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## How Entrepreneurial climate effects firm performance?

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### Abstract

In today's global competitive environment, companies are focused on entrepreneurial behavior so managers try to create appropriate entrepreneurial climate. Researchers have been studying entrepreneurial orientation (EO) - performance relation or clarifying the key internal organizational factors. However, there are not enough studies that investigate relation between entrepreneurial orientation with internal organizational factors. The objective of this research is to empirically examine internal organization factors that initiate entrepreneurial climate which influence entrepreneurial orientation that affect business performance. To investigate the stated relationships data is collected from Turkey's Top 500 Industrial Enterprises. Questionnaires are prepared by the researchers based on the measurement instrument used by Hornsby, Kuratko and Zahra (2002) and Dess & Lumpkin (1996). After the preliminary survey which is done for the reliability and validity analysis of the measurement instrument, is distributed via mail and the internet site.

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### 1. Introduction

The Importance of entrepreneurial activities for success of organization has been investigated for a long time. The relation between entrepreneurial orientation (EO) and business performance has been widely examined in the strategy literature by the researchers (Miller, 1983; Lumpkin and Dess, 1996; Hitt, Ireland & Sirmon, 2003; Covin & Slevin, 1986; Hult, Snow, Kandemir, 2003; Lee, Lee & Pennings, 2001; Wiklund & Shepherd 2003). Entrepreneurial orientation defines as strategy making processes, methods and styles of firms that engage in entrepreneurial activities (Lumpkin and Dess, 1996). From the beginning 1990's researchers conducted empirical studies to examine the antecedents of corporate entrepreneurial activities (Zahra and Covin, 1995). Research findings assume that internal organizational factors like management support, organization structure, and reward systems are critical in encouraging and spreading entrepreneurial soul (Covin and Slevin, 1991). The objective of this research is to discuss the effects of EO and internal organizational factors on business performance. The paper is structures as follows. It begins by a literature review of entrepreneurial orientation, entrepreneurial climate and firm performance. Following the methodology section, go on to development of

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hypotheses then the results of preliminary analyses are presented. The paper concludes with discussion on findings in terms for research, theory and practices.

The term “entrepreneur” has been defined by Frenchman Cantillon in 1755 to describe an individual with foresight and ingenuity who, within the parameters of economic markets, is willing to embrace uncertainty and engage proactively in pursuit of profit (Küçük, 2005). Contemporary entrepreneurship literature is grounded by Schumpeter in 1934. He defined an entrepreneur as visionary and innovator, making new combination of resources in an effort that could lead to “creative destruction ” of existing combinations as a new product, process or market that replaces the old one (Schumpeter, 1934).

The concept of entrepreneurship has been studied to many different levels, like individual, groups and whole organization perspectives (Covin and Slevin, 1991, Naman and Slevin, 1993, Dess et al., 2003). Because of there has been little agreement on the nature of entrepreneurship and how it contributes to firm performance. In 1980s, most of the entrepreneurship researches focused on individual as an entrepreneur. However, researchers pointed out that individual trait approach did not lend itself to measurability, replication and generalizability (Covin & Slevin, 1994). Academicians started to investigate firm behavior instead of individual characteristics which can understandable, measurable and transferable to organization strategies. Firm level entrepreneurial behavior can be managed through the creation of particular organizational strategies, structures, systems and cultures (Covin and Slevin, 1991).

## 2.Literature Review And Hypotheses

### 2.1 Entrepreneurial Orientation

Dess and Miller (1996), believed that there is a fundamental set of strategy-making process (SMP) dimensions that underlies nearly all entrepreneurial processes, and a firm’s strategy-making processes may be viewed as encompassing all organizational activities. Lumpkin and Dess (1996) noted a differences between entrepreneurial orientation and entrepreneurship by suggesting that “EO represents key entrepreneurial processes that answer the question of *how* new ventures are undertaken, whereas the term entrepreneurship refers to the content of entrepreneurial decisions by addressing *what* is undertaken.”

Entrepreneurial orientation first defined by Miller. According to him entrepreneurial firm is one that ‘engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with proactive innovations, beating competitor to the punch’ (1983:771).On the other hand Lumpkin and Dess (1996), used “entrepreneurial orientation” to refer to the strategy making processes, methods and styles of firms that engage in entrepreneurial activities. As such, it reflects how a firm operates rather than what it does (Lumpkin and Dess, 1996). Underlying an entrepreneurial orientation is a tendency to pursue the creation and acquisition of new knowledge and the integration of new knowledge and capabilities with existing resources in the form of new combinations (Hayton, 2005). Entrepreneurial Orientation has 5 dimensions first three of *them proactiveness, innovation and risk taking* are conceptualized by Miller (1983); the other two dimension which are *autonomously and aggressively toward competitors* are developed by Lumpkin and Dess (1996).

The first dimension is **Risk taking**. This dimension is the earliest and most frequently used characteristic of entrepreneur. In 1734, Cantillon argued that principal factor that separated entrepreneurs from hired employees was, the uncertainty and riskiness of self-employment (Dess & Lumpkin, 1996). Risk, as the possibility of loss, may be viewed as an inherent characteristic of innovativeness, new business formation and aggressive or proactive actions of existing firms (Antoncic & Hisrich, 2003, p.17). It largely reflects the organization’s willingness to break away from the tried-and true and venture into unknown (Wiklund, 2003). Thus in organizational risk taking behavior, the management will take risk with regard to investment decisions and strategic actions in uncertainty conditions (Covin and Slevin, 1991).

**Innovation** is a complex process related to changes in production functions and processes whereby firms seek to acquire and build upon their distinctive technological competence, understood as the set of resources a firm possesses and the way in which these are transformed by innovative capabilities (Therrien, Doloreux, Chamberlin, 2011). Joseph Schumpeter is among the first economists who used the innovation concept in his studies. He explained innovation as, “The fundamental impulse that keeps the capitalist engine in motion comes from the new consumers, goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates” (Zalewski and Skawinsk, 2009). Innovation concept is the most researched term in both individual and organizational entrepreneurship studies. Lumpkin and

Dess (1996, p. 142) defined innovation dimension as “the tendency of a firm to engage in and support new ideas, novelty, experimentation and creative processes that may result in new products, services or technological processes.

**Proactiveness** is an opportunity-seeking, forward looking perspective characterized by introduction of new products and services a head of the competition and acting in anticipation of future demand. Most researcher used proactiveness dimension in explaining organizational posture of anticipating and acting on future wants and needs in the marketplace, that create a first mover advantage, to rivals (Wiklund, 2003). For this reason this dimension critical for entrepreneurial firm to capture unusually high profits and get a head start on establishing brand recognition.

The final dimension of entrepreneurial orientation is **competitive aggressiveness**. This dimension refers to a firm’s rival’s propensity to directly and challenge its competitors to achieve entry or improve position, that is, to outperform industry rivals in the marketplace (Lumpkin & Dess, 1996:148). Proactiveness and competitor aggressiveness are closely related so that same researcher thought there is no need to separate these dimensions, they have similar effect on firm performance (Guth and Ginsberg, 1990; Zahra, 1991). But Lumpkin (1998) and his colleagues (1997), empirically explained that proactiveness relates to pioneering in seizing market opportunities, while competitive aggressiveness is deal with an aggressive organizational relationship to its competitors (Antoncic & Hisrich, 2003).

## 2.2. Entrepreneurial Climate:

According to research findings, internal organizational factors flourish and encourage corporate entrepreneurship (Zahra and Covin, 1995) and give opportunity to initiate entrepreneurial behaviour. Entrepreneurial orientation could only be constituted after entrepreneurial culture which supports entrepreneurial climate. All dimensions of entrepreneurial behaviour is very important although climate that perceived by employees is much more important. If employees don’t believe that their effort are supporting through atmosphere in the organization, entrepreneurial orientation will not occur. Zahra and O’neil (1998) stated that the factors in the external environment and the organization interact, challenging managers to respond creativity and act in innovative ways. Past researches emphasize the critical role of middle manager in creating an environment that encourage creativity and innovation and adopting by employees (Kuratko, Hornsby & Montagno; 1999, 2002). Studies that are examined which variables affecting the success of corporate entrepreneurship, are found that organizational factors, such as financial factors, incentive and control systems, market and entry approaches, market-driven versus technology-driven demand are possible causal factors in success or failure of entrepreneurial activity (Kuratko, Hornsby & Montagno, 1999). As a result of literature review, there are five organizational factors that affect entrepreneurship orientation. These dimensions are reward system, management support, resource availability, supportive organizational structure and risk taking which are given in Table 1 with supporting scholars.

**Table 1. Organizational factors that affect entrepreneurial climate**

Organizational factors	Scholars
Reward System	Fry, 1987; Sathe, 1985; Scanlan, 1981; Souder, 1981; Kanter, 1985; Sathe, 1985; Fry, 1987; Block ve Ornati, 1987; Sykes, 1992; Barringer ve Milkovich, 1998
Management Support	Quinn, 1985; Hisrich and Peters, 1986; MacMillian et al., 1986; Sykes ve Block, 1989; Sathe, 1989; Stevenson ve Jarillo, 1990; Damanpour, 1991; Kuratko et al., 1993; Pearce et al., 1997
Resource Availability	Von Hippel, 1977; Souder, 1981; Kanter, 1985; Sathe, 1985; Sykes, 1986; Sykes ve Block, 1989; Hisrich ve Peters, 1986; Katz ve Gartner, 1988; Stopford ve Baden-Fuller, 1994; Das ve Teng, 1997; Slevin ve Covin, 1997

Supportive Organizational Structure	Souder, 1981; Sathe, 1985; Hisrich and Peters, 1986; Sykes, 1986; Sykes and Block, 1989; Burgelman and Sayles, 1986; Schuler, 1986; Bird, 1988; Guth and Ginsberg, 1990; Covin and Slevin, 1991; Zahra, 1991, 1993; Brazeal, 1993; Hornsby et al., 1993
Risk Taking	MacMillian et al., 1986; Sathe, 1985, 1989; Sykes, 1986; Sykes and Block, 1989; Burgelman, 1983a,b,1984; Quinn, 1985; Kanter, 1985; Ellis and Taylor, 1988; Bird, 1988; Stopford and Baden-Fuller, 1994

Source: Hornsby, J.S., Kuratko, D.F., & Montagno, R.V. (2002)

Kuratko, Montagno and Hornsby (1990) developed multidimensional scale (the Intrapreneurial Assessment Instrument, IAI) to measure the effectiveness of organizational environment for developing entrepreneurial culture. After two years they advanced their original research by utilizing a revised version of IAI called Corporate Entrepreneurship Assessment Instrument (CEAI). They claimed that five distinct internal factors which are management support for idea development, management support for risky projects, autonomy, reward/reinforcement and time availability are supporting corporate entrepreneurship in organizations.

First dimension is *Management support for idea development*. It refers to willingness of managers to facilitate and promote entrepreneurial projects in the firm (Burgelman, 1983; Kuratko, Montagno ve Hornsby,1990, 2002). The support of management manifests itself in project and idea development (Bulut & Alpkan, 2006). The basic idea under this dimension is to encourage employees to believe that making innovation is one of their tasks in their job description or embedded in the role of all employees (Christensen, 2005). On the other hand top management support of resource allocation and availability of the company, are also necessary to spread entrepreneurial soul (Slevin and Covin,1997).

*Management support for risky projects* is second dimension that refers as managers' willingness to take risks and show tolerance for failures to their employees (Kuratko, Montagno ve Hornsby,1990,2002). Either too little risk or too much risk can be vital importance for organizations. According to Fry (1987), if managers give change to intrapreneurs to make experiment without penalising them or bad investment decision on new project, employees will encourage, and make more experiments the better they will be at determining what works and what does not work (Christensen, 2005). It is important to make employees feel confident and encourage to experiment (Burgelman and Sayles, 1986).

Third dimension is *autonomy* which means the ability and willingness of employees to be self-directed in the pursuit of opportunities. Intrapreneurs feel remains free to act independently to make key decisions and proceed. From the previous studies autonomy in firms is changing according to their size, management style, or ownership. For example Miller (1983) and Schivastava et al. (1985) research results showed that high level of entrepreneurial activity occurs from autonomous leaders or managerial styles (Lumpkin and Dess ,1996). On the other hand higher employee involvement in decision making process increases their performance. Bulut and Alpkan (2006) stressed that by the support of management, enhancement of autonomy allows the intrapreneurs to sustain risky but innovative projects.

Reward is the fourth dimension which catalyst the motivation of intrapreneurs to engage in innovative behaviour. Organizations have to design reward systems based on clear goals, feedback, individual influence and reward based on results (Kuratko et al., 1990; Hornsby et al., 2002). Every individual has different needs for this reason they are motivated by different things. Intrapreneurs motivated by controllable rewards such as "regular pay, bonuses, profit share, equity or shares in the company, expense accounts, job security, promotions, expanded job responsibilities, autonomy, public or private recognition, free time to work on pet projects, money for research or trips to conferences"(Morris and Kuratko ,2002, p. 245).

The last dimension is time availability. Individuals need time to create new and innovative ideas so organizations must moderate the workload of employees, avoid time constraints on job tasks and allow employees to work with others on long term problem solving (Hornsby et al., 1993). Besides, time availability is important as other organizational factors to the implementation of entrepreneurial climate.

### 2.3. Business Performance

In today's dynamic business environment, an organization must stay competitive by closely monitoring and understanding business performance. Through the middle of 80's firms have understood the importance of controlling production process by using financial and non-financial performance perspectives. Measurement has been recognized as a crucial element to improve business performance (Taticchi et al. 2008). There are various and different explanation of performance in management literature, but general definition of performance is the accumulated results of all work activities in the organization (Robbins and Coulter, 2009). Firms are very complex systems that classical financial performance systems such as return on investment, sales growth, profitability, are not adequate to measure performance. So they need multi-dimensional measurement systems with contain both subjective and objective measures. A two-dimensional classification scheme to measure business performance is developed by Venkatraman, and Ramanujam in 1986. They differentiate financial and operational indicators, and also, they separate the source of information as primary (data collected directly from organization) and secondary data (collected from public records). *Financial measures* identified such as profit, sales, earnings per share which related to accounting measures and economic performance; *operational measures* are related to operational success factors that might lead to financial performance like customer satisfaction, quality, market share or new product development (Venkatraman, and Ramanujam, 1986). Innovation performance is one of operational measure that is used widely in strategic management. Innovative performance refers to results for companies in terms of the degree to which they actually introduce inventions into markets such as rate of introduction of new products, new process system or new devices (Hagedoorn and Cloudt, 2003). Alegre and his friends. (2006), conceived innovation performance as a construct with two different dimensions: innovation efficacy and innovation efficiency. Innovation efficacy reflects the degree of success of an innovation. On the other hand, innovation efficiency reflects the effort made to achieve that degree of success. In this research innovation and financial measures are used to examine the effect of Entrepreneurial orientation and entrepreneurial climate on firm performance. Data related to the performance are obtained directly from the executives of the firms through the questionnaires, which means primary source data are used in that survey.

### 2.4. Development of Hypotheses

There are several studies that have suggested entrepreneurial orientation lead to improve performance (Lumpkin & Dess, 1996; Wiklund, 1998; Zahra, Jennings, &Kuratko, 1999; Zahra and Covin, 1995; Wiklund and Shepherd, 2005). Lumpkin and Dess (1996) proposed a conceptual model that internal and external factors of the company may moderate the relationship between EO and performance. They found that the effect of EO on performance may be diverse in different types of environments. Besides, Zahra and Garvis (2000) claimed that entrepreneurial activities enhance overall and foreign profitability and revenue growth, so that entrepreneurship moderates the relationship between environmental hostility and performance, to the advantage of the latter (Jauntan, 2007:226). And also some researchers investigated the relation between entrepreneurial orientation, firm's knowledge-based resources and performance (Wiklund and Shepherd, 2003). Their findings showed that entrepreneurial orientation can have significant impact upon organizational financial and market performance by the continuous generation and exploitation of new sources of knowledge (Hayton 2005). While some studies have found strong effects, some surveys found no or little relation between EO and firm performance (Lee et. al., 2001; Narver and Slater, 2000). Based on the literature review, the research model in, Figure 1 is developed to measure extended organizational resource as intellectual capital which is antecedent to a firm's ability behaves entrepreneurially.

*H1: Entrepreneurial climate has positively related to firm performance.*

*H2: EO mediates the relation between entrepreneurial climate and firm performance.*

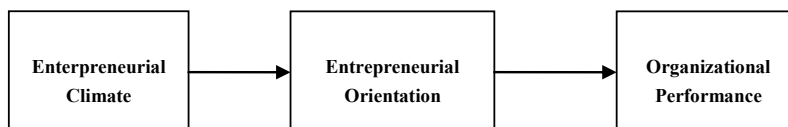


Figure 1: The Proposed Research Model

### **3.Methodology**

#### **3.1. Research Goal and Sample**

The goal of this study is to empirically explore the mediating effect of intraentrepreneurial climate on entrepreneurial orientation among Turkish companies. The common point of the international studies in both entrepreneurial climate and entrepreneurial orientation is large firms with large sample sizes (Bontis, 2002). Because of not having enough resources, small and middle size enterprises could not start entrepreneurial applications. Thus the participants of the study will be chosen from the list of Turkey's Top 500 Industrial Enterprise obtained from The Istanbul Chamber of Industry.

The focus on middle managers is consistent with the growing recognition of the key role these managers play in promoting or stifling corporate entrepreneurship efforts (Burgelman, 1983b; Floyd and Woolridge 1992, 1994; Pinchott 1985; Nonaka and Takeuchi, 1995). Besides entrepreneurial orientation and firm performance questions are very specific that only middle managers can answer, so respondents are chosen from middle managers.

#### **3.2. Data Collection and Procedure**

First, pilot study was conducted to 120 employees from 20 companies to analyze the reliability of the instruments. After the pilot study a cover letter and questionnaires were mailed directly to the middle and top managers in each of the 500 organizations' factories and headquarters. After five weeks because of the low return responses, a new cover letter and same questionnaires were sent to non-respondents. However out of 1000 questionnaires distributed in Turkey's Top 500 Industrial Enterprise 376 were returned which yielded a return rate of 37 %. Data obtained from those 376 questionnaires were analyzed through the SPSS statistical packet program and two proposed relations were tested through regression analyses.

#### **3.3. Analyses and Results**

In this study, Corporate Entrepreneurship Assessment Instrument (CEAI) is used to measure entrepreneurial climate which is developed by Hornsby, Kuratko ve Zahra (2002). Scale has 5 dimension with 26 items. According to Dess and Lumpkin, (1996) the five dimension which are autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness, is useful for characterizing and distinguishing the key entrepreneurial processes in firm's entrepreneurial orientation. But in this research entrepreneurial orientation divided four sub-dimensions and was measured by Dess and Lumpkin's (1996) seventeen -item . Two performance criteria are used to measure the organizational performance which are financial performance and innovation performance. Organization financial performance scale is integrated from Lumpkin & Dess (1996) ;Wiklund & Shephard (2003);and innovstion performance scale is adapted from Antoncic (2000); Zahra (1993); Hagedoorn & Cloudt (2003) performance criteria's. As a result middle managers were asked to compare the development of their own firms over 3 years relative to their industry competitor for 16 different dimension of performance; like return on sales, profitability per customer, revenue growth, return on investment, profit growth, return on assets, market new products before competitors, rate of new product introduction into market, number of new product /process add by company, your company spending on new product development, number of patent and patent citations. Organizational performance questionnaire, a five-point Likert-type scale, with anchors of "totally high over the industry average" to "totally low from the industry average" was used to collect responses.

The factor structure of the data gathered by Corporate Entrepreneurship Assessment Instrument (CEAI) scale was labelled using principal components analysis with varimax rotation. This analysis yielded five factors with Eigen value over 1.00 that explained 71,14 % of the total variance. The IAI subscale has 26 items. After the first factor analysis, only one factor was eliminated. When the factor analysis was run again five factors emerged, labelled as "time availability", "autonomy", "management support for idea development " "management support for risky projects " and "reward/reinforcement" in Table 2.

The same procedure was repeated for the data collected by EO instrument and this analysis also yielded four factors explaining the 72,04% of total variance. The seventeen items measuring structure were loaded on four factors after the first factor analysis. No item was eliminated. The factors were labelled as "Proactiveness", "Risk taking", "innovativeness" and "competitive aggressiveness" (Table 3).

The sixteen items measuring performance were loaded on two factors after the first factor analysis. Four items had to be eliminated because of low levels of reliability. When the factor analysis was run again, two factors that emerged labelled as “financial performance” and “innovation performance” (Table 4).

**Table 2. Reliability and Factor Analysis of Intrapreneurial Assessment**

Instrument	Intrapreneurial Assessment Instrument	Variance	Loading	Cronbach Alpha
<b>1. Time Availability</b>		<b>18,44</b>		<b>,9179</b>
	Q19		,832	
	Q20		,830	
	Q21		,826	
	Q18		,812	
	Q22		,785	
<b>2. Autonomy</b>		<b>16.48</b>		<b>,8738</b>
	Q11		,857	
	Q12		,832	
	Q10		,828	
	Q9		,791	
	Q13		,672	
<b>3. Management support for idea development</b>		<b>,857</b>		<b>,857</b>
	Q2		,826	
	Q1		,821	
	Q3		,785	
	Q4		,567	
<b>4. Management support for risky projects</b>		<b>11,74</b>		<b>,7710</b>
	Q7		,805	
	Q8		,672	
	Q6		,646	
	Q5		,619	
<b>5. Reward/reinforcement</b>		<b>10,53</b>		<b>,8408</b>
	Q17		,777	
	Q16		,756	
	Q15		,705	
<b>Total Variance explained % 71.14</b>				
<b>KMO: 0,90</b>				
<b>p: ,000 (Bartlett's Test)</b>				



**Table 3. Reliability and Factor Analysis of Entrepreneurial Orientation**

Entrepreneurial Orientation	Variance	Loading	Cronbach Alpha
<b>1.Proactiveness</b>	<b>21,66</b>		<b>,90</b>
Q7		,869	
Q8		,815	
Q9		,762	
Q6		,754	
Q10		,603	
<b>2. Risk Taking</b>	<b>20,01</b>		<b>,86</b>
Q3		,828	
Q2		,798	
Q5		,767	
Q4		,757	
Q1		,717	
<b>3. Innovativeness</b>	<b>17,51</b>		<b>,89</b>
Q16		,884	
Q15		,845	
Q14		,709	
Q17		,679	
<b>4. Competitive Aggressiveness</b>	<b>17,86</b>		<b>,76</b>
Q12		,831	
Q11		,780	
Q13		,723	
<b>Total Variance explained %%72,04</b>			
<b>KMO: 0,902</b>			
<b>p: ,000 (Bartlett's Test)</b>			

**Table 4. Reliability and Factor Analysis of Performance**

Organizational performance	Variance	Loading	Cronbach Alpha
<b>1. Financial Performance</b>	<b>38,33</b>		<b>,94</b>
Q7		,867	
Q2		,845	
Q9		,822	
Q10		,820	
Q8		,815	
Q4		,790	
<b>2. Innovation Performance</b>	<b>37,44</b>		<b>,92</b>
Q12		,875	
Q13		,852	
Q11		,812	
Q15		,793	
Q14		,773	
Q16		,768	
<b>Total Variance explained %75,79</b>			
<b>KMO: 0,925</b>			
<b>p: ,000 (Bartlett's Test)</b>			



The relationships between dependent and independent variables were tested by hierarchical regression analyses. As can be seen on Table 5, a positive relationship between entrepreneurial climate and both innovation and financial performance was observed and H1 was accepted.

As can be seen in the research model, EO was assumed to mediate the relationship between entrepreneurial climate and organizational performance. To test mediating effect of EO, three stages multiple regression method was used (Baron and Kenny, 1986). In this method, first the effect of entrepreneurial climate (independent variable) on EO (intervening variable) was analyzed. Second, the relationship between independent and dependent variables was tested. If the results in both levels were significant, in the third level independent and intervening variables were tested together to understand their effects on dependent variables. If the effect of independent variable on dependent variable was insignificant or has lower coefficient (beta), this variable can be discussed as an intervening variable. The result of the regression analysis of intervening variable was presented in Table 5 and also H2 was accepted.

**Table 5. The Three Stages Multiple Regression Analysis of Entrepreneurial Orientation**

<b>First Stage Variables</b>	<b>Entrepreneurial Orientation</b>	
Entrepreneurial Climate	.447***	
<b>R<sup>2</sup></b>	.200	
<b>Adjusted R<sup>2</sup></b>	.196***	
F Value of Model	46,474***	
<b>Second Stage Variables</b>	<b>Innovation Performance</b>	<b>Financial Performance</b>
Entrepreneurial Climate	.501***	.0351**
<b>R<sup>2</sup></b>	.077	.041
<b>Adjusted R<sup>2</sup></b>	.072***	.036***
F Value of Model	15.479***	7,963**
<b>Third Stage Variables</b>	<b>Innovation Performance</b>	<b>Financial Performance</b>
Entrepreneurial Climate	.215	.110
Entrepreneurial Orientation	.181**	.207***
<b>R<sup>2</sup></b>	.137	.075
<b>Adjusted R<sup>2</sup></b>	.128	.065
F Value of Model	.11,899**	13,048**

**Independent Variables:** Entrepreneurial Orientation, Entrepreneurial Climate

**Dependent Variables:** Innovation Performance, Financial Performance

\*p<0,05 \*\*p<0,01 \*\*\*p<0,001

#### 4. Conclusion

The aim of this study is to understand the effect of entrepreneurial orientation on organizational performance. In this relationship, the entrepreneurial climate is taken as an antecedent of entrepreneurial orientation that influence manager and flourish entrepreneurial behavior in organization. As a result of dynamic environment, firms are trying to find out which internal factors provide sustainable competitive advantage. Prior empirical studies have shown that entrepreneurial orientation which define as role of entrepreneurship as firm behavior has significant positive effect on organization performance, thus the results of this research also shows the positive relationship between the EO and the financial and the innovation performance in Turkish Companies. Last decade strategy researches consistently suggest that internal organizational factors, in particular, play a major role in encouraging corporate entrepreneurship (Covin and Slevin, 1991). Academics point out that the factors in the external environment and within the organization interacts, challenging the managers to respond creatively and act in innovative ways. Then it is reasonable to expect that organizational factors are an important antecedent variables that shape organization culture and supports a firm's entrepreneurial behavior. This study's empirical result is consistent with arguments. According to the multiple stage regression analysis, entrepreneurial orientation was found as a mediating variable between entrepreneurial climate and organizational performance.

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