

# Must Online Retailers Constantly Innovate and Experiment to Survive and Prosper?

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## INTRODUCTION

In this article we challenge the general belief being communicated in the e-commerce and e-business literature over the past twenty years, namely that the characteristics of the Internet environment requires firms to constantly innovate, experiment and change rapidly in order to survive and prosper. We base our position on an examination of the relationship between each dimension of a firms' entrepreneurial orientation (innovativeness, risk-taking and proactivity) and retailer performance in the Norwegian online retail context (Larsen & Korneliussen, 2012). While proactivity positively relates to retail performance in our study, both innovativeness and risk-taking was negatively, albeit not significantly, related to retail performance. Innovation and resource-intensive experimental efforts with technology and/or online business processes might therefore not always pay off in online retail contexts. As we will demonstrate in this article, other empirical studies reported in the literature also provide support for this view.

## BACKGROUND

Ever since dot-com retailers, direct marketers and more traditional “bricks-and-mortar” stores started to embrace the Internet, academics and practitioners have emphasized the need for entrepreneurial spirit and hyper-innovative practices in this new digital marketing environment. The following statements are illustrative:

*In today's turbulent business environments, more and more companies need a development process that embraces change – not one that resists it. (Iansiti & MacCormack, 1997, p. 108)*

*Firms that... are willing to experiment with new product and service offerings will become the best equipped to compete in the world of e-commerce. (Hodgetts, Luthans, & Slocum Jr, 1999, p. 12)*

*The key to success will be innovation rather than simply replicating the existing in-store approach. (Hart, Doherty, & Ellis-Chadwick, 2000, p. 970)*

*There is a demand for innovative managerial behavior present in e-business and e-commerce firms must innovate to survive. (Kickul & Gundry, 2001, p. 355)*

DOI: 10.4018/978-1-4666-9787-4.ch044

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*Only risk-taking and experimentation can teach us which developments will have a sustainable future. (Gummesson, 2002, p. 49)*

*Internet-based entrepreneurs must search for innovative ways of enhancing efficiency, lowering costs, and improving technological processes throughout their entire organization. (Liao, Kickul, & Ma, 2009, p. 265)*

*Entrepreneurship and innovation is a crucial factor for the long term sustainability of e-commerce and e-business. (Hasan & Harris, 2009, p. 96)*

The rapid change that has characterized Internet technologies and web-based systems so far makes it understandable that online retailers have difficulties in knowing which avenues are viable to travel and which would be a waste of money. Innovation, risk-taking and experimentation would of course provide them with some answers, but we question whether this is a profitable route for an online retailer.

We do not disregard the need for some experimental behavior online (e.g. A/B-testing of various approaches to improve website effectiveness in terms of clicks, traffic, conversions, and view-troughs), nor do we underestimate the value of change in the online retail context. What we question is whether retailers need to adopt an entrepreneurial approach were they innovate boldly and regularly while taking considerable risks. Although such a question appeared in the literature already in the beginning of the new century, when for instance Kickul and Gundry (2001, p. 359) asked for more research to determine whether “hyper-innovative” practices are required in e-commerce organizations, it is not until recently academic research has shed more light on this issue. The purpose of this chapter is to draw upon this research when we discuss the performance consequences of online retailers being entrepreneurial orientated. In addition to discussing the findings from our own research conducted in the Norwegian online retailing sector, we review relevant contributions reported in the e-commerce literature.

The chapter is structured as follows: firstly, the concept of entrepreneurial orientation (EO) is reviewed followed by a short discussion of the knowledge on the relationship between EO and business performance stemming from entrepreneurship research. Secondly, we present the findings from our study of Norwegian retailers and discuss these findings in light of relevant e-commerce research. The chapter then concludes with suggestions for future research, and a discussion of the overall coverage of the chapter and concluding remarks.

## **ENTREPRENEURIAL ORIENTATION AND BUSINESS PERFORMANCE**

An entrepreneurial firm can be defined as one that “engages in product market innovation, undertakes somewhat risky ventures, and is the first to come up with “proactive” innovations, beating competitors to the punch” (Miller, 1983, p. 771). EO can be understood as the “processes, practices, and decision making activities that lead to new entry” (Lumpkin & Dess, 1996, p. 136). EO is generally conceptualized as consisting of three dimensions: innovativeness, proactivity and risk-taking (Rauch, Wiklund, Lumpkin, & Frese, 2009), although additional dimensions have been suggested.

Innovativeness addresses “a firm’s tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technology processes” (Lumpkin & Dess, 1996, p. 142). Proactivity can be defined as “taking initiative by anticipating and

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