor" refers to those working as frontline employees in service firms. It is reasonable to assume that this group of employees is suitable when seeking to collect information about "how things are done here" or the climatic conditions regarding entrepreneurial orientation in their respective organizations. People working in both private and public service companies were invited to participate in the study. The public sector was included because most public companies where this study was undertaken (Norway) are competing in the same market, either with other public companies or private companies. Consequently, it is relevant to include frontline employees from public companies when considering the aim and focus of this study. Data were collected using Quest Back as a data collection method. Links to the survey and questionnaire were developed. The participants were informed about the background, target group of participants, aim and purpose of the study, confidentiality, the use of the collected data, time to fill in the questionnaire and other relevant information. The link to the survey was first shared on Facebook, inviting people to participate if they were within the target group for the study. Based on the data collection method known as "snowball-methodology," people were urged to distribute the survey to other persons whom they know were working as: 1) frontline employees and 2) in service firms. Service firms in this study were defined broadly as companies that primarily provide intangible products or services to a market. Data for the study were collected during a period of three weeks.

#### 3.2. Measures

Items for constructs in this study were mainly based on previous research. However, several items had to be modified to be appropriate for this specific study. *Leader as a role model* is based on Podsakoff et al. (1996). An example of a question from the survey is: "Leaders are good role models for employees". Items regarding *entrepreneurial orientation* is based on Engelen et al. (2012). An example of a question from the survey is: "The company encourages its employees to be creative". Items for *supportive leadership behavior* is based on Podsakoff et al. (1996). An example of a question from the survey is: "Leaders are positive and encouraging of their employees". Items for *open communication* is mainly based on Merlo et al. (2006). An example of a question from the survey is: "New ideas are openly shared with each other in the company". Items for *working as a team* is based on Podsakoff et al. (1996). An example of a question from the survey is: "Employees in the company work together towards common goals". Items for *job autonomy* is based on Mathisen (2011). An example of a question from the survey is: "I have the freedom to decide how I do my job". Items for *employee commitment* is based mainly on Slåtten and Krogh (2012). An example of a question from the survey is: "I want to stay at this workplace". Items for *competitive power* were developed specifically for this study. Three questions were developed. The question was introduced like this: "Compared with our competitors ..." followed by three statements: (i) "Our customers are more satisfied," (ii) "Our services and products are hard to imitate" and (iii) "Our company is the first to introduce new services."

Participants responded to a seven-point Likert scale for all variables. These items were set between (1) strongly disagree and (7) strongly agree.

#### 3.3. Profile of respondents

A total of 299 respondents agreed to participate in the study. All respondents were frontline employees in service firms. About 40% of the participants were employed in the public sector and 60% in the private sector. About 50% (48.2%) of respondents were educated at the university level. The age of respondents ranged from 16 to 75 years. Of the total numbers of respondents, about 40% were men and 60% female. About 70% of respondents were full-time workers. About 50% of respondents had been employed in their company between 2 to 5 years and 25% had been employed in the same company for more than 5 years. Most respondents worked in organizations where the total number of employees ranged between 10 to 30 employees. On the other hand, 28% of respondents worked in organizations with more than 50 employees.

### 3.4. Results and analysis

Before testing the proposed hypothesis, all items were checked for normality and convergent and divergent properties using principal component extraction and varimax rotation. The results showed satisfactory properties. Table 1 shows Cronbach's alpha values and inter-correlations for all variables.

**Table 1.** Cronbach alpha values and inter-correlations for all variables

Construct	$\alpha$	EO	JA	OC	WT	SLB	LRM	CP	EC
EO	.934	1.00							
JA	.830	.666*	1.00						
OC	.819	.728*	.633*	1.00					
WT	.850	.698*	.568*	.760*	1.00				
SLB	.928	.661*	.536*	.625*	.663*	1.00			
LRM	.955	.633*	.549*	.560*	.645*	.736*	1.00		
CP	.819	.438*	.362*	.450*	.446*	.438*	.437*	1.00	
EC	.909	.705*	.606*	.642*	.634*	.571*	.621*	.525*	1.00

Notes: \*Correlation is significant at \*0.01 level (2-tailed); EO: entrepreneurial orientation; JA: job autonomy; OC: open communication; WT: working as a team; SLB: supportive leadership behavior; LRM: leader as a role model; CP: competitive power; EC: employee commitment.

### 3.5. Regression analysis

The first regression analysis tested the dependent variable entrepreneurial orientation against the independent variables of job autonomy, open communication, working as a team, supportive leadership behavior and leader as a role model. The second regression analysis first tested the dependent variable competitive power against the independent variable entrepreneurial orientation, and then the independent variable employee commitment against the independent variable entrepreneurial orientation. Table 2 shows the results.

**Table 2.** Results from testing the hypotheses

Regression coefficients			
Predictors	Entrepreneurial orientation (EO)	Competitive power (CP)	Employee commitment (EC)
H1: JA	.234*		
H2: OC	.436*		
H3: WT	.182**		
H4: SLB	.167**		
H5: LRM	.081**		
H6: EO		.438*	
H7: EO			.705*
Overall F	108.05*	68.81*	284.34*
Adj. R Square	.654	.191	.495

As can be seen in Table 2, the results show that the three variables—job autonomy, open communication and work as a team—are all positively related to entrepreneurial orientation and, consequently, support hypotheses 1–3 regarding how employees' perception of work conditions is linked to entrepreneurial orientation in organizations. It is notable



that open communication is the most promoting factor to an organization's entrepreneurial orientation ( $\beta$ -coefficients for open communication is .436), followed by job autonomy. Working as a team was found to be the least promoting factor within this group. Furthermore, when considering the two factors that constitute the group labelled as *employees' perception of leadership conditions*, it reveals that both supportive leadership behavior and leader as a role model are positively related to entrepreneurial orientation. These findings, thus, support hypotheses 4 and 5. On comparing the two promoting factors, it reveals that supportive leadership behavior is clearly a greater contributor to entrepreneurial orientation than leader as a role model ( $\beta$ -coefficients for supportive leadership behavior is .167 compared with leader as a role model that has (only) a  $\beta$ -coefficients of .081).

Table 2 also reveals that service firms' entrepreneurial orientation is linked to both internal and external outcomes. As suggested, the findings reveal that entrepreneurial orientation is positively linked to a firm's competitive power, supporting hypothesis 6. Furthermore, results also show that entrepreneurial orientation is positively linked to employee commitment ( $\beta$ -coefficients is .705), supporting hypothesis 7.

In summary, all suggested hypotheses were supported.

#### 4. DISCUSSION AND IMPLICATIONS

Previous research has, to a certain extent, taken a broad approach when studying entrepreneurial orientation in service firms. In contrast, this study includes different levels of promoting factors and links to these firms' entrepreneurial orientation. In total, the study offers three contributions. First, it contributes a new and nuanced understanding about entrepreneurial orientation from a service firms' perspective. Second, and more specifically, it reveals *whether* and *how* different levels of factors are able to promote service firms' entrepreneurial orientation. Third, it contributes to our understanding of *whether* and *how* service firms' entrepreneurial orientation is related to both internal as well as external outcomes.

Entrepreneurial orientation reflects to what extent a company is able to discover and exploit opportunities (Wiklund and Shepherd, 2003). The empirical study reveals that both employees' perception of work conditions (referring to job autonomy, open communication and working as a team) and of leadership conditions (supportive leadership behavior and leader as a role model) are able to promote service firms' entrepreneurial orientation. It is notable that the promoting factors explain 65.4% of the variance in the service firms' entrepreneurial orientation, which can be characterized as a considerable result.

On comparing those three factors within the employees' perception of work conditions group it is clear that open communication is the main factor that promotes service firms' entrepreneurial orientation. Open communication means that employees have opportunity to openly share information and ideas, learn from and with each other and freely using (positive) humor in communication with other member of the organization. Clearly, this type of open communication improves both employees' access and sharing of information that lies either within or outside of their network (Merlo et al., 2006). Consequently, when communication is open, positive and constructive among members of an organization, it promotes entrepreneurial orientation in service firms.

Although they have a lower impact, this study found both job autonomy and working as a team to be factors promoting service firms' entrepreneurial orientation. Of the two, job autonomy has more impact on entrepreneurial orientation compared with working as a team. Job autonomy means that employees have freedom to decide how and what way work tasks should be performed. It is also about employees' possibility to have impact on decisions made in the company. Previous research has argued that autonomy is an essential factor for entrepreneurial initiative to emerge and thrive and can be characterized as a fundamental feature of companies that have an entrepreneurial orientation (Lumkin et al., 2009). Accordingly, the findings in this study support previous research regarding the important role of job autonomy.

Furthermore, as also found in this study, working as a team is positively linked to service firms' entrepreneurial orientation. It is reasonable to assume that if employees work independently of each other because of a high level of autonomy, it is not ideal for promoting entrepreneurial orientation in service firms. In contrast, there are good reasons for, in addition to job autonomy, there should be some level of cooperation and what this label as work as a team among organizational members. Working as a team means how employees encourage each other and work together towards common goals. As the results from this study show, common goals among organizational members serve as guidelines that lead to more effective implementation of planned activities and, thus, positively strengthen or increase entrepreneurial orientation (Engelen et al., 2012). Consequently, it is essential for managers in service firms to attempt to have a balance between different levels of employees' job autonomy and simultaneously stimulate employees in the organization to work as a team. Balancing and combining these two factors in a positive way ensures they are potential promoters to service firms' entrepreneurial orientation.



On studying the two factors within the employees' perception of leadership conditions group it becomes clear that supportive leadership behavior is the most promising factor in promoting service firms' entrepreneurial orientation. Supportive leadership behavior reflects leaders that are friendly and attentive to the needs of their employees (Podsakoff et al., 1983). Having a leader with a supportive attitude and behavior in service organizations is important since it drives both effectively and positively those features that are embraced in entrepreneurial orientation. As such, this study supports the study of Engelen et al. (2012), revealing a positive link between top management supportive leadership behavior and entrepreneurial orientation as well as firm performance. Consequently, a leader should display a respectful and supportive behavior by taking into account employees' opinions and, in a constructive way, stimulate and encourage employees, give them supportive activities and praise them both when earned and needed. Furthermore, although it was found to have less impact compared with supportive leadership behavior, this study also shows that the way a leader performs as a role model is also a promoting factor to entrepreneurial orientation. Accordingly, an implication of this is the importance for leaders to actually "walk the talk" and model "correct" and proper behavior reportoar for their employees to emulate. By doing this, leaders are able to stimulate, form and shape employees' behavior regarding entrepreneurial orientation in a positive and preferred way, in line with organizations' overall vision, strategies and objectives.

Previous research has shown that entrepreneurial orientation has several positive outcomes. Hamel (2000) states that entrepreneurial orientation has positive consequences for business performance (Wiklund and Shepherd, 2003). In line with previous research, this study finds that entrepreneurial orientation has an impact on critical outcomes or performance parameters for service firms, both external and internal. First, and some would probably say it is the most important parameter, entrepreneurial orientation has an impact on external factors related to the market that the service firms are serving and operating in. Specifically, entrepreneurial orientation is found to considerably increase service firms' competitive power in comparison to relevant competitors. Consequently, entrepreneurial orientation can be characterized as a powerful and valuable firm resource and a potential dynamic firm capability that service firms can use to actively compete in the market and potentially outperform and win over relevant competitors. Second, this study also found that entrepreneurial orientation is also highly related to an internal related outcome regarding employee commitment. It is notable that entrepreneurial orientation actually explains almost 50% (49.5 %) of the variance in employee commitment, which can be characterized as a substantial result. This finding is especially interesting given the characteristics and nature of services and what is known to be the most imperative differentiator among service firms competing in the same market space and offering relatively the same services. All this reveals the critical role that service employees' performances play and how customers perceive the quality of services provided. It is well-known that for service firms, the human capital and, in general, the human factor are extremely important not only for the service «product» offered to customers, but also for service firms' competitiveness and their ability to survive both in the short and long term. Consequently, it is important for an organization to retain service employees, especially those who are talented, and be considered as an attractive employer both for existing and potential new employees. The findings from this study have shown that service firms who have an entrepreneurial orientation have service employees who are more committed to the organization, implying that they intend to continue work for and stay loyal to the organization.

## 5. CONCLUSIONS

This study contributes to an area of research that seems to have been relatively neglected in previous research. The empirical study shows that open communication, job autonomy and working as a team are the most influential factors in service firms' entrepreneurial orientation. Furthermore, entrepreneurial orientation was also found to be linked to both service firms' employee commitment as well as their competitive power. Overall, this study demonstrates that entrepreneurial orientation is a powerful and valuable resource that service firms should strive to promote. Future research should identify and examine other promoting factors as well as potential effects related to entrepreneurial orientation. For example, when focusing on promoting factors, future research should explore how different forms of learning modes can promote service firms' entrepreneurial orientation. The capability to learn has been suggested to be a key source for firms' sustainable competitive advantage (Vera and Crossan, 2004). Learning could be studied on the individual level, organizational level and team level. Regarding the latter, recently a new concept labeled team learning capability (TLC) was introduced as a way to understand learning in service firms (for more detail, see Bath-Rawden et al., 2019). In their empirical study, Bath-Rawden et al. (2019) found TLC to be positively linked to innovation ambidexterity. Based on their findings, the authors suggest that future studies should examine other "potential ... outcomes" of TLC. Based on the nature and content of both TLC and entrepreneurial orientation, it is highly recommended that future research should explore the linkage between this new TLC concept and entrepreneurial orientation.

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## KAKO SE PODUZETNIČKA ORIJENTACIJA MOŽE PROMOVIRATI U USLUŽNIM KOMPANIJAMA I KOJI SU POTENCIJALNI UČINCI? – EMPIRIJSKO ISTRAŽIVANJE ZAPOSLENIKA KOJI SU U DIREKTNOM KONTAKTU S KLIJENTIMA

### SAŽETAK

Cilj ovog rada je istražiti na koji način se može promovirati poduzetnička orijentacija u uslužnim kompanijama. Čini se da su dosadašnja istraživanja u određenoj mjeri primijenila široki pristup prilikom proučavanja poduzetničke orijentacije u uslužnim kompanijama. Suprotno tome, ova studija uključuje različite razine promocijskih faktora i povezuje ih s poduzetničkom orijentacijom. Također istražuje kako je poduzetnička orijentacija kompanija povezana s unutarnjim i vanjskim učincima. Konceptualni okvir razvijen je i testiran u empirijskoj studiji, u kojoj je sudjelovalo 299 zaposlenika koji su u direktnom kontaktu s klijentima. Rezultati pokazuju da su otvorena komunikacija, samostalnost u izvršavanju posla i rad u timu najutjecajnije čimbenici u promicanju poduzetničke orijentacije. Nadalje, rezultati pokazuju da je poduzetnička orijentacija uslužnih kompanija usko vezana s predanošću zaposlenika kao i pokretanje konkurentskih snaga u usporedbi s relevantnim konkurentima. U radu se raspravlja o doprinosu i implikacijama tih nalaza, kako u teorijskim tako i u praktičnim slučajevima.

**KLJUČNE RIJEČI:** poduzetnička orijentacija, organizacijska klima, liderstvo, konkurentna snaga, timski rad, komunikacija.