1042-2587

Dominant Logic and Entrepreneurial Firms' Performance in a Transition Economy

Tomasz Obloj
Krzysztof Obloj
Michael G. Pratt

Dominant logic is the manner in which firms conceptualize and make critical resource-allocation decisions, and over time develop mental maps, business models, and processes that become organizational recipes. This study compares and contrasts the dominant logic of Polish entrepreneurial firms. We find evidence that a dominant logic characterized by external orientation, proactiveness, and simplicity of routines significantly influences the performance of entrepreneurial firms in this emerging economy. These dominant logic characteristics of high performers serve as a key intangible resource in transition economies that are characterized by the absence of strong institutions and resource constraints. Future research in this critical domain should include how dominant logic needs in transition economies evolve over time as the institutional environment matures and market mechanisms become more solidified.

Introduction

It has often been argued that one of the key factors in the success of a new venture is the dominant logic of the firm (Nadkarni & Narayanan, 2007). Dominant logic refers to how firms "conceptualize and make critical resource allocation decisions—be it in technologies, product development, distribution, advertising, or in human resource management" (Prahalad & Bettis, 1986, p. 490). It is "in essence, the DNA of the organization" (Prahalad, 2004, p. 172) and can be seen as one of the key valuable, rare, and difficult-to-imitate resources for the firm (Amit & Schoemaker, 1993; Barney, 1991). However, while the dominant logic concept is intellectually appealing, the empirical support for its impact has been weak to date (Obloj & Pratt, 2005). Moreover, its application has largely been limited to more developed economies. We argue that dominant logics may also play a critical role in emerging economies. In fact, transition economies offer the potential for a strong test of dominant logic and its relevance. In particular, those economies transitioning from a socialist economic system to a market economy offer the potential to test the value of dominant logic and its importance as an intangible resource in the

Please send correspondence to: Tomasz Obloj at tomasz.oblog@insead.edu, to Krzysztof Obloj at kobloj@wspiz.edu.pl, and to Michael G. Pratt at prattmg@bc.edu.

environment where tangible resources are in short supply and institutional support is not well developed (Bruton, Ahstrom, & Obloj, 2008; Kolvereid & Obloj, 1994; Meyer & Peng, 2005).

This research addresses the role of dominant logic in emerging economies and, in doing so, makes four specific contributions to the literature. First, it provides insight into the little examined transition economies of Eastern and Central Europe. Second, it provides empirical support for the importance of dominant logic for the peformance of new ventures. Third, the article extends theory in this area by integrating dominant logic with a resource-based perspective. Fourth, this article provides a critical "first test" of an inductive model of the structure of dominant logic of entrepreneurial firms in transition economies (Obloj & Pratt, 2005). Specifically, we develop empirical measures to assess various dimensions of the dominant logic in order to examine the importance of dominant logic as an intangible resource of the firm facilitating resource acquisition and resource deployment.[1] The implications of these findings as a foundation for future research are discussed at the end of the manuscript.

The article is structured as follows. We first propose a theoretical framework where we integrate dominant logic—and a cognitive approach more generally—into a wider, resource-based view of the firm. Next we focus on theory development and propose measures for assessing entrepreneurial dominant logics followed by hypothesis development. In the following section we detail the data selection procedure and model specification and then provide the results of the analysis. We conclude with a discussion on the implications and limitations of our findings.

Theory Foundation and Hypothesis Development

The Dominant Logic, Resource Shortages, and Resource Acquisition

The resource-based view sees organizations as bundles of resources that can generate performance heterogeneity and rent differentials across firms. These resources can be either of a tangible or of an intangible nature, although recent research has argued that intangible resources are a principal source of competitive advantage (Amit & Schoemaker, 1993; Peteraf & Barney, 2003). Particularly today, intangible resources are seen as crucial since competition is increasingly characterized by rapid technological and regulatory changes with fewer restrictions on information transfer (Hall, 1992; Hitt, Biermant, Shimizu, & Kochhar, 2001; Teece, 2000). Intangible resources are by definition not easily transferred (Szulanski, 2000), harder to imitate than tangible assets, exhibit time compression diseconomies (Dierickx & Cool, 1989), and are difficult to trade on the market for resources (Barney, 1986). Despite the importance of intangible resources, there has been little empirical investigation on the relationship between a firm's intangible resources, the resulting capabilities, and the firm's performance (Carmeli & Tishler, 2004; Makadok, 2001; Newbert, 2007).

The resources of entrepreneurial firms are usually constrained, but the tangible resources such as financing, technology, and logistical systems of entrepreneurial firms are particularly restricted in transition economies (Bruton & Rubanik, 2002). The result is that entrepreneurial firms in transition economies need to be more proactive, able to acquire and leverage their intangible resources, and learn to an even greater degree than

1. Following other studies, we do not distinguish between resources and assets in this study (Capron, Dussauge, & Mitchell, 1998).

entrepreneurs in developed economies (Knott, Bryce, & Posen, 2003). Scholars have pointed to several important factors determining the ability of entrepreneurial firms to acquire and leverage their resources. Schoonhoven, Eisenhardt, and Lyman (1990) stressed the role of the quality of the management team in the process; and Rao (1994) highlighted the ability of the firm to establish its legitimacy, which partially depends upon affiliation with other institutions of established quality (Gulati & Higgins, 2003; Higgins & Gulati, 2003). Other researchers, such as Delmar and Shane (2003), have studied the role of careful business planning in the acquisition and leverage of resources; and Zott and Huy (2007) stressed the role of symbolic management. We posit that a particular type of dominant logic of entrepreneurial firms can also be argued to be a critical intangible resource, serving as a means to enable firms to recognize resources and best deploy them. We suggest two reasons for this inclusion that are consistent with the basic views of dominant logic. First, dominant logic works as the lens through which entrepreneurs see their environment. Therefore, it can either help them to expand their horizons and see more opportunities and resources or limit their options and work as blinders (Prahalad, 2004). Second, dominant logic, understood as organizations' DNA, is embedded in organizational routines and, therefore, it can allow better or worse exploitation of an existing organizational resource base.

Dominant logic does not refer to a single domain of knowledge or cognition; rather, it should be conceptualized as a set of "dominant themes" or "configurations" developed by the entrepreneur (Miller, 1996) that over time becomes an organizational characteristic in a similar way as a market or entrepreneurial orientation (Lyon, Lumkin, & Dess, 2000). Prior research has used a variety of terms for this concept in addition to dominant logic (Prahalad & Bettis, 1986), including "mind-sets" (Nadkarni & Perez, 2007), "interconnected choices" (Siggielkov, 2001), and "strategic frames" (Huff, 1982). The terms are consistent in that they each refer to how managers perceive and adapt firms to their environment. In their original formulation, Prahalad and Bettis (p. 491) define a dominant logic as a "mind set or a world or conceptualization of the business and administrative tools to accomplish goals and make decision in that business." However, there are two basic views of dominant logic that flow from this definition—dominant logic as routines and dominant logic as an information filter. Each will be examined briefly in turn.

Dominant Logic as Routines

Grant (1988), noting the limitations of Prahalad and Bettis's (1986) initial formulation for operationalizing dominant logics, argued that dominant logic should be viewed as a set of specific corporate-level functions: allocating resources, formulating business strategies, and setting and monitoring performance targets. In operationalizing dominant logics in this way, Grant saw dominant logic primarily as routines. Other works extended this view by adding a learning component. Learning has been found to be critical for the formation and alternation of routines (Zander & Kogut, 1995). In a similar vein, Prahalad and Bettis argue that activities such as strategic choices, which are rewarded, will be learned and repeated according to the laws of operant conditioning. March (1996) further argues that learning in firms may also be vicarious as members combine learning from an organization's own experience and learning from others. The relationship between firm learning and routines is posited to be causal: Learning from action ultimately becomes codified in organizations via rules and routines (Huff, 1982; Miller, 1996; Nelson & Winter, 2002). Due to their interdependencies, we refer to these conceptualizations of dominant logics as *routine- and learning*-based.

Dominant Logic as an Information Filter

A second stream of dominant logic research, which has gained increasing attention in recent years, focuses more on the content of managerial cognitions and mind-sets (Boissot & Li, 2006; Gavetti, Levinthal, & Rivkin, 2005; Walsh, 1995; for a review on entrepreneurial cognition, see Mitchell et al., 2004, 2007). In later extensions of their original article, Bettis and Prahalad (1995) and Bettis (2000) treat dominant logic as a knowledge structure that evolves over a substantial period of time based on (1) experiences with the characteristics of the core business, (2) tasks critical to success, (3) performance measures, and (4) values and norms evolution. This knowledge structure works as a set of perceptual and conceptual filters that "sifts" information from the environment (von Krogh, Erat, & Macus, 2000). Boissot and Li (p. 320) go on to stress that during this process, codification of experiences is accompanied by abstraction that reduces "the number of categories required to achieve a viable representation of the experience, and hence the entropy associated with them." Because of its emphasis on sorting and eliminating information, we refer here to this conceptualization of dominant logic as an *information filter*.

Integrative Framework

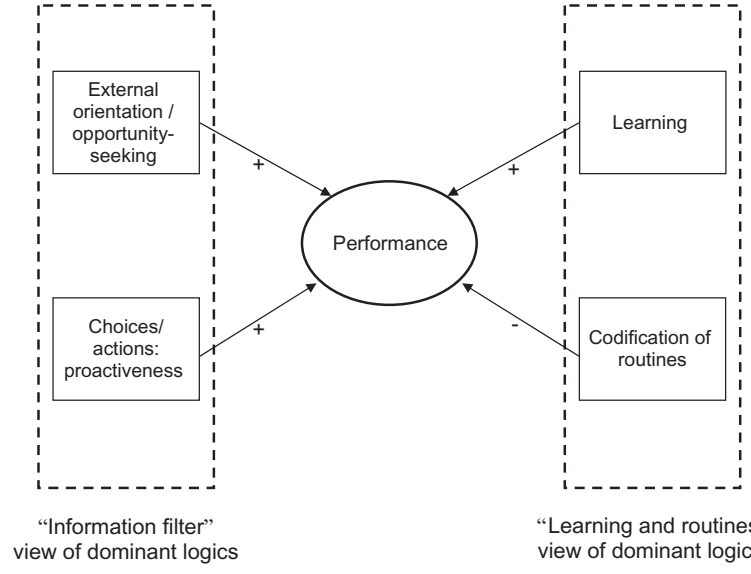
Research in cognition, however, suggests that both perspectives should be viewed together. For example, at the micro level, foundational work on the formation of schemas—which serve as information filters—suggests that schemas only form in domains where repeated action takes place (Markus, 1977). Pratt (2003) similarly argues that at a more macro level, organizational identity is related to collective action. Taken together, this suggests that routines may be an integral component to the formation of knowledge filers, and as structuration theory suggests, these knowledge filters will, in turn, influence subsequent behaviors. Supporting this linkage, Obloj and Pratt's (2005) study integrates these two streams with their analysis of a series of contrasting case studies of successful and unsuccessful firms. Based upon their analysis, they argued that dominant logic can be conceptualized as a system of four elements: (1) *perception/sensemaking orientation*, which refers primarily to whether companies looked to their environment when scanning for information and whether they perceived their environment primarily in terms of opportunities or threats; (2) *choices/actions*, which involve how one views managerial choices (e.g., strategic or not) and the speed with which these choices were translated into action—thus, this element involved the proactive or reactive nature of choice; (3) *learning*, which refers to how firms react to disruptions and setbacks; and (4) *codification of learning/routines*, which is the degree to which learning is transformed into routines. The first two elements refer to the initial framing of perceptions and actions (Starbuck & Milliken, 1988), and are similar to the information filter view advocated by Bettis and Prahalad (1995), von Krogh et al. (2000), and Boissot and Li (2006). The latter two incorporate learning and routines (Grant, 1988; Nelson & Winter, 1982)—components that are critical to the maintenance or revision of the dominant logics. As of now, however, this integration of perspectives has not been empirically tested. We argue that all four quoted elements and dimensions of dominant logic, presented in Figure 1, are important for the success of entrepreneurial firms.

Hypotheses

Entrepreneurial firms must scan their external environment in order to successfully adapt to opportunities, threats, and changes (Jackson & Dutton, 1988; Keh, Foo, & Lim,

Figure 1

Dominant Logic and Performance: Key Features.



Adapted From Obloj and Pratt (2005)

2002). One danger in conducting such scanning is that the heuristics and biases of the entrepreneurs can significantly influence opportunity and threat perceptions (Kahneman & Tversky, 1979) and, as a result, a firm's choice of (re)action. In particular, there may be a large discrepancy between how an entrepreneurial firm perceives its environment and the reality of the setting (Kahneman & Lovallo, 1993). However, not all heuristics and biases have negative effects on scanning efforts (Dane & Pratt, 2007). For example, "positive illusions" may be a helpful sensemaking device, enabling collectives to create self-fulfilling prophesies that cause them to alter their environments in a way that conforms to their beliefs (Weick, 1995).

One of the key heuristics that can shape action is whether entrepreneurial firms focus on external opportunities or external threats. Jackson and Dutton's (1988) study indicates that managers in mature economies are generally more sensitive to issues perceived as threats than to opportunities. Historically, the dominant logic of the socialist system focused on production outcomes and, as a result, the major concern was threats to the firm from changes official policy or from a new entry that had a stronger backer among the government bureaucrats. This focus has led many managers or entrepreneurs in transition economies to focus on threats such as changes of legal regulations, new entrants, and "unfair players" (Kozminski, 1993; Obloj & Pratt, 2005). One key characteristic, or element, of dominant logic that differentiates entrepreneurial firms in transition economies is whether they view their environment as an opportunity or as a threat. Given that beliefs can create self-fulfilling prophecies (Weick, 1995), it is argued that entrepreneurial firms that take the more market-oriented approach of focusing on the changes as opportunities will behave in a more entrepreneurial way and have greater success (Shane, 2003). By contrast, a threat orientation is likely to lead to more defensive, rigid responses (Staw, Sandelands, & Dutton, 1981), which, in turn, will limit players' ability to enact their

environment in a flexible, entrepreneurial fashion and could consequently harm performance. Thus, we argue:

Hypothesis 1: An entrepreneurial firm's adoption of an external, opportunity-seeking orientation will lead to superior organizational performance.

A recurring question in organizational theory concerns how organizations evolve and adapt to their environment. Two opposite views suggest that organizations are either mostly dependent upon their environment or that they can actively enact and shape it. A similar distinction exists in entrepreneurship theory that distinguishes between focus on discovery versus creation of opportunities in entrepreneurial behavior (Alvarez & Barney, 2007). More broadly, research on organizational change suggests that such change is often constrained, path dependent, and therefore not entirely driven by choice, imagination, or creativity (March, 1994, 1996). However, others argue that within these imposed limitations, agency can be expressed in the sense that choices and actions can be undertaken, not only as a direct response to environmental pressures, but also, more proactively, as a part of the search, exploration, and opportunity-creation processes (Smith & Cao, 2007).

As we discussed above, worldviews and other information filters can shape how firms see their environment and how they *act* on that environment. However, it was also noted that a key distinction in strategic mind-sets is between being proactive versus being reactive. Connecting these points, Talke (2007, p. 79) argues that a proactive strategic orientation not only helps with opportunity seeking, but also with acting "in anticipation of future demand" as well as with having the ability to "exploit emerging opportunities." In addition, there is support for the impact of proactiveness on firm growth and profitability (Talke; Venkatraman, 1989). Extrapolating from this research, we argue that a proactivity of entrepreneurial firms should be particularly important in transition economies for at least two reasons. First, because resources in those economies are limited and unevenly distributed (Bruton & Rubanik, 2002; Meyer & Peng, 2005), proactive behavior is an effective way to discover, evaluate, and acquire such scarce resources—especially those resources that may not be directly related to one's current business plans (Talke; Venkatraman). By contrast, reactive strategies may be inefficient as they narrow the perceptual field only on those conditions that directly impact the firm, thus limiting opportunistic searchers. Second, being proactive leads to experimenting (Miles & Snow, 1978), and from a cognitive/sensemaking perspective, those who experiment and proactively engage with their environment should not only form more effective and "expert" complex cognitive maps (Dane & Pratt, 2007), but should also more effectively be able to enact their environments (Weick, 1995). Thus, taken together, we propose:

Hypothesis 2: An entrepreneurial firm's high level of proactiveness will lead to superior organizational performance.

Organizational capacity to learn and translate knowledge into action is crucial to firm performance in emerging economies (Lyles & Salk, 2007; Uhlenbruck, Meyer, & Hitt, 2003) because these economies are largely characterized by high levels of turbulence (Peng, 2003). As a result, the ability to learn from business failures or traumas is particularly important (Levinthal & March, 1993). Research in cognition suggests that for experiences to lead to complex cognitive schema within a particular domain, a "kind" learning structure must exist (Hogarth, 2001). Kind learning structures mean that one must be provided with fast feedback and that the consequences for errors must be significant. Extrapolating to this research, firms that are able to recall and learn from dramatic failures—a significant outcome—should make stronger links between their actions and the consequences of those actions. The net result is that firms become more

"expert," their strategic orientations become more complex, and their actions become more effective (Dane & Pratt, 2007). In organizational terms, this means that top entrepreneurial managers who can recall failures are more likely to effectively learn from them (i.e., can transform lessons from these experiences into organizational-wide learning via structural or procedural changes); consequently, these managers are more likely to develop mind-sets that lead to effective decision making. Thus, we propose:

Hypothesis 3: Higher ability to recall and learn from dramatic failures and successes by an entrepreneurial firm will lead to superior organizational performance.

Empirical evidence confirms that organizational learning and adaptation involve development of routines and standard operating procedures (Van De Ven & Poole, 1995). Thus, organizations develop routines guiding allocation of resources, formulating and coordinating execution of business strategy, and setting and monitoring performance targets (Grant, 1988). Over time, organizational actions become well-structured and involve application of well-developed routines to appropriate internal or external contingencies (March, 1994), thus improving organizational performance. Routines, however, have their distinctive traps. As organizations codify their experience into routines, they tend to engage predominantly in activities at which they feel more comfortable, thus inhibiting experimentation and exploration, shortening their time horizon, and ignoring a larger picture of an environment (Levinthal & March, 1993). Therefore, it seems crucial in emerging, high-velocity markets that successful organizations do not overly codify their learning.

Learning demands flexibility of organizational design. Therefore, we would expect that successful entrepreneurial firms in emerging economies should be selective in the creation of their routines and to bend the rules as necessary. Firms are known to create routines through trial and error (March, 1996). However, firms that are successful will ultimately develop flexible organizations where formalization and standardization are limited. That is, these firms are more likely to codify routines in a "patch-to-patch" manner rather than in a "thin-to-thick" manner (Siggielkov, 2002). Thus, Obloj and Pratt (2005) found that successful managers will also principally codify routines for pragmatic reasons (e.g., change in the legal environment). Their counterparts in unsuccessful firms were more likely to be motivated by a lack of trust—both of their competitors and their own employees—which leads to an increase in the codification of routines across multiple domains. In sum, we argue that the organizations that will be the best codifiers of routines will be actually the least successful. Therefore, we argue:

Hypothesis 4: Low levels of codification of organizational routines by an entrepreneurial firm will lead to superior organizational performance.

Methods

This research employs a field-based survey to examine this topic. One of the crucial problems in doing research in Central Europe is a lack of good and reliable databases. In a search for a database that would meet the goal of our research, we decided to choose as a sample an entire population of firms nominated between 1999 and 2004 by a respected Polish business magazine, *Puls Biznesu (The Pulse of Business)*, as Polish "Successful Antelopes." These are small and middle-size (SME) private firms established between 1990 and 1999, with sales between $1 million and $80 million, that were profitable and growing in terms of revenues for 2 consecutive years before the date of ranking. The

database was developed by *Puls Biznesu* with the help of consulting and research institute *Coface Intercredit Poland*. All of those firms in the sample can be considered relatively good performers; however, within this list, success varied widely. Moreover, this listing offered one of the most complete listings of entrepreneurial firms. Thus, while performance may be slightly truncated in this population, this also sets up a rather conservative test of our hypotheses.

We have further chosen from this database only firms that were established between 1989 and 1995. We chose a subsample of the total population for two reasons. First, we wanted to ensure that firms in our sample were operational for several years so that their dominant logic could be established and have an impact on performance. Second, we wanted to restrict the environmental differences under which the dominant logic of different firms evolved. Failure to do so could have introduced a serious endogeneity issue into our analysis. This process yielded 653 firms. The sample represented a broad range of industries including the following: media, food and beverages, consulting and market research, efficacy construction materials, outsourcing (providing facility management, catering, and cleaning services), and tourism.

The data collection procedure comprised four phases. In phase one, we developed the measurement scales based on a literature review. We then interviewed top executives of comparable entrepreneurial firms—not in our sample—as a pilot qualitative study to validate the items in those scales. We then pretested the scales with academics and executives to ensure clarity and unidimensionality of the measures. These pretests lead to several revisions in our questionnaire. In phase three, we mailed the final survey to all CEOs (*"prezes"*) of the 653 firms in the data set. Following the Total Design Method (TDM) by Dillman (1978), we mailed the follow-up letter and a replacement questionnaire, with a reminder telephone call between the first and second mailing to all non-respondents. Considerable effort was expended to ensure reliability of the data. In particular, guidelines provided by Huber and Power (1985) were closely followed. In total, 102 questionnaires were returned—60 after the first mailing and 42 after the second mailing. Out of those, four were dropped due to the large number of missing values. Our final response rate of 16% is comparable with other large-scale questionnaire-based studies (Capron & Pistre, 2002; Weinstein & Obloj, 2002). Non-response bias was analyzed with regard to industry, type of environment, and intensity of rivalry. No significant bias in responses was found. We also compared the early respondents and late (second mailing) respondents, and found no significant differences in industries represented or in the distribution of answers. In 78 cases, the CEO of the firm completed the evaluation, and in 20 cases, it was a member of the executive board (chief financial officer, sales or marketing director). An analysis of respondents' position and tenure in the company did not indicate any bias in their responses.

Dependent Variable

The dependent variable was organizational performance, as reported by the respondents. The use of subjective measures is a valid alternative when objective measures are not obtainable (Venkatraman & Ramanujam, 1987), and they are often used while studying emerging economies (Steensma, Barden, Dhanaraj, Lyles, & Tihanyi, 2008). Consequently, we used subjective evaluations of firms' revenues, profits, quality of offering, and market share (during the last 2 years) versus major competitors on the 5-point Likert-type scale from "smaller than competitors" to "higher than competitors" evaluations. In order to differentiate between higher and lower performing firms, we created a binary variable—LEADER. To qualify as a leader or a high performer, firms had to have all of the following characteristics: higher revenues, profits, quality of offering, and market

share than their competitors. Relying on multiple comparative performance measures also ensured attenuating the single-respondent bias. This algorithm enabled us to divide our population into two groups: a relatively small set of leaders (n = 24) and a larger group of others (n = 74).

Independent Variables

A 22-item, 5-point Likert scale was used to measure four characteristics of dominant logic. Our first three independent variables: opportunity-seeking (OPP-SEEK), proactiveness (PROACT), and learning (LEARN) were measured as the average of five items. The last variable, routines (ROUTINE), was measured by seven items of the questionnaire. The ROUTINE variable was reverse-coded so that a high value of this variable corresponds to a low level of routinization of procedures within organizations. The complete listing of survey questions is attached in Appendix 1. We tested the measurement model by examining each of the item's reliability, internal consistency, and discriminant validity. The Cronbach's coefficient alpha for all of our measures exceeded the level of 0.60. In order to assess the discriminant validity, we followed the procedure recommended by Fornell and Larcker (1981). The criterion stating that the correlation between any pair of constructs is less than the square root of the average variance extracted of these two constructs is met for all pairs of scales.

Control Variables

We included three control variables in the analysis. Industry (INDUSTRY) was controlled for because of its potential influence on organizational practices and because it is a surrogate of environmental forces (Porter, 1980). We therefore include in our analysis 12 dummies for each industry in our sample. The other control variable was type of competition (in terms of local competitors versus local and foreign competitors—COMPETITION), because former studies found that the presence of foreign competitors strongly influences a firm's behavior (Kosova, 2008). Finally, following Porter, we included type of business environment (ENVIRONMENT) defined as fragmented, transitory, or mature, because it influences firms' performance and strategies. As all of the firms in the sample are classified as SMEs (having between 50 and 250 employees), we did not treat size as a control variable.

Descriptive statistics for all variables along with correlation tables are reported in Table 1. As seen in Table 1, our measures were not strongly correlated, with the largest correlation between items being only 0.21.[2] Only routines and proactiveness were significantly correlated at the 0.05 level.

To test hypotheses 1 through 4, our measure of performance was regressed on our four measures of dominant logic elements: opportunity-seeking, proactiveness, learning, and routines.

Due to heteroscedastic structure of the error term arising with the use of linear probability models on the binary dependent variable, a binary logistic regression was chosen as an appropriate method of data analysis to obtain the maximum likelihood estimates of the coefficients (Greene, 2003). The likelihood ratio approach was adopted because it provides the researcher with a readily interpretable predictive value as well as because it carries more power than the Wald statistic as the value of a regression

2. This assertion was further confirmed by the discriminant validity analysis. None of the variance inflation factors exceeded 1.7.

Table 1

Summary Statistics and Correlation Table

Variables	Minimum	Maximum	Mean	SD	LEARN	OPP-SEEK	PROACT	ROUTINE	ENVIRONMENT
LEARN	2.50	5.00	3.73	0.52	—				
OPP-SEEK	1.50	4.75	2.82	0.66	0.171	—			
PROACT	1.80	4.40	3.37	0.58	0.153	0.124	—		
ROUTINES	2.14	4.71	3.20	0.49	–0.005	0.097	0.211*	—	
ENVIRONMENT	1.00	3.00	1.94	0.66	–0.02	0.02	–0.03	0.1	—
COMPETITION	1.00	3.00	2.03	0.93	–0.08	–0.05	0.2*	–0.03	0.28*

Note: Valid N = 98.
* Significant at the 0.05 level.
OPP-SEEK, opportunity-seeking; PROACT, proactiveness; LEARN, learning; SD, standard deviation.

coefficient increases (Daily & Dalton, 1994; Norusis, 1990). We have constructed two models. A fully restricted model incorporates only the control variables. A fully unrestricted model includes all control variables along with the hypothesized effects. These models are compared with the baseline, with a constant only effect. We predicted that the highest performers in terms of revenues, profits, quality of offerings, and market share (LEADERS) will have dominant logics characterized by specific characteristics: high level of opportunity-seeking cognitive approach, high level of proactiveness, high learning skill, and low level of codification of routines.

Results

The results of three regression models are presented in Table 2.

Due to the highly asymmetric distribution of the dependent variable, the baseline model's log likelihood is fairly low, with maximum chance criterion (when all firms are assumed to be non-leaders) allowing for 75.5% accuracy. Model 1, which incorporates only control variables, does not provide any significant improvement over the baseline specification. Model 2 includes postulated relationships and offers a significant improvement in predictive power compared with the baseline model. The improvement in log likelihood is significant at 0.01 level, with the observed chi-squared value of 20.3. In

Table 2

Logistic Regression Analysis of the Impact of Dominant Logic on Performance

Variables	Baseline model	Model 1	Model 2
Constant	−1.12**	−0.67	−13.61**
	(0.23)	(0.89)	(3.53)
OPP-SEEK			0.91*
			(0.59)
PROACT			1.344*
			(0.59)
LEARN			0.176
			(0.57)
ROUTINE			1.46*
			(0.59)
COMPETITION		0.16	0.21
		(0.26)	(0.30)
ENVIRONMENT		−0.42	−0.56
		(0.38)	(0.43)
INDUSTRY		Included	Included
Log-likelihood ratio	−54.55	−53.857	−44.409
Chi-squared		1.39	20.29**

Note: Standard errors in parentheses. Observations = 98.
* Significant at 0.05 level.
** Significant at 0.01 level.
OPP-SEEK, opportunity-seeking; PROACT, proactiveness; LEARN, learning.

addition, this model offers a 70% positive predictive value (leaders classified as leaders) and an 80.7% negative predictive value (non-leaders correctly classified).

We find strong support for three out of four hypothesized effects. As postulated in hypothesis 1, there is a strong positive relationship between the firms' external, opportunity-seeking orientation and their performance indicated by a positive coefficient on the OPP-SEEK variable, significant at 0.05 level. This suggests that firms that are opportunity-driven view competitive actions as a challenge and motivational factor, look into the future with optimism, and have better performance than firms that focus on problems and threats. These results provide support for the assertion that threat and opportunity focus do not follow the same cognitive rules (Jackson & Dutton, 1988).

Also, as predicted by hypothesis 2, there is a strong positive relationship between the firms' proactiveness and their performance. The coefficient on the PROACT variable is positive and significant. Leaders in every industry, type of environment, and competitive situation are more willing to take chances, experiment, and start new ventures. Laggards are conservative and focus on doing better in performing in areas where they are already entrenched, thus limiting their chances to exploit fleeting opportunities.

Hypothesis 3 predicted that organizational learning, the third element of our proposed dominant logic, should lead to higher performance. We do not find support for this hypothesis. While the results are in the right direction (positive coefficient on learning variable), the relationship is not statistically significant.

Finally, hypothesis 4 anticipated a positive relationship between a low degree of routine codification and firm performance. As predicted, the regression coefficient on ROUTINE variable is positive (reverse-coded) and highly significant. High performers did not develop as many elaborate routines and procedures over time as relative laggards. While such organizations must—at some level—ultimately formalize and standardize some of their operations, they appear to do so to a lesser degree than companies with average performance.

Discussion

As we have noted, the concept of dominant logic has proven to be theoretically attractive but has rarely been empirically studied because of lack of clear theoretical framework and operationalization. Building from two main views of dominant logic as (1) information filter, and (2) routine codification and learning, we integrated these two streams of research and operationalized them as four interconnected elements (external opportunity orientation, proactiveness, learning, and codification of routines). The objective of this article was to demonstrate the link between the four elements (two from each view) of dominant logic and a firm's performance. This research confirmed the significance of three of those elements to entrepreneurial success in an emerging economy. In doing so, we provide the critical "first test" of the inductive study of dominant logics by Obloj and Pratt (2005). More generally, our study shows that the concept of dominant logic, in spite of all the problems with its operationalization for empirical research (von Krogh et al., 2000), can be useful in understanding firm performance and success.

Our study contributes to existing literature in two additional ways. First, it shows what kind of dominant logic serves an important, intangible resource of an entrepreneurial firm. The fast-paced environments of transition economies are neither rich in tangible resource nor offer stable institutional support to entrepreneurial firms (Meyer & Peng, 2005). Hence, to successfully compete, intangible resources become critical. Moreover, some intangible resources that are plentiful in mature markets, such as brands, reputation,

knowledge, or know-how, are still underdeveloped in transition economies—and such resources form very slowly. These conditions reinforce the importance of dominant logic as a key intangible resource. The most significant finding of our study, therefore, is the relationship between dominant logic elements and firm performance. Our results suggest that only dominant logic that promotes (1) constant opportunity-seeking, (2) experimentation, and (3) flexible organizational design becomes a strategic, intangible resource for a new venture in an emerging economy.

Second, our study provides insight into ongoing debate about the appropriate fit between knowledge structures, environments, and performance of a firm (Nadkarni & Narayanan, 2007). Researchers in cybernetics and managerial cognition argue that a firm's mind-set should reflect the complexity of the firm's environment; in our sample, this means that this alignment allows decisions and actions to be well adapted with the dynamic, complex, and situation-specific conditions of turbulent environments (Nadkarni & Narayanan; Weick, 1995). The lack of proper fit between complexities of knowledge structures and environmental forces results in management failure to recognize important trends and changes in the environment, and prevents firms from the effective utilization of resources and capabilities. Researchers with a more managerial perspective, by contrast, advocate a radically different view. They argue that simple knowledge structures that consist of few simple rules (Eisenhardt & Martin, 2000; Witz, Mathieu, & Schilke, 2007) have distinctive advantages in complex, fast-paced environments. This is because simple knowledge structures promote fast and direct actions that are crucial to the development of temporary competitive advantages (Baum & Wally, 2003), and also focus managers' attention on the most important issues at hand.

Our study offers a dynamic, resource-based view insight into this tension. The dominant logic of the best performers in an emerging economy consists of few simple routines, but they offer a vast complexity of possible adaptive actions. Constant scanning for opportunities, proactive experimentation, and flexible organizational design allows managers and entrepreneurs to keep firms open to multiple possibilities, adapt to fast changes, and allow thorough exploration (March, 1996) to develop diverse resources. Recent studies recognize that the resource diversity that follows from exploration is an important factor of organizational performance (Nadkarni & Perez, 2007). It works as an insurance against a lack of predictability produced by a limited institutional infrastructure of emerging economies. That is, when firms can bring to bear a variety of resources, they may be able to respond better to a diversity of environmental needs. Similarly, resource diversity enables firms to respond faster and more effectively to unpredictable and diverse opportunities in high-velocity emerging markets. That is, by making the firm more open to multiple possibilities, it increases managers' chances to identify and enact strategic choices. However, as markets mature and develop patterns, trends and institutions limit any firm's chance to make the environment endogenous and alter it significantly; as a result, the effectiveness of different modes of dominant logics should significantly change toward more complex schemas and structured organizational design that allow better prediction, controls, and effective exploitation of developed resource base (Wiltbank, Dew, Read, & Sarasvathy, 2006).

There are limitations that should be acknowledged to accurately interpret the results of this research. First, due to the constraints of cross-sectional studies, our results only suggest statistically significant relationships of elements of dominant logic and performance, and not causality. Second, the study is based upon a relatively small, diversified sample of SMEs and a relatively straightforward statistical analysis. Therefore, we do not claim that our findings can be generalized to all firms, in all types of markets, in all countries. However, our claims to generalizability to emerging econonomies are

strengthened given the similarity in our findings and that of earlier inductive work. Moreover, we believe that our operationalization of dominant logics, and our empirical findings related to the link between components of dominant logic and firm's performance have a strong conceptual appeal, and pave the way for their verification in different contexts. Given the preponderance of dominant logic studies in North American and Western European markets, and in stable markets, we especially hope to see additional work in a broader range of countries and markets.

Suggestions for Future Research

Future research should continue to refine the operationalization of dominant logic in order to identify more precisely relations between its major components. For example, one possible explanation for the limited importance of organizational learning in our study is the possibility that some significant effects of learning may be tacitly taken into account in the constructs of proactiveness and codification of routines. Proactiveness is based upon experiments, innovativeness, and clear priorities. And as results are fed back into the process, organizations may learn to adopt more refined courses of proactive action. Moreover, learning is a natural driver of codification of routines. Given the low correlation between learning and the other elements (see Table 1), we offer two additional and alternate explanations of our "non-finding." First, since we chose relatively high-performing companies for our sample, it may be that learning plays a bigger role in differentiating relatively successful firms from firms that are barely surviving or are failing. Second, it may be that the turbulent environment of an emerging economy limits the potential for learning and its usefulness. Effective experiments and actions become outdated quickly, and neither repetitions nor benchmarking works well. It is therefore possible that a value of learning is contingent upon the type of environment and that learning is more critical to organizational success in slower, more mature markets. We had the advantage of building from an inductive study that was tailored for a specific, highly turbulent, emerging market. However, research that examines different markets may need to verify the veracity of the elements we tested, as well as their relationships.

Second, future research should analyze in greater detail how dominant logic develops over time. As noted above, markets mature. How might this influence the nature and type of dominant logics needed for success? Are new elements added? Does the significance of specific elements change? Moreover, entrepreneurial organizations mature. Do the elements that help successful firms at the onset of their life cycle lose their potency over time? How inertial is dominant logic, and does a change of environment and/or lower performance trigger its change? To address these concerns, longitudinal studies (Tripsas & Gavetti, 2000) are needed that should examine in more detail the complex relation between the evolution of dominant logic, organizational environment, and resulting performance.

Appendix 1

Survey Details[3] (Questions Marked With * Were Reverse-Coded)

Proactiveness
Our firm tries to influence direction of changes in our environment
Experimentation is the base of our strategy, and many of undertaken actions are initiated with limited formal analysis
We often start new initiatives and strategic ventures
Implementation of new products has been a priority in our firm for many years now
Our employees often experiment in order to find new, innovative ways of action
We do not accept high risk of our new ventures*
External orientation
Environment of our firm is very complex and difficult to analyze*
Environment of our firm has mainly been the source of opportunities
The vision of future of our firm is very optimistic
Our competitors are mainly the source of challenges and new initiatives
Our competitors sometimes act in a dishonest way that limits our development possibilities*
Routines*
Our monitoring system relies on formal and regular analysis of industry and competitive actions
Main decisions in our firm are centralized at the level of the executive board
We develop efficient procedures in the early stage of our firm's operation
Main processes in the firm are well defined, and responsibilities are clearly allocated
We have simple and flat organizational structure*
Our motivational system was developed in a way to force people to act according to instructions
Important pieces of information mainly pass through formal channels in our firm
Learning
Our failures were more a source of frustration than interesting experiences used for firm's improvement*
Communication in our firm was always fast, frequent, but sometimes chaotic
We always quickly exit from wrong strategic decisions
Our successes are an important source of information and experience for us
Since the beginning we develop and improve our business model incrementally

REFERENCES

Alvarez, S.A. & Barney, J.B. (2007). Discovery and creation: Alternative theories of entrepreneurial action. *Strategic Entrepreneurship Journal*, *1*(1–2), 11–26.

Amit, R. & Schoemaker, P.J.H. (1993). Strategic assets and organizational rent. *Strategic Management Journal*, *14*(1), 33–46.

Barney, J.B. (1986). Strategic factor markets: Expectations, luck, and business strategy. *Management Science*, *31*, 1231–1241.

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, *17*(1), 99–120.

Baum, J.R. & Wally, S. (2003). Strategic decision speed and firm performance. *Strategic Management Journal*, *24*(11), 1107–1129.

Bettis, R.A. (2000). The iron cage is emptying, the dominant logic no longer dominates. In J.A. Baum & F. Dobbin (Eds.), *Economics meets sociology in strategic management* (pp. 167–174). Stamford, CT: JAI Press.

Bettis, R.A. & Prahalad, C.K. (1995). The dominant logic: Retrospective and extension. *Strategic Management Journal*, *16*(1), 5–14.

3. The scale ranges from strongly disagree (1) to strongly agree (5). Translated from Polish.

Boissot, M. & Li, Y. (2006). Codification, abstraction, and firm differences: A cognitive information-based perspective. *Journal of Bioeconomics*, *7*, 309–344.

Bruton, G.D., Ahstrom, D., & Obloj, K. (2008). Entrepreneurship in emerging economies: Where are we today and where should the research go in the future. *Entrepreneurship Theory and Practice*, *32*(1), 1–14.

Bruton, G.D. & Rubanik, Y. (2002). Resources of the firm, Russian high-technology startups, and firm growth. *Journal of Business Venturing*, *17*(6), 553–576.

Capron, L., Dussauge, P., & Mitchell, W. (1998). Resource redeployment following horizontal acquisitions in Europe and North America, 1988–1992. *Strategic Management Journal*, *19*(7), 631–661.

Capron, L. & Pistre, N. (2002). When do acquirers earn abnormal returns? *Strategic Management Journal*, *23*(9), 781–805.

Carmeli, A. & Tishler, A. (2004). The relationships between intangible organizational elements and organizational performance. *Strategic Management Journal*, *25*(13), 1257–1278.

Daily, C.M. & Dalton, D.R. (1994). Bankruptcy and corporate governance: The impact of board composition and structure. *Academy of Management Journal*, *37*(6), 1603.

Dane, E. & Pratt, M.G. (2007). Exploring intuition and its role in managerial decision making. *Academy of Management Review*, *32*(1), 33–54.

Delmar, F. & Shane, S. (2003). Does business planning facilitate the development of new ventures? *Strategic Management Journal*, *24*(12), 1165–1185.

Dierickx, I. & Cool, K. (1989). Asset stock accumulation and the sustainability of competitive advantage: Reply. *Management Science*, *35*(12), 1504–1511.

Dillman, D. (1978). *Mail and telephone surveys: The total design method*. New York: Wiley.

Eisenhardt, K.M. & Martin, J.A. (2000). Dynamic capabilities: What are they? *Strategic Management Journal*, *21*(10), 1105–1122.

Fornell, C. & Larcker, D.F. (1981). Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research (JMR)*, *18*(1), 39–50.

Gavetti, G., Levinthal, D.A., & Rivkin, J.W. (2005). Strategy making in novel and complex worlds: The power of analogy. *Strategic Management Journal*, *26*(8), 691–712.

Grant, R.M. (1988). On "dominant logic," relatedness and the link between diversity and performance. *Strategic Management Journal*, *9*(6), 639–642.

Greene, W.H. (2003). *Econometric analysis* (5th ed.). Upper Saddle River, NJ: Prentice Hall.

Gulati, R. & Higgins, M.C. (2003). Which ties matter when? The contingent effects of interorganizational partnerships on IPO success. *Strategic Management Journal*, *24*(2), 127–144.

Hall, R. (1992). The strategic analysis of intangible resources. *Strategic Management Journal*, *13*(2), 135–144.

Higgins, M.C. & Gulati, R. (2003). Getting off to a good start: The effects of upper echelon affiliations on underwriter prestige. *Organization Science*, *14*(3), 244–263.

Hitt, M.A., Biermant, L., Shimizu, K., & Kochhar, R. (2001). Direct and moderating effects of human capital on strategy and performance in professional service firms: A resource-based perspective. *Academy of Management Journal*, *44*(1), 13–28.

Hogarth, R.M. (2001). *Educating intuition*. Chicago: University of Chicago Press.

Huber, G.P. & Power, D.J. (1985). Retrospective reports of strategic-level managers: Guidelines for increasing their accuracy. *Strategic Management Journal*, *6*(2), 171–180.

Huff, A.S. (1982). Industry influences on strategy reformulation. *Strategic Management Journal*, *3*(2), 119–131.

Jackson, S.E. & Dutton, J.E. (1988). Discerning threats and opportunities. *Administrative Science Quarterly*, *33*(3), 370–387.

Kahneman, D. & Lovallo, D. (1993). Timid choices and bold forecasts: A cognitive perspective on risk taking. *Management Science*, *39*(1), 17–31.

Kahneman, D. & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, *47*(2), 263–291.

Keh, H.T., Foo, M.D., & Lim, B.C. (2002). Opportunity evaluation under risky conditions: The cognitive processes of entrepreneurs. *Entrepreneurship Theory and Practice*, *27*(2), 125–145.

Knott, A.M., Bryce, D.J., & Posen, H.E. (2003). On the strategic accumulation of intangible assets. *Organization Science*, *14*(2), 192–207.

Kolvereid, L. & Obloj, K. (1994). Entrepreneurship in emerging versus mature economies—An exploratory study. *International Small Business Journal*, *12*(4), 12–48.

Kosova, R. (2008). *Do foreign firms crowd out domestic firms? Evidence from the Czech Republic*. Available at SSRN http://ssrn.com/abstract=891776, accessed 12 September 2009.

Kozminski, A.K. (1993). *Catching up: Organizational and management change in the ex-Socialist block*. Albany, NY: SUNY Press.

Levinthal, D.A. & March, J.G. (1993). The myopia of learning. *Strategic Management Journal*, *14*(8), 95–112.

Lyles, M.A. & Salk, J.E. (2007). Knowledge acquisition from foreign parents in international joint ventures: An empirical examination in the Hungarian context. *Journal of International Business Studies*, *38*(1), 3–18.

Lyon, D.W., Lumkin, G.T., & Dess, G.G. (2000). Enhancing entrepreneurial orientation research: Operationalizing and measuring a key strategic decision making process. *Journal of Management*, *26*(5), 1055–1085.

Makadok, R. (2001). Toward a synthesis of the resource-based and dynamic-capability views of rent creation. *Strategic Management Journal*, *22*(5), 387–401.

March, J.G. (1994). *A primer on decision making: How decisions happen*. New York: Free Press.

March, J.G. (1996). Continuity and change in theories of organizational action. *Administrative Science Quarterly*, *41*(2), 278–287.

Markus, H. (1977). Self-schemata and processing information about the self. *Journal of Personality and Social Psychology*, *35*, 63–78.

Meyer, K.E. & Peng, M.W. (2005). Probing theoretically into Central and Eastern Europe: Transactions, resources, and institutions. *Journal of International Business Studies*, *36*(6), 600–621.

Miles, R. & Snow, C. (1978). *Organizational strategy, structure, and process*. New York: McGraw-Hill.

Miller, D. (1996). Configurations revisited. *Strategic Management Journal*, *17*(7), 505–512.

Mitchell, R.K., Busenitz, L., Lant, T., McDougall, P.P., Morse, E.A., & Smith, J.B. (2004). The distinctive and inclusive domain of entrepreneurial cognition research. *Entrepreneurship Theory and Practice*, *28*(6), 505–518.

Mitchell, R.K., Busenitz, L.W., Bird, B., Gaglio, C.M., McMullen, J.S., Morse, E.A., et al. (2007). The central question in entrepreneurial cognition research. *Entrepreneurship Theory and Practice*, *31*(1), 1–27.

Nadkarni, S. & Narayanan, V.K. (2007). Strategic schemas, strategic flexibility, and firm performance: The moderating role of industry clockspeed. *Strategic Management Journal*, *28*(3), 243–270.

Nadkarni, S. & Perez, P.D. (2007). Prior conditions and early international commitment: The mediating role of domestic mindset. *Journal of International Business Studies*, *38*(1), 160–176.

Nelson, R. & Winter, S. (1982). *An evolutionary theory of economic change*. Cambridge, MA: Harvard University Press.

Nelson, R.R. & Winter, S.G. (2002). Evolutionary theorizing in economics. *The Journal of Economic Perspectives*, *16*(2), 23–46.

Newbert, S.L. (2007). Empirical research on the resource-based view of the firm: An assessment and suggestions for future research. *Strategic Management Journal*, *28*(2), 121–146.

Norusis, M.J. (1990). *SPSS advanced statistics*. Chicago: SPSS.

Obloj, K. & Pratt, M. (2005). Happy kids and mature losers: Differentiating the dominant logics of successful and unsuccessful firms in emerging markets. In R. Bettis (Ed.), *Strategy in transition* (pp. 81–104). Oxford, U.K.: Blackwell.

Peng, M.W. (2003). Institutional transitions and strategic choices. *Academy of Management Review*, *28*(2), 275–296.

Peteraf, M.A. & Barney, J.B. (2003). Unraveling the resource-based tangle. *Managerial and Decision Economics*, *24*(4), 309–323.

Porter, M.E. (1980). *Competitive strategy*. New York: The Free Press.

Prahalad, C.K. (2004). The blinders of dominant logic. *Long Range Planning*, *37*(2), 171–179.

Prahalad, C.K. & Bettis, R.A. (1986). The dominant logic: A new linkage between diversity and performance. *Strategic Management Journal*, *7*(6), 485–501.

Pratt, M.G. (2003). Disentangling collective identity. In J. Polzer, E. Mannix, & M. Neale (Eds.), *Identity issues in groups: Research in managing groups and teams* (Vol. V, pp. 161–188). Stamford, CT: Elsevier Science Ltd.

Rao, H. (1994). The social construction of reputation: Certification contests, legitimation, and the survival of organizations in the American automobile industry: 1895–1912. *Strategic Management Journal*, *15*(Special Issue: Competitive Organizational Behavior), 29–44.

Schoonhoven, C.B., Eisenhardt, K.M., & Lyman, K. (1990). Speeding products to market: Waiting time to first product introduction in new firms. *Administrative Science Quarterly*, *35*(1), 177–207.

Shane, S. (2003). *A general theory of entrepreneurship. The individual-opportunity nexus*. Northampton, MA: Edward Elgar.

Siggielkov, N. (2001). Misperceiving interactions among complements and substitutes: Organizational consequences. *Management Science*, *48*(7), 900–916.

Siggielkov, N. (2002). Evolution toward fit. *Administrative Science Quarterly*, *47*(1), 125–159.

Smith, K.G. & Cao, Q. (2007). An entrepreneurial perspective on the firm-environment relationship. *Strategic Entrepreneurship Journal*, *1*(3–4), 329–344.

Starbuck, W. & Milliken, F. (1988). Executives' perceptual filters: What they notice and how they make sense. In D.C. Hambrick (Ed.), *The executive effect: Concepts and methods for studying top managers* (pp. 35–65). Greenwich, CT: JAI Press.

Staw, B.M., Sandelands, L.E., & Dutton, J.E. (1981). Threat-rigidity effects in organizational behavior: A multilevel analysis. *Administrative Science Quarterly*, *26*(4), 501–524.

Steensma, H.K., Barden, J.Q., Dhanaraj, C., Lyles, M., & Tihanyi, L. (2008). The evolution and internalization of international joint ventures in transitioning economy. *Journal of International Business Studies*, *39*(3), 491–507.

Szulanski, G. (2000). The process of knowledge transfer: A diachronic analysis of stickiness. *Organizational Behavior and Human Decision Processes*, *82*(1), 9–27.

Talke, K. (2007). Corporate mindset of innovating firms: Influences on new product performance. *Journal of Engineering and Technology Management (JET-M)*, *24*, 76–91.

Teece, D.J. (2000). Strategies for managing knowledge assets: The role of firm structure and industrial context. *Long Range Planning*, *33*(1), 35–54.

Tripsas, M. & Gavetti, G. (2000). Capabilities, cognition, and inertia: Evidence from digital imaging. *Strategic Management Journal*, *21*(10–11), 1147–1161.

Uhlenbruck, K., Meyer, K.E., & Hitt, M.A. (2003). Organizational transformation in transition economies: Resource-based and organizational learning perspectives. *Journal of Management Studies*, *40*(2), 257–282.

Van De Ven, A.H. & Poole, M.S. (1995). Explaining development and change in organizations. *Academy of Management Review*, *20*(3), 510–540.

Venkatraman, N. (1989). Strategic orientation of business enterprises: The construct, dimensionality, and measurement. *Management Science*, *35*(8), 942–962.

Venkatraman, N. & Ramanujam, V. (1987). Measurement of business economic performance: An examination of method convergence. *Journal of Management*, *13*(1), 109–122.

von Krogh, G., Erat, P., & Macus, M. (2000). Exploring the link between dominant logic and company performance. *Creativity and Innovation Management*, *9*(2), 82–93.

Walsh, J.P. (1995). Managerial and organizational cognition: Notes from a trip down memory lane. *Organization Science*, *6*(3), 280–320.

Weick, K. (1995). *Sensemaking in organizations*. Newbury Park, CA: Sage.

Weinstein, M. & Obloj, K. (2002). Strategic and environmental determinants of HRM innovations in post-socialist Poland. *International Journal of Human Resource Management*, *13*(4), 642–659.

Wiltbank, R., Dew, N., Read, S., & Sarasvathy, S.D. (2006). What to do next? The case for non-predictive strategy. *Strategic Management Journal*, *27*(10), 981–998.

Witz, B.W., Mathieu, A., & Schilke, O. (2007). Strategy in high velocity environments. *Long Range Planning*, *40*(2), 295–313.

Zander, U. & Kogut, B. (1995). Knowledge and the speed of the transfer and imitation of organizational capabilities: An empirical test. *Organization Science*, *6*(1), 76–92.

Zott, C. & Huy, Q.N. (2007). How entrepreneurs use symbolic management to acquire resources. *Administrative Science Quarterly*, *52*(1), 70–105.

Tomasz Obloj is a PhD candidate in strategy at INSEAD, Blv. de Constance 77305, Fontainebleau, France.

Krzysztof Obloj is a Professor of Strategic Management at School of Management, University of Warsaw, Szturmowa 1/3 Warsaw, Poland, and L. Kozminski University.

Michael G. Pratt is a Professor of Organization Studies at Boston College, 140 Commonwealth Ave., Chestnut Hill, MA 02467, USA.

The authors are grateful for the insightful comments on earlier versions of this article given by professors Garry D. Bruton, David Ahlstrom, and Lars Kolvereid, and the participants of the Strategic Management Society Conference in Vienna in October 2005 and Entrepreneurship in Emerging Markets Conference organized by Texas Christian University in Fort Worth in March 2007.