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Entrepreneurial Orientation and Innovation Performance: The Moderating Effects of the CEO's Characteristics

Mansour Mrabet[1]*, Hazar Ben Barka[2]

[1]Sorbonne Paris Nord University, Villetaneuse, France
[2]University of Franche-Comté, Besancon, France
Email: mansourmrabet@gmail.com

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Abstract

The existing literature on the relationship between Entrepreneurial Orientation (EO) and firm performance lacks comprehensive understanding. This article presents an integrated framework with two levels of analysis: Corporate and individual, drawing from Corporate Entrepreneurship (CE) and Corporate Governance (CG) literature. Our objective is to explore how Chief Executive Officer (CEO) characteristics influence the connection between EO and a company's Innovation Performance (IP), which contributes to long-term performance improvement. CEO characteristics are considered moderators of the EO-IP relationship. Our research methodology encompasses a thorough literature review, theoretical development, and proposal formulation. Through synthesizing existing knowledge, developing theoretical frameworks, and proposing research proposals, this study offers valuable insights into the governance and management of entrepreneurial companies. We propose research hypotheses that link interactions between EO and CEO characteristics to a company's IP. Our findings suggest that entrepreneurial companies should carefully consider the CEO's ownership, tenure, and industry expertise when appointing and overseeing them. This article underscores that CG for entrepreneurial companies should not be a mere set of recommendations tailored for large corporations.

Keywords

CEO Ownership, CEO Tenure, CEO Industry Expertise, Entrepreneurial Orientations, Innovation Performance

*The author studied the impact of the CEO characteristics on the EO-performance relationship. He found that CEO tenure negatively moderates this relationship while his industrial experience moderates it positively.

1. Introduction

Entrepreneurial activities are considered a driving force for both financial and non-financial performance (Lumpkin & Dess, 1996). Research studies in the field of firm-level entrepreneurship or corporate entrepreneurship continue to question the Entrepreneurial Orientation (EO)—Performance relationship (Cherchem & Fayolle, 2008). Conceptual and empirical research emphasized the relevance of studying the direct and/or moderator impact of the organizational factors, particularly, of the Chief Executive Officer's (CEO) characteristics on this relationship (Miller & Breton-Miller, 2011; Rauch et al., 2009). If they were managed by a specific kind of a CEO, would the performance of these entrepreneurial companies improve? This research examines, while referring to the literature, the moderating impact of the CEO's characteristics on the relationship between EO and IP.

The relationship between EO and firm performance is among the most researched fields in the entrepreneurship literature (Saeed et al., 2014). The majority of these studies have considered the financial aspect of the performance. In this paper, we study the innovation aspect which contributes to the firm's long-term success (Goodale et al., 2011). The effectiveness of the EO-IP relationship depends on the CEO's characteristics. Referring to the agency theory and the resource theory, these characteristics could shape this relationship.

The literature review of both Corporate Entrepreneurship (CE) and Corporate Governance (CG) enabled us to present research proposals that explore several interactions. For EO, we use the original concept of Miller (Miller, 1983) and Covin and Slevin (Covin & Slevin, 1989), which is defined through three dimensions: innovativeness, risk-taking and proactivity. At the same time, we consider the Covin and Slevin's (Covin & Slevin, 1989) measurement instrument to operationalize EO. This scale is among the most consensual in EO research topics (Saeed et al., 2014; Rauch et al., 2009). On the other hand, we consider the extended meaning of innovation for IP, which includes various types of innovation: products/services, marketing and processes (Wiklund & Shepherd, 2011; Stam & Elfring, 2008). This paper focuses on four characteristics of the CEO: ownership, membership to the founders' family, industry expertise and position tenure (Anderson & Reeb, 2003; Villalonga & Amit, 2006; Richard et al., 2009; Miller & Breton-Miller, 2011). This CEO, who could be the entrepreneur or not, would shape the relationship between EO and IP.

The discussion of the different research proposals leads to a conceptual research model. Our results put forward the relevance of the CEO's characteristics. They support the curvilinear nature of the relationship between EO and IP under the impact of the CEO's characteristics. The paper is organized as follows: First, we expose our research methodology. Then, we present the concept of EO and its various dimensions. Next, we introduce IP as one of the critical dimensions of entrepreneurial firm performance, while highlighting the EO-IP relationship. After that, we discuss and develop proposals for the moderating effects of CEO characteristics on this relationship. Following that, we present some managerial implications. Finally, we conclude and discuss the implications for future research.

2. Methodology

Our research methodology places a strong emphasis on theoretical development and a comprehensive literature review, both of which are pivotal in guiding our exploration of the moderating impact of CEO characteristics on the relationship between EO and Innovation IP in entrepreneurial companies.

2.1. Comprehensive Literature Review

Our research journey embarks with an extensive literature review that delves deep into the realms of EO, IP, CEO characteristics, and their intricate interactions. This comprehensive examination of the existing body of knowledge serves as the bedrock of our study. Through this review, we aim to accomplish several key objectives:

Identify Scholarly Contributions*:* We pinpoint seminal studies and seminal works that have laid the foundation for our research area. By identifying the most influential research, we can build upon prior findings and extend the scholarly conversation.

Uncover Key Concepts: The literature review enables us to extract fundamental concepts, terminologies, and frameworks that are central to our research. This helps in establishing a common understanding and terminology within our study.

Identify Gaps and Inconsistencies*:* By critically assessing existing scholarship, we identify gaps, contradictions, and unresolved questions within the literature. These gaps serve as a starting point for formulating research questions and hypotheses.

Inform Theoretical Development: The insights gathered from the literature review play a pivotal role in shaping our theoretical framework. They help us select appropriate theoretical lenses, drawing from theories such as agency theory and resource theory, to underpin our research hypotheses.

In essence, our comprehensive literature review not only informs the development of our research questions and hypotheses but also provides the context and foundation for our entire study.

2.2. Theoretical Development

Building upon the knowledge garnered from the literature review, our next step involves the development of a robust theoretical framework. This framework serves as the scaffolding upon which our research is structured. Key elements of our theoretical development include:

Conceptual Clarity: We aim to provide conceptual clarity by defining and refining our constructs. This ensures that our research is anchored in clear and unambiguous terminology.

Proposal Formulation: Drawing from relevant theories and prior research, we formulate hypotheses that articulate the expected relationships and moderating effects between EO, IP, and CEO characteristics.

Theoretical Integration: We strive to integrate various theoretical perspectives to create a comprehensive understanding of the phenomena under investigation. This synthesis allows us to develop a coherent and comprehensive theoretical framework.

In sum, our research method places significant emphasis on both a comprehensive literature review and robust theoretical development. Together, these components equip us with the knowledge, context, and theoretical foundation necessary to explore and contribute to the complex dynamics of entrepreneurial firms, EO, IP, and CEO characteristics. This integrated approach positions us to make meaningful and informed contributions to the academic discourse within our field.

3. Conceptual Framework

3.1. Entrepreneurial Orientation and Firm Performance

3.1.1. Entrepreneurial Orientation

The EO is among the most researched fields in entrepreneurship research. It was introduced three decades ago by Miller in 1983 (Miller, 1983). The concept of EO is often attributed to Danny Miller (Miller, 1983) who defined it through three dimensions: innovation, risk-taking and proactiveness. These are used to measure the degree of entrepreneurial behavior in the firm's strategy-making. A company is considered entrepreneurial if "[It] engages in product-market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch" (Miller, 1983, p.771). Lumpkin and Dess (Lumpkin & Dess 1996) defined the EO as "… the processes, practices, and decision-making activities that lead to new entry as characterized by one, or more of the following dimensions: "a propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive toward competitors and proactive relative to marketplace opportunities" (pp. 136-137). They also added two dimensions to the EO: competitive aggressiveness and autonomy. We retain, in our research, the definition based on the trilogy: innovation, risk-taking and proactiveness (Miller, 1983; Covin & Slevin, 1989).

This three-dimensional conceptualization was often used in the EO literature (Basso et al., 2009; Rauch et al., 2009; Covin & Miller, 2014). In this literature, innovation could be defined as the process of creation and development of new products and services (Schumpeter, 1934, 1942 cited in Lumpkin & Dess, 1996). In 1982, Miller and Friesen (Miller & Friesen, 1982) identified two types of innovation strategies: conservative strategies that develop in response to environmental constraints and innovative strategies that emerge from strong convictions of top management who value innovation regardless of the external environment. Entrepreneurial activity is also strongly associated with risk-taking (Cherchem & Fayolle, 2008). The definition of risk depends on the study context (Naldi et al., 2007). It includes strategic, financial and entrepreneurial aspects (Lumpkin & Dess, 1996). In the entrepreneurial context, Lumpkin and Dess (Lumpkin & Dess, 1996) gave a high value to risk-taking and its strong correlation with expected gains. Risk-taking is often linked to strategic and important decisions for the future of the company. Thus, risk-taking could be strongly related to the CEO's characteristics. Proactivity is defined by Lumpkin and Dess as behavior that involves: "… taking initiative by anticipating and pursuing new opportunities and by participating in emerging markets has also become associated with entrepreneurship." (1996, p. 146). So, creativity is pursuing business opportunities with high added value for the company in order to achieve or maintain its market leadership position (Stevenson & Jarrilo, 1990). It is also considered as an aggressive behavior towards competitors and an ability to seize opportunities (Lumpkin & Dess, 1996, 2001).

The EO, which is manifested in these main dimensions, is a strategic orientation that allows the firm to build competitive advantages and improve performance through the pursuit of market opportunities.

In this article, we consider EO as a unidimensional construct (Miller, 1983). It represents the entrepreneurial context or the entrepreneurial mindset that characterizes the internal context of a firm. This supports the success of any systematic approach to innovation and consequently its performance (Ersun & Karabulut, 2013). IP is therefore a driving force of the firm's performance within an entrepreneurial context.

3.1.2. Innovation Performance

Several previous studies have been able to argue theoretically and empirically that entrepreneurial companies (high-level of EO) achieve high-performance levels (Rauch et al., 2009).

The performance is a multidimensional construct that was measured by several kinds of indicators. These can be classified into two dimensions: financial and non-financial. In their meta-analysis, Rauch et al. (Rauch et al., 2009) showed that the EO has often been studied in relation to financial performance (growth and profitability). Few studies have considered the non-financial performance or a combination of both dimensions. In this research, we focus on IP that contributes to the long-term success of the company (Goodale et al., 2011).

Innovation was broadly defined by Lumpkin and Dess (Lumpkin & Dess, 1996): "The innovativeness dimension of EO reflects a tendency to engage in and support new ideas, novelty, experimentation, and creative processes, that may result in new products, services, or technological processes" (1996, p. 142). They have made the distinction between the EO and entrepreneurship: "new entry explains what entrepreneurship consists of, and entrepreneurial orientation describes how new entry is undertaken" (p. 136). Thus, they define entrepreneurship as the new entry and EO as the process leading to these new entries

(1996, p. 136).

Other researchers consider innovation as the heart of entrepreneurship (Jenning and Young, 1990). They defined entrepreneurship at a firm level through its innovativeness. Zahra (Zahra, 1993) confirmed the key role of innovation in entrepreneurial firms: "distinguishing characteristic of an entrepreneurial company is its strong commitment to creating and introducing new products to the market, especially well before the competition" (p. 47). Innovativeness has been considered one of the main key success factors for the firm's survival and performance (e.g. Shumpeter, 1934 cited in Lumpkin & Dess, 1996).

Based on the terminology used in the literature, innovation has always been defined as the process leading to new products/services, new markets, new processes, new methods of marketing or new forms of organization (Goodale et al., 2011; Baker & Sinkula, 2009; Chen & Huang, 2009). Referring to Wiklund and Shepherd's (Wiklund & Shepherd 2011) definition, the IP is measured by six indicators: product/service innovation, process innovation, new technology adoption, quality of products/services, diversity of products/services and customer satisfaction. Chen and Huang (Chen & Huang 2009) distinguished two dimensions of the IP: administrative and technical. IP is often more broadly defined than innovation as a result. It is considered a complex and systemic process presented in various forms: Technology, product/service, and administrative processes (Van de Ven, 1986, p. 591). IP is also a process to promote the development of creative ideas from lateral thinking. This process aims to create the right conditions to support the process of implementation of innovative actions and to evaluate the performance of these innovations.

In this research, IP encompasses these different kinds of innovation: products/services, marketing and processes. IP is therefore strongly linked to the survival and performance of the firm (Ersun & Karabulut, 2013). Similarly, recent studies have shown that successful innovation is a method for entrepreneurial firms to maximize their wealth creation (Chang & Wang, 2013; Fillis & Rentschler, 2010). These authors argue that the firm's profitability, which is a financial measure of performance, should also be measured, also, by non-financial indicators such as creativity and innovation. Thus, the results of innovation could be appreciated as a performance measurement.

This non-financial aspect of performance, that is innovation, could change the nature of the EO-firm performance relationship (Lumpkin & Dess, 1996). Hence, the investigation of the EO-IP relationship proves to be rewarding.

3.1.3. The Entrepreneurial Orientation: A Prerequisite to Innovation Performance

The companies that make successful development and implementation of innovative ideas have originally higher levels of EO. With reference to precursors of EO, innovation is the firm's entrepreneurial behavior manifestation (Miller, 1983; Covin & Slevin, 1989). It is a consequence of the entrepreneurial activity or the result of the entrepreneurial process (Lumpkin & Dess, 1996; Fillis & Rentschler, 2010) concluded that the internal environment of a company has an influence on the creative intensity of an organization (frequency and level of effort within an organization). Thus, we could consider EO as the context that characterizes an organization and that would promote creativity and consequently its performance: "Entrepreneurial activity not only requires both a supportive and productive business climate but that it also needs an environment where creativity and innovation can flourish." (Fillis & Rentschler, 2010) These researchers showed that the entrepreneurial environment has a positive impact on creativity and therefore on the success of innovation. Wiklund and Shepherd (Wiklund & Shepherd 2003, 2011) studied the effect of EO on the results of innovation. They confirmed the existence of a positive relationship between EO and performance measured by financial indicators and various forms of innovation.

As we previously highlighted, several studies showed that entrepreneurial activities (EO) are, in some contexts, positively associated with the firm's performance (Susanto et al. 2023; Covin & Wales, 2019; Wiklund & Shepherd, 2003, 2005; Zahra & Slevin, 1995). Other researchers confirmed empirically that the EO is positively related to innovation and IP (Ince et al., 2023; Freixanet et al., 2021; Huang & Wang, 2011; Wiklund & Shepherd, 2003). According to the above discussion, EO as an organizational behavior might reinforce a creativity climate and lead to innovation outcomes (Lumpkin & Dess, 2001; Hughes & Morgan, 2007). So, companies that have a high level of EO tend to support their success of innovative projects. Thus:

Proposal 1: EO has a positive impact on IP.

To optimize performance, there should be full consistency between internal and external key factors for the firm. The nature of the relationship between two variables might depend on the characteristics of a third variable. The research related to the EO-performance relationship explored different moderators that could explain the magnitude of the studied relationship. In addition, some have shown that this relationship may depend on the internal or external context of the company (Covin & Slevin, 1989; Ireland et al., 2009; Chabaud & Sattin, 2010; Rauch et al., 2009). Indeed, commitment and risk-taking at the organizational level can be strongly related to CEO characteristics (Fillis & Rentschler, 2010). "Innovative companies have innovator entrepreneurs or top managers to initiate and support innovative approaches for success and survival of companies" (Ersun & Karabulut, 2013).

In addition, the internal entrepreneurial environment is critical to the success of the firm's EO (Sebora & Theerapatvong, 2010). In other words, the success of the entrepreneurial activities is under the influence and the control of the CEO (Rauch et al., 2009). His role in the EO-Performance relationship was often studied as a mediating variable (Ireland et al., 2009). However, little evidence exists to examine the moderating role of the CEO in this relationship (Richard et al., 2009).

In the following, we discuss the impact of the CEO characteristics on the EO-IP relationship through a literature review.

3.2. The Effects of CEO Characteristics on EO-IP Relationship

The CEO characteristics (who could also be the entrepreneur) were the focus of several previous research that address the issues of EO, performance and innovation (e.g. Richard et al., 2009, Simsek et al., 2010).

In the following development, we cross-reference two kinds of literature: Corporate Governance literature and Corporate Entrepreneurship literature to study the CEO's characteristics. We argue this choice as follows: CG is a broader framework of treating the way of managing and controlling organizations; this literature has been more oriented towards large firms. The main issue was the dissociation between ownership and management in these firms with very diffuse ownership (e.g. Berle & Means, 1932, Jensen & Meckling, 1976, Williamson, 1981). However, the CE, while focusing on entrepreneurial organizations, could be considered to be part of a more precise framework of CG literature. In fact, entrepreneurial firms are characterized by a more closed ownership structure. In these firms, in addition to performance, proactiveness, risk-taking, and innovativeness are the main features of this model, as presented in the previous section.

To study the impact of the CEO's characteristics on the EO-IP relationship, we refer to two theories: the agency theory and the resources theory. For the agency theory, we study the CEO's ownership and membership to the founders' family to check his/her motivation. For the resources theory, two measures are considered: the CEO's tenure and the CEO's industry expertise.

3.2.1. The CEO's Ownership and/or Membership to Founders' Family: Loyalty versus Entrepreneurial Offensive

The CEO's ownership has been at the heart of CG debates since Berle and Means' (Berle & Means 1932) research. Jensen and Meckling (Jensen & Meckling 1976) exposed the hitches that can be produced by the dissociation between management and ownership. Financial theories suggest that this separation can lead the principal (the CEO) to opt for discretionary behavior, favored by information asymmetry, to increase his income at the expense of the agent (shareholders). In accordance with this, a CEO who holds a significant proportion of equity capital would have a more loyal behavior. His/her interests as a shareholder should be aligned with those of the other shareholders (Jones & Butle, 1992; Liu et al., 2011). In this literature, the CEO's ownership was considered as a heterogeneous variable such as firm size, performance, dissemination of ownership structure, or the identity of the major shareholder. However, the CEO's ownership is more decisive in entrepreneurship firms with a more aggressive involvement of this major or exclusive shareholder. This brings us to the need to develop the impact of this ownership in family-owned entrepreneurial firms.

The CEO's ownership was considered in entrepreneurial strategies literature (Zahra, 1996; Meuleman et al., 2009; Webb et al., 2010). Some research focused on the ownership held by the CEO and also the family founder (e.g. Anderson & Reeb, 2003; Villalonga & Amit, 2006). These researchers studied the ownership threshold that would allow the founder family to control the decision-making process. They discussed the relationships between the different entrepreneurial family members and the manager who is usually a member of the family. In such cases, a CEO cooperative behavior may be possible (Davis et al., 2010; Davis, et al., 1997; Wright & Kellermanns, 2011; Miller & Breton-Miller, 2011). This would lead to more consensuses in the decision-making between the CEO and the entrepreneurial family members, and possibly a risk of having the same perception of entrepreneurial opportunities (Eddleston & Kellermanns, 2007).

In fact, when management and ownership are aligned, the CEO might adopt a defensive profile. The aim is to maintain performance (i.e. Innovation performance) and financial security for the major shareholder (the family). Suáre and Santana-Martin (Suáre & Santana-Martin, 2004) advance that a CEO *owner-manager* considers business as an extension of his/her personality; *it is also intricately bound up with family needs and desires.* The CEO's goal is to have the recognition and the reputation for the present and future generations (Miller & Breton-Miller, 2011); Moreover, family and CEO ownership may restrict external governance and lead to self-control (Suáre & Santana-Martin, 2004). This does not necessarily lead to better allocation of the firm's resources, which in turn may imply lower levels of the EO.

This leads us to advance:

Proposal 2a: The CEO's ownership can negatively moderate the EO-IP relationship. Indeed, this relationship would be weaker where the CEO holds a significant share of the equity. In other words, entrepreneurial firms are better able to promote innovation outcomes if their CEO holds a weak share of the equity.

Proposal 2b: The CEO's membership to the founders' family might negatively moderate the EO-IP relationship. Indeed, this relationship will be weaker.

3.2.2. CEO Tenure

The CEO tenure was often studied as a mediating variable in the EO-Performance relationship (e.g. Li et al., 2008). We subscribe to new research (Richard et al., 2009) that proposes to analyze the CEO's characteristics as a moderating variable on the EO-IP relationship. In fact, this allows us to study the impact of the different components of this variable on this relationship (industrial expertise, turnover, etc.). The CEO's tenure could be measured by the CEO's turnover in the firm.

The impact of the CEO's tenure on the firm's performance and IP remains mixed (Coles et al., 2001; Richard et al., 2009). The agency theory argues that the number of years spent by the CEO in this position is negatively correlated with the firm's performance. Indeed, a high CEO turnover in the firm would encourage a short-term vision and/or a self-centered behavior while investing in riskier projects (Li et al., 2008; Davidson et al., 2007; Matta & Beamish, 2008). The stewardship theory considers a more virtuous development (Davis et al., 1997). For this theory, a CEO who remains for a short period of time in the position does not necessarily have the means to successfully contribute to the firm's performance improvement by promoting innovation. In Fact, the CEO would spend the first mandate period to acquire the crucial industry information so he/she could be able to identify appropriate strategic opportunities. Moreover, a high CEO turnover could lead to changes in the firm's strategies and impede entrepreneurial orientations (Kesner & Sebora, 1994; Hambrick et al., 1993; Miller & Shamsie, 2001; Musteen et al., 2006).

By analogy, long manager tenure in the firm can lead to better control of the firm's environment and an appropriation of the most reliable information sources (Katz 1982; Richard et al., 2009). However, this could be also a source of rooting and stagnation in the firm's strategic orientations (Hambrick & Fukutomi, 1991; Tan & Peng, 2003; McClelland et al., 2012) use "manager paradigm" when describing a CEO who becomes less flexible with their firm's tenure. The authors argue that compared with a CEO who has a shorter firm tenure; this CEO would be more averse to industry risks and less attentive to both the firm's environment and organizational changes. In addition, this CEO might prefer to promote his personal learning rather than investigate new industry opportunities and/or innovative firm strategies (Chandler & Hanks, 1994). A moderate CEO tenure position would be an optimal condition to improve EO and to promote firm IP (Laveren et al., 2010; Grusky, 1963; Kesner & Sebora, 1994).

Based on the previous development, we argue that the impact of the CEO's tenure on the EO-IP relationship could be curvilinear. There is a threshold from which the impact would be positive on the reference relationship. Indeed, a long CEO tenure would limit creativity and firm entrepreneurial orientations. In other words, this manager would be guided by the firm's strategy that he established. He continues his vision of managing innovation.

Proposal 2c: The CEO's tenure can positively moderate the EO-IP relationship. Starting from a certain threshold, the CEO's tenure could weaken the studied relationship.

3.2.3. CEO Industry Expertise

Several types of research on entrepreneurial strategies emphasize the positive relationship that can exist between the firm industry experience and the development of its strategic orientations. However, we couldn't state the same thing concerning the CEO's industry expertise. A CEO, who is used to a more complex environment, would be less apprehensive to explore new opportunities in international markets and not just the local market (Cao et al., 2022; Child & Rodrigues, 2005; Child & Tse, 2001).

The industry expertise constitutes a measure of the CEO's ability (Shane, 2000). This CEO would be more skillful in considering entrepreneurial opportunities based on his expertise in the industry, market, firm customers, etc. (Richard et al., 2009). The firm's performance could also reflect the CEO's ability to take managerial risks in innovative projects. On the other side, some researchers have questioned the impact of the CEO's industry expertise. They consider that it can lead to conformity in managerial behavior (Hambrick et al., 1993). In Fact, the CEO masters the firm's industry and the firm's competitors. He could be influenced by his previous experiences, and have a familiar behavior. This can also lead to a dependency of the management team on the CEO's decisions; a firm not collaborative strategy, fixed on the CEO's vision. However, the diversity of the CEO's industry expertise (several missions, branches of industry, etc.) can constitute an asset to compensate for the risks of the rigidity of the CEO's entrepreneurial visions.

This leads to the following proposal:

Proposal 2d: The CEO's industry expertise can positively moderate the EO-IP relationship. Indeed, this relationship would be stronger in firms where the CEO has long and various experiences.

According to the previous discussion, we can highlight the curvilinear impact of the CEO characteristics on the EO-IP relationship.

4. Results

Considering the comprehensive examination of the EO and its relationship with IP, we propose several proposals that shed light on the nuanced dynamics within entrepreneurial companies:

Proposal 1: Our first proposal posits that EO has a positive impact on IP. This suggests that firms characterized by a high level of EO are more likely to achieve superior IP outcomes. EO, marked by traits such as innovation, risk-taking, and proactiveness, serves as a driving force behind IP within these organizations.

Proposal 2a: Delving deeper into the interplay between CEO characteristics and the EO-IP relationship, our second proposal suggests that the CEO's ownership can negatively moderate this relationship. In other words, when the CEO holds a significant share of the equity, the relationship between EO and IP tends to weaken. The CEO's ownership may lead to a more conservative approach to innovation, potentially hindering the IP of the firm.

Proposal 2b: Building upon the CEO's role within the company, our third proposal explores the CEO's membership in the founders' family. We propose that this factor might negatively moderate the EO-IP relationship. When the CEO is a member of the founder's family, the relationship between EO and IP is expected to be weaker. Family ties and dynamics within the leadership structure can influence the firm's approach to innovation.

Proposal 2c: CEO tenure is the focus of our fourth proposal. We suggest that CEO tenure can positively moderate the EO-IP relationship. However, a noteworthy nuance is introduced: this moderation effect might vary based on the duration of the CEO's tenure. Initially, a CEO's longer tenure could enhance the EO-IP relationship by allowing for a deeper understanding of industry nuances and strategic opportunities. Nevertheless, beyond a certain threshold, a lengthy CEO tenure may limit creativity and adaptability, potentially weakening the relationship.

Proposal 2d: Our final proposal underscores the significance of CEO industry expertise. We propose that the CEO's industry expertise can positively moderate the EO-IP relationship. Specifically, in firms where the CEO possesses both extensive and diverse experiences within the industry, the relationship between EO and IP is expected to be stronger. The CEO's ability to draw upon their industry knowledge and insights can foster a more conducive environment for innovation and, subsequently, improved IP.

These proposals expand our understanding of the multifaceted interactions between EO, CEO characteristics, and IP within entrepreneurial companies. By considering these nuanced dynamics, we aim to contribute valuable insights to the governance and management of such firms, ultimately enhancing their IP.

4.1. Conceptual Model

The discussion of the previous research proposals leads to the following conceptual model:

In this model (**Figure 1**), we consider IP as a performance dimension. IP leads to better measuring the firm's entrepreneurial orientations. In fact, IP is a result of the firm's entrepreneurial dynamics. Furthermore, integrating the CEO's characteristics in the study of EO-IP relationship is important (Richard et al., 2009). Exploring the moderating effects of these characteristics on the studied relationship is the main contrast with prior research studies that included it as a mediating one. Even though the polarity of the EO-IP relationship remains to be developed, we argue that the study of its strength through moderators' variables leads to a highly constructive analysis (Lumpkin & Dess, 1996; Rauch et al., 2009). Our research refers to the literature to debate that the impact of the CEO's characteristics on EO-IP relationship could be nonlinear. Indeed, a CEO with a high tenure position can be negatively influenced by his former experiences in the firm. For example, he may choose traditional decisional schemes that do not lead to neither the EO nor the IP. Finally, like the CEO's experiences within other firms can moderate positively the EO-IP relationship, the wealth and diversity of the CEO's expertise can also be an invaluable asset to promote IP.

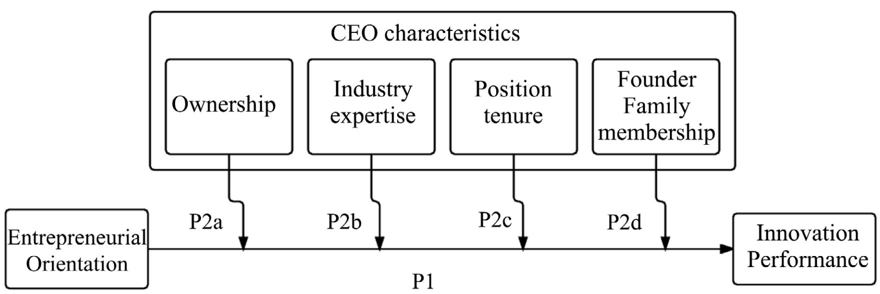

Figure 1. The conceptual model.

To strengthen the proposals and provide empirical support for each of them, we provide concrete evidence and real-world illustrations that bolster each proposal, enhancing the overall quality and applicability of our research.

Proposal 1: EO has a positive impact on IP. Firms with a high level of EO are more likely to achieve better IP.

Example: To illustrate this proposal, we can look at the case of Company X, a technology startup known for its innovative products. Company X embraces a strong EO, characterized by a culture of constant innovation, risk-taking, and proactive market engagement. Over the years, Company X's commitment to EO has led to a series of groundbreaking product launches and significant market success. Their continuous pursuit of innovative ideas has resulted in a track record of impressive IP, reinforcing the idea that a high level of EO can indeed drive superior IP.

Proposal 2a: The CEO's ownership can negatively moderate the EO-IP relationship. The relationship between EO and IP would be weaker in firms where the CEO holds a significant share of the equity.

Example: Consider the case of Company Y, a family-owned business led by the founder-CEO. While the CEO's strong ownership stake demonstrates a commitment to the firm, it has also been observed that the company's IP is somewhat constrained. The CEO's significant equity ownership tends to promote a risk-averse approach to innovation, with a focus on maintaining financial stability and ensuring consistent returns for the family shareholders. This example highlights how CEO ownership can dampen the positive impact of EO on IP.

Proposal 2b: The CEO's membership in the founders' family might negatively moderate the EO-IP relationship. This relationship will be weaker when the CEO is a member of the founder's family.

Example: Let's look at Company Z, a multi-generational family business where the CEO is a direct descendant of the founder. While the CEO's position within the family fosters a strong sense of tradition and values continuity, it also presents challenges for innovation. The firm tends to be more conservative in its approach to change and innovation, as the CEO's family ties influence decision-making. This case exemplifies how CEO membership in the founder's family can potentially weaken the EO-IP relationship.

Proposal 2c: CEO tenure can positively moderate the EO-IP relationship. However, starting from a certain threshold of CEO tenure, this relationship could weaken.

Example: Let's examine Company W, where the CEO has had a relatively long tenure of over two decades. During the early years of the CEO's leadership, their deep industry knowledge and established relationships contributed significantly to the firm's IP. However, as the CEO's tenure extended beyond a certain point, a sense of complacency and resistance to disruptive innovation began to emerge. The CEO's prolonged tenure, while initially beneficial, eventually reached a threshold where it hindered the firm's ability to adapt to new market trends and seize emerging opportunities. This case underscores the curvilinear impact of CEO tenure on the EO-IP relationship.

Proposal 2d: The CEO's industry expertise can positively moderate the EO-IP relationship. This relationship would be stronger in firms where the CEO has both long and diverse experiences in the industry.

Example: Let's consider Company V, led by a CEO with extensive industry expertise gained from working in various sectors of the same industry. The CEO's comprehensive knowledge and diverse experiences have allowed the company to leverage innovative strategies effectively. Their ability to draw upon insights from different segments of the industry has facilitated a culture of continuous innovation and resulted in remarkable IP outcomes. This example highlights how CEO industry expertise, when broad and deep, can indeed strengthen the EO-IP relationship.

In summary, these concrete cases provide strong support for the proposed ideas, enhancing our understanding of how various CEO attributes can influence the relationship between EO and IP within companies. These tangible examples serve as a crucial bridge, connecting theoretical concepts to real-world applications, and offer valuable insights to researchers and industry professionals alike in the fields of entrepreneurship and innovation management.

4.2. Managerial Implications

Having examined the multifaceted relationship between EO and IP, and considering the moderating role of CEO characteristics, it is now essential to translate these research findings into actionable insights for organizations and leaders. The implications drawn from this study offer a roadmap for decision-makers, executives, and professionals seeking to leverage EO to drive innovation and enhance performance within their organizations. The following managerial implications underscore the practical steps and considerations necessary to harness EO effectively and achieve sustainable IP.

Strategic CEO Selection and Development: When selecting or grooming CEOs, firms must take into account the CEO's characteristics as outlined in the study. It's imperative to strike a balance between stability and fresh perspectives. Fostering innovation requires CEOs who not only possess industry expertise but are also willing to embrace change and risk-taking. Organizations should invest in leadership development programs that emphasize innovation-oriented leadership skills.

Encourage Diverse Industry Experience: The study underscores the importance of diverse industry experiences for CEOs. Firms should actively encourage their top executives to broaden their industry exposure. CEOs who have worked across different sectors bring a wealth of perspectives and ideas that can fuel innovation. This could involve rotations, cross-functional projects, or industry-focused education programs.

Managing Ownership Structure: In family-owned businesses, firms should carefully manage CEO ownership stakes. While significant ownership can signal commitment, it can also lead to conservatism. Open communication and transparent decision-making processes can mitigate the negative impact of excessive ownership. Encourage family CEOs to involve non-family executives in key innovation-related decisions.

CEO Tenure Management: Recognizing the curvilinear nature of CEO tenure's impact on innovation, organizations should actively manage CEO tenures. Avoid complacency that can come with long tenures by implementing strategies for ongoing engagement and adaptation. This might include periodic performance reviews, goal realignment, and mentorship programs.

Balanced Risk Management: Striking a balance between risk-taking and innovation is crucial. Firms should develop risk management processes that allow for calculated risks while ensuring the organization's financial stability and security. Encourage CEOs and leaders to assess and mitigate potential risks associated with innovative initiatives.

These managerial implications provide a comprehensive framework for organizations to leverage their EO and enhance IP while considering CEO characteristics and fostering a culture of innovation across the entire organization.

5. Conclusion

Based on both CG and CE theoretical frameworks, we developed in this research an analysis of the EO-IP relationship. This study led to a conceptual model. The CEO's characteristics are considered as a moderating variable in the EO-IP relationship. These characteristics will not be only integrated as an explanatory variable of the model, but also as variables that examine the interaction with both EO and IP (i.e. CEO tenure in Richard et al., 2009). This research drives implications to the research agenda. First, future research should consider the nonlinear impact of the CEO's characteristics by adopting methodological approaches and data analysis that match these specificities. In fact, the curvilinear nature of the EO-IP relationship should be integrated into choosing the statistical and econometric methods in order to empirically test various moderator variables. Second, it would also be interesting to validate the conceptual model within various contexts.

Considering the conceptual implication of our research, we argue that CG for entrepreneurship firms should not be a simple importation of good CG recommendations that are mainly focused on large corporations. It should rather be a decoding of the governance mechanisms that already exist in these entrepreneurial firms. That allows us to better master the EO-IP relationship.

Furthermore, this research implies some managerial implications. It stresses the importance for the executive team to be attentive when appointing a new CEO. In fact, the CEO's characteristics can influence the intensity and the polarity of EO-IP relationship. In fact, entrepreneurial firms where the CEO is not a member of the founder's family, and/or has low ownership equity, may have a better likelihood of experiencing a short-term performance. These managers will promote innovative and riskier projects.

Finally, further conceptual and empirical research should integrate other contextual control variables such as corporate culture, management style, industry environment complexity, etc. to examine the EO-IP relationship (Li et al., 2008).

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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