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Centre for Entrepreneurship,
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DISCUSSION PAPERS

**WHY DOES ENTREPRENEURIAL
ORIENTATION AFFECT
COMPANY PERFORMANCE?**

Tālis J. Putniņš and Arnis Sauka





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Discussion paper No 4

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at Ventspils University College
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Abstract

Many studies find that entrepreneurial orientation (EO), comprising the dimensions of innovativeness, risk taking and proactiveness, is positively associated with company performance. We theorize and empirically test why this is the case by analyzing the interrelations between the dimensions of EO and their unique roles in determining performance. We find that: (i) constructive risk taking is rewarded with higher average performance; (ii) innovativeness increases the rewards to risk taking; and (iii) proactiveness often involves taking risks and therefore indirectly affects performance through its effect on risk taking. The results suggest that all three dimensions of EO have a positive relation with performance, but for different reasons.

Key words: entrepreneurial orientation, performance, risk taking, innovativeness, proactiveness

Full paper is available upon request. Please e-mail; arnis.sauka@venta.lv