New venture performance: an empirical examination of the interplay between dynamic learning capabilities, the entrepreneur, and organizational structure alignment

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Preface

The origin of this research goes back to the end of the 20th century. In 1995, I underwent a two-day psychological assessment during a trainee program at ABN AMRO Bank, which concluded in a positive advice. While discussing the results, it was mentioned that I could benefit from pursuing scientific studies to complement my pragmatic and solution-oriented thinking. Since then, with the suggestion always in mind, my career has transformed from working at a bank to becoming an entrepreneur on the international stage. In line with this and based on my own experiences, I also provide support to entrepreneurs aiming to achieve growth and expand their businesses internationally.

When the RMA admissions committee asked why I wanted to pursue a master's degree considering my professional achievements, my answer was obvious: I still wanted to obtain a theoretical foundation to complement my practical instincts. My studies at RMA have provided an initial framework for refining my intuition with theoretical knowledge, creating my own valuable mix of tacit and explicit knowledge. This present study originates from my practical experiences. I often wondered why some entrepreneurs cling to their ideas, even when their business results suggested otherwise. Additional conversations with my supervisor, Brian Tjemkes, brought me to the research question explored in this study. With Brian's invaluable support, I successfully completed this degree while balancing other commitments. I look forward to the next phase of my academic journey, whereas this master's program laid the foundation for my PhD aspirations, where I will delve further into the impact of entrepreneurs and investors on organizational structures and venture performance.

Lastly, I would like to express my appreciation to everyone who has been part of this journey: fellow students, teachers, RMA staff and especially Brian Tjemkes. His support has

not only been important in reaching this milestone but has also laid the foundation for my future scientific achievements.

Warm regards,

Andre Grift

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Abstract

As governments attempt to enhance resilience and accelerate the transition to more sustainable and inclusive growth, they look to the expansion of new ventures and their extraordinary potential for productivity, innovation, competitiveness, and job creation. However, only a fraction of these ventures can successfully scale up. And while existing literature indicates that organizational structure is directly connected to venture performance, little is known about the design of organizational structures for scaling new ventures. This study builds and empirically tests a model of the relationship between founder-induced strategic alignment and new venture performance. The model is examined via a Qualtrics survey among founders of Dutch IT companies, offering valuable contributions to the new venture literature. Specifically, this study investigates how path-breaking approach, entrepreneurial beliefs, and strategic alignment impact new venture performance. Although some findings were not statistically significant, the evidence suggests that strategic alignment may improve the performance of new ventures, especially when paired with active financial controls implementation by the entrepreneur. However, it is important to note that further research is needed to establish a conclusive result. For instance, new ventures embracing a path-breaking approach, can potentially disrupt alignment and hinder performance unless proactive entrepreneurs with high entrepreneurial self-efficacy on searching can effectively enhance strategic alignment and drive performance growth. This research illuminates the complex interplay of these elements, offering valuable insights for both researchers and entrepreneurs.

Introduction

Scale-ups, crucial for economic growth, hold the potential to boost employment and income. Scale-ups are defined by an average annualized return rate exceeding 20% over three years and a minimum of 10 employees at the start of the observation period (OECD, 2022). Numerous public and corporate accelerator programs proof the continuous interest in scale-ups. However, the primary challenge for entrepreneurs lies not in launching but in growing a venture (Carucci, 2006; Isenberg, 2012). Deloitte and THNK's 2015 research show that only 1 out of 200 active startups succeeds in becoming a scale-up, with consistent figures across diverse locations and industries. This growth challenge, as described by Rao and Sutton (2014), revolves around the "problem of more," spreading constructive attitudes and behaviors across a wider population and broader geographical spread; scaling involves spreading excellence throughout an organization as it expands. While the importance of scale-ups is recognized, substantial knowledge gaps set back support for their growth. Entrepreneurs often lack guidance in organizing their operations effectively (Burton et al., 2019; Puranam, 2018). For example, organizational design for new ventures, which is deemed crucial, is less represented in research, as it predominantly focuses on larger established firms (Colombo et al., 2016). Research on new venture growth remains incomplete, with an emphasis on "how much?" while lacking understanding of the "how" behind firm growth (Shepherd and Patzelt, 2022; McKelvie & Wiklund, 2010). For instance, academic research on how entrepreneurial ventures adapt their organizational structures during early stages and growth is lacking (DeSantola, 2019). Identifying and understanding factors influencing business growth is a crucial first step for a comprehensive exploration of the growth process. Existing literature offers valuable insights into how organizational structure alignment affects venture performance, though results have been inconclusive (Burton et al., 2019; DeSantola & Gulati, 2017; Wasserman, 2012). The drive for entrepreneurial growth impacts a venture’s size and growth (Wiklund and Shepherd,

2003). Ginn and Sexton (1989) argue that following a founder's initiative to start a business, it is reasonable to assume expansion is also founder driven. Entrepreneurs' leadership styles have a significant impact on organizational structures, influencing activity planning and execution, which, in turn, shapes the organization's learning dynamics and structure (Ifedi, 2020). Dynamic capabilities relate to how entrepreneurs perceive opportunities and their ability to implement changes (Katona, 1951; Penrose, 1959). This leads to research into how entrepreneurs influence organizational learning and structure, driven by their self-confidence, known as entrepreneurial self-efficacy, leading to proactive innovation (McGee et al., 2009). This study investigates how path-breaking approach, entrepreneurial beliefs, and strategic alignment impact new venture performance. It emphasizes startups, in contrast to theories primarily centered on established businesses (Colombo et al., 2016), and focuses on entrepreneurial intentions and decisions, deviating from conventional strategic analyses of the past, present, and future survival in a dynamic environment (Steptoe-Warren et al., 2011). In this study, we use the terms 'new ventures,' 'startups,' 'scaleups,' 'entrepreneurial ventures,' 'businesses,' 'firms,' and 'companies' interchangeably. *As such, this study develops and empirically tests a model to explore how dynamic learning capabilities and entrepreneurial self-efficacy affect the relationship between organizational structure alignment and new venture performance.* To improve quality of measurement, and provide a more nuanced understanding of the construct, we will focus on the sub-scales 'path-breaking approach' (PBA) in dynamic learning capabilities, 'strategic alignment' (SA) in organizational structure alignment, and 'searching' (ESES) and 'implementing finance' (ESEIF) in entrepreneurial self-efficacy.

Contributions

This study contributes to the existing new venture literature by empirically demonstrating the nuanced relationships between path-breaking approach, strategic alignment, searching, implementing finance-related tasks and new venture performance. By shedding light on the complexities of these interactions, the study provides valuable insights for both researchers and entrepreneurs.

First, the study presents the proposition that strategic alignment (SA) plays a role in growth of new venture performance. It is argued that the effect is especially present when the entrepreneur takes on the central role as a positive moderating factor and is actively involved in the implementation of financial-related tasks (ESEIF) within the new venture.

The second proposition seeks to explore the impact of the dynamic learning capabilities' path-breaking approach (PBA) on the alignment of new ventures with their strategic goals and organizational structure. This study investigates how PBA can potentially enhance strategic alignment (SA) and, consequently, influence the overall performance of new ventures. The role of the entrepreneur in this context is important, as their proactive search for new opportunities and belief in their ability to effect change can potentially contribute to the positive effects of PBA. Entrepreneurial self-efficacy on searching (ESES) is examined as a moderator for improved SA and, in turn, performance growth within new ventures.

Following this chapter, we give a brief review of literature on new venture performance, strategic alignment, path-breaking approach, entrepreneurial self-efficacy with searching and implementing finance. We then present our research proposition and exploratory hypotheses. Finally, we discuss the results of the empirical study which include a conclusion, discussion, and research limitations.

Theoretical background and hypotheses

In this chapter, we lay the theoretical foundation for the research, focusing on the complex relationship between path-breaking approach, searching, and implementing finance-related tasks, strategic alignment, and new venture performance. It provides a framework for understanding these concepts and their implications. We begin by exploring insights from the existing literature on how this dynamic interplay affects startup growth. We describe that entrepreneurs play an important, decisive role in shaping organizational structures and fostering dynamic capabilities, and how entrepreneurial self-efficacy influences the path-breaking approach - strategic alignment relationship, and the trade-off with new venture performance. These insights lead us to formulate hypotheses that guide our empirical research.

Literature

In this study we research the performance of new ventures, represented by sales and employment growth, with the aim of expanding our understanding of the factors contributing to their success. Organizational structures serve as frameworks for achieving goals, enhancing operational efficiency, and improving performance. We investigate the concept of strategic alignment (SA), which is the continuous and conscious process through which the entrepreneur connects all aspects of the organization to improve performance. This involves aligning an organization's strategy with both its external environment and internal structure. The success of new ventures relies on the ability to learn and adapt through these structural changes, ensuring that the organizational structures align with the dynamic capabilities for optimal performance. Entrepreneurial self-efficacy allows for identification and alignment of dynamic capabilities within the organization, ultimately leading to a competitive edge (Katona, 1951; Penrose, 1959). To maximize the potential of these dynamic learning capabilities (DLCs), ventures must realign their organizational structures to effectively identify and capitalize on

external opportunities while appropriately reallocating resources (Wilden et al., 2013). Despite the potential for dynamic learning capabilities to become path-dependent due to past learning (Zollo and Winter, 2002), they also possess a "path-breaking" advantage to break through path dependence constraints (Vergne and Durand, 2011). As such, we introduce "path-breaking approach" (PBA) within the DLCs domain, as an approach enhancing realignment, adaptability, and agility by breaking from established routines. Entrepreneurs must exhibit agility in adjusting their organizational structures to support growth and expansion. This study particularly explores "searching" (ESES), related to entrepreneurs' ability to identify opportunities, and "implementing finance" (ESEIF), concerning financial-related tasks in managing new ventures, both within the domain of entrepreneurial self-efficacy (ESE).

Category	Author	Publication year	Title	Key findings
New Venture Performance	Baum, J., E. Locke, and K. Smith	2001	A Multidimensional Model of Venture Growth	Venture growth is influenced by a combination of factors related to the environmental context, organizational structure, and strategic actions.
	Chen, X., Zou, H., and Wang, D. T.	2009	How do new ventures grow? Firm capabilities, growth strategies, and performance	New ventures with stronger marketing and technological capabilities are more likely to pursue aggressive growth strategies, and these strategies, in turn, lead to better financial performance.
	Baum, J. R., & Locke, E. A.	2004	The Relationship of Entrepreneurial Traits, Skill, and Motivation to Subsequent Venture Growth	Entrepreneurs with certain traits, skills, and strong motivation are more likely to achieve venture growth, emphasizing the importance of individual characteristics in entrepreneurial success
Organizational Structure Alignment	Khandwalla, P.	1973	Effect of competition on the structure of top management control.	Shifts in structure can help improve the responsiveness and effectiveness in competitive markets or organizations
	Burton et al.	2019	The organizational design of entrepreneurial ventures	The way ventures structure their organizations plays a crucial role in their ability to adapt, compete effectively, and achieve their objectives.
	Sørensen and Stuart	2000	Aging, Obsolescence, and Organizational Innovation	Underlines the significance of organizational structures in generating fresh knowledge and fostering innovation in a rapidly changing business landscape.
Strategic Alignment	Younis, J. A. et al.	2023	Strategic alignment dimensions and structured practices of learning organizations	In learning organizations, individuals continuously develop their capabilities, fostering collective ambition and adapting to change while aligning with the organization's strategic goals.
	Sabherwal, R., Hirschheim, R., and Goles, T.	2001	The Dynamics of Alignment: Insights from a Punctuated Equilibrium Model	Changes in strategic alignment impact business performance and emphasizes the need for alignment adaptation to ensure sustained success.
Dynamic Learning Capabilities	Zahra et al.	2006	Entrepreneurship and Dynamic Capabilities: A Review, Model and Research Agenda	Reveals pivotal differences in dynamic capabilities between new ventures and established companies which drive strategic diversity.
	Teece	1996	Firm organization, industrial structure, and technological innovation.	Dynamic capabilities, enabling adaptability to market changes identified by managers, are pivotal for long-term performance and competitive advantage
	Vergne, J. P. and Durand, R	2011	The path of most persistence: an evolutionary perspective on path dependence and dynamic capabilities	Path dependence is a pivotal factor in comprehending the development and impact of dynamic capabilities on an organization's adaptability and success
Path Dependence	Garud, R., Kumaraswamy, A., and Karnøe, P.	2010	Path Dependence or Path Creation?	Path creation is a multifaceted process, shaped by actors, contingencies, and discussions, involving both retrospective and prospective memories.
	Vergne, J. and Durand, R.	2010	The missing link between the theory and empirics of path dependence: conceptual clarification, testability issue, and methodological implications	Lock-in arises from contingent events and self-reinforcement mechanisms excluding alternative paths, while escaping historical influences demands external shocks.
Entrepreneurial self-efficacy	Bledow	2013	Demand-perception and self-motivation as opponent processes: a response to Bandura and Vancouver	Suggests that both self-motivation and demand-perception play significant roles in shaping behavior and decision-making.
	McGee et al.	2009	Entrepreneurial Self-Efficacy: Refining the Measure	Their measurement of ESE provides a more accurate understanding of how it influences entrepreneurial behavior and outcomes
	Baum, J., and E. Locke	2004	The relationship of entrepreneurial traits, skill, and motivation to subsequent venture growth	The combination of entrepreneurial traits, skills, and motivation influences growth of a venture

Table 1. Key themes in relevant literature

New venture performance

The performance and scaling of new ventures are closely intertwined, with various indicators signifying their growth. Sales, employment, and market share emerge as critical benchmarks for gauging a new venture's performance. Achieving sustained performance acts as a driving force for scaling, attracting resources, and establishing a sturdy foundation for expansion. Simultaneously, successful scaling improves performance by boosting revenue, profitability, market presence, and operational efficiency. However, the process of scaling also introduces challenges, including resource constraints and operational disruptions, which can have negative impact on performance.

This mutually influential relationship between performance and scale is fundamental to the success of new ventures. With sales, employment, and market share serving as critical performance indicators throughout the scaling journey, turnover, is frequently used to measure growth, providing insights into the degree of customer acceptance of a company's products or services (Murphy et al., 1996). Whereas employment expansion equips the firm with additional human capital to achieve its objectives and enhances its ability to assess the external environment, enabling more effective competition (Box et al., 1993). In this study we examine the performance of new ventures based on sales and employment growth.

Strategic alignment

Despite the growing academic interest in startups, research on their organizational structure remains limited. This may stem from the notion that startups, typically small and relatively homogeneous (Blau, 1970; Mintzberg, 1979), do not necessarily require formal organizational structures. However, this perspective tends to neglect the coordination challenges faced by startups and the potential advantages of alternative mechanisms, such as Standard Operating Procedures (Sine et al., 2006; Stinchcombe, 1965, pp. 148-150). A lack of

a well-defined organizational structure can hinder a startup's ability to adapt effectively in a competitive landscape (Burns & Stalker, 1961; Lawrence & Lorsch, 1986). Entrepreneurs may perceive hierarchical organizational structures as hindrances to their entrepreneurial spirit, leading to reluctance in establishing complex management layers (Gulati & DeSantola, 2016; Davila et al., 2010; Puranam, 2014). Nonetheless, even in the early stages of a business, organizational functions and roles can become more defined, resulting in structural diversity among new ventures (Aldrich et al., 2020; Sine et al., 2006). Wilden et al. (2013) underlines the pivotal role of the organizational structure in recognizing and capitalizing on opportunities while enabling the realignment of resource bases for exceptional performance. This connection between startup hierarchies and success becomes more pronounced as startups evolve from micro-enterprises (1-9 employees) to small/medium-sized businesses (10-249 employees) (Lee, 2022). Since individuals represent the primary source of competitive advantage for startups (Eggers, 2012; Shane, 2000), the influence of an effective organizational structure on startup performance can be even more substantial than in established firms (Burton et al., 2019). We follow Écuyer et al. (2019) definition for strategic alignment, which reads as the continuous and conscious process through which management connects all aspects of the organization to improve performance.

In the context of the dynamic and rigorous startup environment, sustaining a competitive advantage necessitates the ongoing improvement of essential business operations (Hammer, 2001; Zott, 2003). As such, we will define strategic alignment as the practice of ensuring that the methods of execution within an organization are harmoniously synchronized with the organization's strategy, goals, and operational needs. This alignment supports efficient planning, the capacity to address both present and future challenges, seizing opportunities, and maintaining consistency with both internal and external factors. The organization's structural alignment is crucial in supporting strategic changes and enhancing adaptability to

environmental changes through dynamic capabilities (Zahra et al., 2006). This capacity to reconfigure the resource base empowers the organization to not only adapt but also thrive in dynamic environments (Teece, 2007). When the organizational structure harmonizes with dynamic capabilities, it grants the organization the ability to proactively identify and leverage external opportunities while efficiently reorganizing its resources (Wilden et al., 2013). These factors collectively underscore the critical importance of not only having a well-defined organizational framework but also ensuring its alignment with dynamic capabilities to achieve outstanding performance, whether in a startup or an established business setting. The journey to nurture capabilities is intrinsically intertwined with the entrepreneurial spirit, highlighting how the organizational structure profoundly reflects entrepreneurial decisions, extending well beyond the organization's inception (Fultz & Hmieleski, 2021). Organizational structures wield significant influence over how companies respond to change (Teece, 1996). When a company shifts its business strategy, it must adapt its organizational structure and navigate unforeseen factors affecting performance (Muafi, 2009). The organizational structure should align with the organization's strategy, serving as a model for roles, reporting relationships, and groups, facilitating the connection and coordination of organizational components (Mintzberg, 1979; Daft, 1998). While the concept of organizational structures is widely recognized, the process of aligning them is complex, necessitating continuous monitoring of the environment, interpretation, and a profound understanding of the organization's goals, strategies, and resources (Khandwalla, 1973).

Path-breaking approach

In the domain of new ventures, dynamic learning capabilities play a vital role in steering change and fostering the venture's adaptability and success (Verreynne et al., 2016). As new ventures strive to thrive and evolve in a rapidly changing business environment, they face the

ongoing challenge of enhancing their resources and capabilities to avoid a downward spiral. Entrepreneurs shoulder the responsibility of proactively identifying vulnerabilities and emerging challenges that could undermine their competitive advantage or, worse yet, lead to organizational failure. It's essential to recognize that certain strengths, such as specific decision-making styles, which may be advantageous in one phase of venture development, can transform into liabilities in subsequent stages. In navigating this complex terrain, dynamic capabilities become indispensable. These capabilities are systematically structured into a hierarchy, comprising three fundamental tiers: operational capabilities, lower-order dynamic capabilities, and higher-order dynamic capabilities. Operational capabilities serve as the bedrock of day-to-day activities, ensuring consistent performance by utilizing established techniques to support existing products and services for the same customer base (Helfat & Winter, 2011). Lower-order dynamic capabilities emerge from the process of organizational learning, leading to adaptations in processes like production (Ambrosini et al., 2009). Nevertheless, the true transformative power and impact on performance result from the higher-order dynamic capabilities, which are more closely intertwined with performance outcomes (Fainshmidt et al., 2016). They possess the ability to reshape how organizations tackle challenges and adapt to new circumstances, as underscored by Ambrosini et al. (2009) and Zahra et al. (2006). Amidst a dynamic and ever-evolving business landscape, the imperative of reconfiguring an organization's resource base becomes paramount. This adaptability and agility enable organizations to harmoniously blend resources and operational competencies to effectively respond to shifting market dynamics, technological advancements, and growth opportunities (Teece, 2007). It empowers organizations to rethink how they manage their operational capabilities, thereby facilitating exploration of novel, unique, and pioneering approaches to revenue generation (Vergne & Durand, 2011). A recognized characteristic of dynamic capabilities is path dependence (Zollo & Winter, 2002), indicating that past actions

and investments significantly influence an organization's current and future capabilities and choices. As stated by Vergne and Durand (2011), once a particular path is chosen, it can become self-reinforcing and challenging to deviate from, even when a more optimal or productive alternative exists; the path becomes stabilized, becomes locked-in. However, Garud et al. (2010) argues that the lock-in is a temporary stabilization of paths in-the-making, and self-reinforcing mechanisms within an organization can be influenced by its actors. According to their perspective, entrepreneurs have the capacity to implement "discrediting" mechanisms, as suggested by Weick (1979), which serve as safeguards to deter the organization from straying into unproductive directions. These mechanisms can involve recognizing emerging trends and challenging long-established beliefs and can actively shape their trajectories and avoid becoming trapped in counterproductive directions. In line what was stated by Garud et al. (2010) on path creation, we define a path-breaking approach as an approach where organizations consistently adjust to changing environments by implementing discrediting mechanisms aimed at identifying emerging trends, challenging deeply held beliefs and continuous learning. In today's swiftly evolving business landscape, organizations must continually generate fresh knowledge to uphold their competitiveness and nurture innovation (Sørensen & Stuart, 2000). The significance of DLCs extends beyond experiential learning. As emphasized by Teece (2014), they accentuate the role of managers in identifying trends and effectively steering the business. It's worth noting that the impact of dynamic capabilities on firm performance is contingent on the context (Teece et al., 1997). An organization's capacity to leverage DLCs for peak performance hinges significantly on the alignment of its internal organizational structure. This alignment plays a pivotal role in facilitating strategic adjustments and enhancing the organization's overall adaptability in response to environmental changes (Zahra et al., 2006). The harmonization of the organizational structure empowers the organization to proactively spot and capitalize on external opportunities, all while efficiently

reorganizing its resources (Wilden et al., 2013). This alignment is important to fully unlock the potential of dynamic capabilities, ensuring that the organization's structural framework complements its ability to adapt to changing circumstances.

Entrepreneurial self-efficacy

Entrepreneurial Self-Efficacy is an important determinant of entrepreneurial success, profoundly shaping enterprise performance (Baum & Bird, 2010; McGee & Peterson, 2019). As individuals enhance their ESE through various means such as observation, mentorship, practical experience, training, and education (Florin, Karri & Rossiter, 2007; Mueller & Goic, 2002), their confidence in effectively managing fundamental tasks for launching, sustaining, and excelling in business endeavors grows substantially. For organizations, a central challenge revolves around identifying crucial dynamic capabilities and aligning them with their organizational structure to maintain a competitive edge. The development and application of these capabilities are closely intertwined with an entrepreneur's recognition of opportunities (ESES) for changing established routines or resource arrangements, their willingness to make these changes, and their ability to implement them (Katona, 1951; Penrose, 1959). This capability significantly relies on the entrepreneur's drive, skills, and experiences (Penrose, 1959). Next, having strong financial management skills is crucial when starting and growing a new venture (Timmons & Spinelli, 2004). When entrepreneurs actively engage in 'financial-related' tasks (ESEIF), it demonstrates their ability to contribute to the growth and sustainability of the business, especially in managing the finances of a startup. In contrast, a lack of financial literacy has been recognized as a barrier to entrepreneurial activity (Bosma & Harding, 2006). The path to successful entrepreneurship is often one with challenges, as numerous individuals strive to undertake their entrepreneurial ventures, but only a select few manage to turn their ambitions into reality (van Gelderen, Kautonen, & Fink, 2015). Reynolds and Curtin (2008)

have emphasized that less than 25 percent of aspiring entrepreneurs enthusiastic about launching new businesses ultimately achieve their entrepreneurial dreams. In this journey, ESE stands out as a cornerstone in the field of entrepreneurship. Crucially, this belief in one's entrepreneurial capabilities is not a static trait; it undergoes dynamic changes over time, marked by fluctuations between phases of heightened self-efficacy, which bolster motivation, and periods of reduced self-efficacy, which emphasize disparities between one's status and desired goals, reigniting the determination to pursue those objectives (Bledow, 2013; Gielnik et al., 2020). Moreover, ESE has been recognized as a crucial determinant of entrepreneurial outcomes (Baum & Bird, 2010; McGee & Peterson, 2019). Next to this, ESE is closely linked with organizational expansion (Baum & Locke 2004; Baum, Locke & Smith 2001; Hmieleski & Baron 2008; Hmieleski & Corbett 2008). High ESE can prompt proactive action, vigorous effort, and resilience in the face of obstacles (Thomas & Velthouse, 1990), while low ESE may result in avoidance behavior, leading to evasion of challenging situations and the avoidance of confronting anxieties or developing competencies (Bandura, 1977). In this challenging entrepreneurial path, ESE not only influences the determination to pursue entrepreneurial goals but also affects the alignment of organizational structures with dynamic capabilities, underscoring the intricate interplay between individual beliefs, organizational design, and performance outcomes.

In new ventures, performance and scale are closely linked to sustaining performance and serve as a driving force for scaling, while presenting challenges such as limited resources. Organizational structure alignment plays a pivotal role in achieving adaptability and success, especially as startups grow and diversify. Entrepreneurial self-efficacy significantly influences venture success by interacting with entrepreneurial traits and contextual factors. Additionally, dynamic learning capabilities are instrumental in helping ventures adapt to evolving business environments, nurturing a path-breaking approach to continuous transformation. Aligning

organizational structures with these capabilities is essential for thriving amid changing circumstances. These theories, valuable individually, have primarily been researched in isolation. In our research, we will explore their combined impact on new venture performance. By examining how new venture performance, strategic alignment (SA), entrepreneurial self-efficacy's searching (ESES) and implementing finance-related tasks (ESEIF), and dynamic learning capabilities' path-breaking approach (PBA) interact, we aim to provide a holistic understanding of the dynamic, complex interplay among these elements. This comprehensive approach will shed light on how these factors collectively influence the performance of new ventures.

Hypothesis

In alignment with the insights drawn from the literature paragraph, this section describes the formulation of hypotheses within our research framework. The conceptual framework guiding the research is illustrated in Figure 1. Specifically, the hypotheses provide the study with structure and direction, focusing on the complex interplay among path-breaking approach (PBA), entrepreneurial self-efficacy's searching (ESES) and implementing finance-related tasks (ESEIF), strategic alignment (SA), and new venture performance (NVP). Through empirical testing, our objective is to uncover the relationships within this multiple moderated mediation model, ultimately providing insights into factors influencing the performance of new ventures.

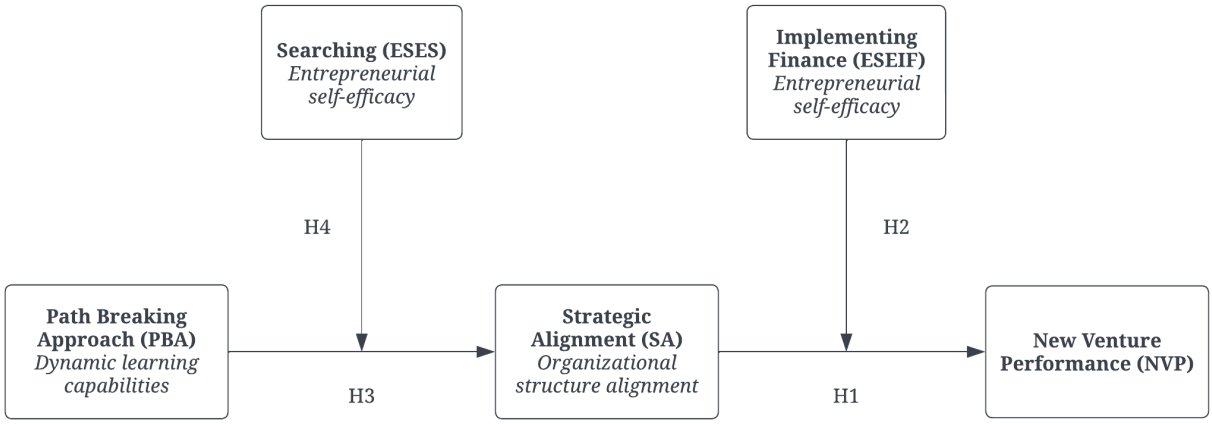

Figure 1. Conceptual framework

Hypothesis 1 - Drawing on the definition of strategic alignment (SA) and its importance in organizational structure alignment, we argue that when a new venture effectively aligns its strategies, it results in improved performance and growth. As highlighted by Younes et al. (2023), strategic alignment is a key factor for organizational success, facilitating the alignment of an organization's vision with its strategies and overall structure. In the dynamic startup environment, maintaining a competitive edge demands ongoing improvement of core business operations (Hammer, 2001; Zott, 2003). As such, we propose that strategic alignment (SA) within an organization has a positive impact on the performance of new ventures.

H1. Strategic alignment (SA) has a positive impact on new venture performance (NVP).

Hypothesis 2 - Drawing on the definition of entrepreneurial self-efficacy (ESE) and the key role of finance in entrepreneurial success, we propose that higher levels of implementing finance-related tasks (ESEIF) intensifies the impact of strategic alignment (SA) on new venture performance. This hypothesis is based on the understanding that ESE interacts with various entrepreneurial traits and contextual elements. Cumberland, Meek, and Germain (2015) found that in environments with high levels of competition and technological turbulence, entrepreneurial self-efficacy (ESE) related to financial control had a positive impact on the

growth of ventures. McGee et al. (2009) demonstrated that ESE moderates the relationship between access to financial resources and the performance of new ventures, suggesting that the impact of finance on entrepreneurial success may vary depending on an individual's level of self-efficacy. Younes et al (2023) argued that strategic alignment supports effective financial management, striking a balance between profitability and liquidity. As such, we advance the following hypothesis:

H2. The relationship between strategic alignment (SA) and new venture performance (NVP) is moderated by implementing finance-related tasks (ESEIF), in such a way that the relationship becomes stronger (weaker) when the level of financial implementation in entrepreneurial self-efficacy is high (low).

Hypothesis 3 - Drawing on the understanding of dynamic learning capabilities (DLCs) and its pivotal attribute path dependence (Zollo & Winter, 2002), we propose that a path-breaking approach (PBA) positively influences strategic alignment (SA). Effective use of DLCs depends on aligning strategy with the internal organizational structure. This alignment plays a crucial role in facilitating strategic adjustments and enhancing overall adaptability in response to environmental changes (Zahra et al., 2006). In this context, organizations that consistently adapt to their evolving environments through discrediting mechanisms, as argued by Garud et al. (2006), proactively identify emerging trends and challenge deeply rooted beliefs. As such, DLCs extend beyond experiential learning and emphasize the role of the entrepreneur in identifying trends and implementing effective business management, as highlighted by Teece (2014). This suggests the following hypothesis:

H3. Path-breaking approach (PBA) has a positive impact on strategic alignment (SA).

Hypothesis 4 - Drawing on the definition of entrepreneurial self-efficacy, particularly when it involves searching for innovative solutions, we propose that searching (ESES) for innovative strategies enables entrepreneurs to effectively spot opportunities, align organizational structures with dynamic capabilities, and, consequently, improve firm performance (Wilden et al., 2013). Organizations face the challenge of identifying crucial dynamic capabilities and aligning them with their structure to stay competitive. These capabilities are closely tight to an entrepreneurs' ability to identify trends and opportunities, adapt routines or resources, and succesfully implement changes (Katona, 1951; Penrose, 1959; Teece, 2014). Maintaining a competitive edge demands ongoing improvement of core business operations, and adaptation through discrediting mechanisms. (Hammer, 2001; Zott, 2003; Garud et al. 2010). Based on these considerations, we propose the following hypothesis:

H4. The relationship between path-breaking approach (PBA) and strategic alignment (SA) is moderated by Searching (ESES), in such a way that relationship becomes stronger (weaker) when the level of searching is high (low).

Methodology

This methodology section describes the strategies and techniques used to investigate the research questions. In this chapter, we provide a comprehensive overview of our approach, covering everything from data collection to analysis, guiding our empirical approach and ensuring the reliability of our findings. By transparently sharing our research methods, we aim to provide clarity and insight into the conduct of our research.

Data collection and sampling

The data was collected through an online questionnaire made available via Qualtrics to founders of IT-related ventures, drawn from a database population of 88.000 companies

registered in the Dutch Chamber of Commerce. Random sampling through two stages has been adopted to collect the data. First, the criteria for inclusion required that the venture had been operational for a minimum of three years and had most of its revenue derived from (information) technology-based products or services, and active in the Netherlands. A random sample of 1,000 companies was selected from the dataset for the purpose of data collection. Second, the founders of these venture were approached via LinkedIn with a short explanatory connection invitation requesting their participation. A connection was not mandatory, but simply a more direct communication option. Once connected or confirmed to participate, survey links to the questionnaires were sent through the LinkedIn's messaging service, and after a few weeks a reminder was sent to request their active participation once more. The willingness of founders to participate has been extremely low, which resulted in a lengthy, time-consuming, and cumbersome data collection process. Participants were informed that their participation in the survey was completely voluntary, their answers were treated confidentially,

Descriptives.

		n	%
Founders	One	28	34.6
	More than one	53	65.4
Gender	Male	77	95.1
	Female	4	4.9
Education	Lower	18	22.2
	Higher	63	77.8
Prior experience	No	26	32.1
	Yes	55	67.9
Growth strategy	No	4	4.9
	Yes	77	95.1
Firm age	1 - 9	32	39.5
	10 - 29	48	59.3
	30 - 69	1	1.2
Firm stage	Infancy	1	1.2
	Early growth stage	44	54.3
	Late growth stage	16	19.8
	Maturity	17	21.0
	Rather not say	3	3.7
Firm size (OECD)	1 - 9 (micro)	11	13.6
	10 - 49 (small)	41	50.6
	50 - 249 (medium)	19	23.5
	250 - … (large)	10	12.3
Structure	Hierarchy	30	37.0
	Flat	51	63.0
External financing	No	45	55.6
	Yes	36	44.4
N		81	100

Figure 2. Descriptives

anonymous and would only serve scientific purposes. Data collection was conducted between October 2022 and August 2023. The target sample was 1.000 founders. In total 117 respondents participated, with 83 complete responses generated, of which two outliers were not selected, leading to a response rate of 8.1% (see Table 1). In the final data, 95.1% respondents were males and 4.9% were females. 67.9% of founders had previous experience with starting one or more ventures in the past, while just 32.1% did not have a background in entrepreneurship. 63% of the organizations were structured flat, and the remainder, 37% were hierarchal structured. More details are provided in Table 2.

Measures

Scales and questionnaire development

To close the PBA–SA gap in new venture performance and test the multiple moderation effect of searching and implementing finance-related tasks (both as sub scales of entrepreneurial self-efficacy) on these links, all scales used in the study were adopted from previous studies and are listed in the appendix.

Dependent variables

New Venture Performance (NVP)

The performance of a new venture construct was measured using five (5) items modified from Hung et al. (2010). The organizational performance design contains the envisioned increase in (1) sales volume, (2) sales growth, (3) employee growth, (4) cost and (5) profit during the last three years. Performance was measured at organizational level. Respondents were asked to identify their levels of agreement with the description using a five-point Likert-type scale (1 = far below average to 5 = far above average).

Independent variables

Path-breaking approach (PBA)

Drawing on the four sub-scales created by Verreynne et al. (2016) which are used to assess the presence and character of DLCs in the ventures, we chose the “path-breaking approach” sub scale. The "path-breaking" aspect, which comprises three specific items indicating independent initiatives in market leadership, aligns well with the idea that DLCs are inherently focused on driving change, which, in turn, encourages innovative leadership. On a five-point Likert-type scale, respondents were asked to identify their level of agreement with the description (1 = strongly disagree to 5 = strongly agree).

Strategic alignment (SA)

Drawing on the three sub scales of Sabherwal et al. (2001) concept of alignment, we chose “strategy alignment” with six items to measure. On a five-point Likert-type scale, respondents were asked to identify their level of agreement with the description (1 = strongly disagree to 5 = strongly agree).

Next, a question was utilized to determine the organizational structure of the organization, to be used as a dummy control variable (flat or hierarchal). Respondents were given the options "Functional," "Divisional," "Matrix," "Flat," "Multi-disciplinary team," and "Other." Respondents who selected "Other" were able to offer further information regarding their organizational structure.

Entrepreneurial Self Efficacy, searching (ESES) and implementing finance-related tasks (ESEIF)

Drawing on the five sub scales of McGee et al. (2009) concept of entrepreneurial tasks within a venture creation “process model”, we chose the “searching” and “implementing

finance" sub scale. This model, initially presented by Stevenson et al. (1985), separates entrepreneurial activity into four distinct phases, (1) searching, (2) planning, (3) marshaling, and (4) implementing in which the implementing phase is subdivided into two distinct categories to differentiate the "people-related" from the "financial-related" responsibilities associated with managing a small startup business. The searching phase (ESES) involves the entrepreneur developing a novel concept and/or identifying a unique opportunity. The phase implementation of the "financial-related" tasks (ESEIF) reflects the entrepreneur's capability in fulfilling their responsibility for business growth and sustainability, particularly handling the financial tasks associated with managing a small startup business. On a five-point Likert-type scale, respondents were asked to identify their level of agreement with the description (1 = strongly disagree to 5 = strongly agree).

Control variables

In this study, we've considered a wide range of control variables, such as gender, education, growth plans, firm size, founders (team), environmental factors, prior entrepreneurial experience, firm age (measured logarithmically by years in operation), and firm stage (categorized into infancy, early growth, late growth, maturity, and "rather not say"). However, due to practical constraints like a limited sample size, complex model, and concerns about statistical power, we've intentionally chosen a focused set of control variables to maintain the study's integrity and feasibility: external finance, structure, team, and prior experience.

	Variable	Mean	SD	1	2	3	4	5	6	7	8	9
1	New Venture Performance (NVP)	3.1827	0.66121	-								
2	Implementing finance (ESEIF)	4.2016	0.78117	0.091	-							
3	Strategic alignment (SA)	4.0500	0.55032	0.152	0.164	-						
4	Searching (ESES)	4.3169	0.57470	-0.023	-0.036	0.285*	-					
5	Path breaking approach (PBA)	3.8056	0.6250	-0.061	-0.089	0.165	0.295**	-				
6	External finance	1.4400	0.50000	0.092	-0.147	-0.023	-0.076	-0.120	-			
7	Team	0.6543	0.47855	0.076	0.167	-0.077	-0.142	-0.039	0.075	-		
8	Structure	0.6296	0.48591	0.019	0.133	-0.062	0.067	0.099	-0.240*	0.088	-	
9	Prior experience	0.6790	0.46976	-0.058	0.042	-0.083	-0.020	-0.051	-0.077	0.001	0.075	-
	N			81	81	80	81	81	81	81	81	81

*Note: ** p < 0.01, * p < .05 (2-tailed). SD = standard deviation*

Figure 3. Means, standard deviations and correlations

Construct measures and results of factor analysis.

Measures	Factor loading	Cronbach alpha
New venture performance		0.646
actual sales volume compared to its envisioned sales volume over the past three years?	0.921	
actual sales growth compared to its envisioned sales growth the past three years?	0.889	
actual employee growth compared to its envisioned employee growth the past three years?	0.684	
endured cost increase compared to its envisioned cost increase the past three years?	0.693	
profit increase compared to its envisioned profit increase the past three years?	-0.703	
Organizational structure alignment		0.533
Strategic alignment		
strategic planning process encourages information sharing and cross-functional cooperation within our organization	0.579	
operational improvements within our organization have direct impact on our ability to compete	0.531	
our current strategic plan as agreed upon is implemented and undertaken	0.734	
our core processes are important input into our strategic plan	0.732	
Entrepreneurial self-efficacy		0.630
Searching		
identify the need for a new product or service	0.797	
brainstorm (come up with) a new idea for a product or service	0.792	
design a product or service that will satisfy customer needs and wants	0.684	
Implementing finance		0.803
read and interpret financial statements	0.802	
manage the financial assets of my business	0.881	
organize and maintain the financial records of my business	0.861	
Dynamic learning capabilities		0.348
Path breaking approach		
our resources are different from those of our competitors	0.654	
we move first in our market	0.700	
we do not follow our competitors when making decisions about resource acquisitions	0.623	
Environment		0.764
products or services in our industry update quickly	0.832	
the acts of competitors are difficult to predict	0.816	
the technology in our industry progresses quickly	0.793	
to predict the change of customer needs id difficult	0.620	
Entrepreneur		0.618
Innovative		
I have innovative ideas	0.825	
if something "can't be done," I find a way	0.783	
I often find more than one solution to a problem	0.657	

Table 2. Factor loadings and Cronbach's alpha

Common method bias

To examine for common method bias, a procedural and statistical method has been used in the study. First, in the questionnaire survey, the observed variables of all constructs are mixed and presented in a shuffled manner attempting to exclude any signs that can influence the responses at any point. After the data collection, a Harman's Single Factor test was conducted.

Data analysis strategy

Before examining the hypotheses, reliability and validity tests were conducted. First, the collected data was explored and by creating a SPSS box plot two extreme outliers were identified and removed, resulting in 81 viable responses. To determine construct validity, Cronbach's alpha was tested to show the reliability of the scales used, followed by factor analyses to test the convergent and discriminant validity of the scales. Variables were created to represent NVP, SA, PBA, S, IF. A correlation analysis was performed, before the Hayes model 21 regression analysis was conducted. The results of these analyses, except the Hayes model 21 regression analysis, are shown in table 3 and 4.

Multiple moderated mediation model

A multiple moderated mediation analysis was run to test the theoretical model illustrated in Fig. 1 using the PROCESS macro for SPSS v. 29 with the mean composite scores on the items for each construct (Model 21 by Hayes, 2013). Searching (ESES) was entered as a moderator of the relationship between path-breaking approach (PBA) and strategic alignment (SA), implementing finance-related tasks (ESEIF) was entered as a moderator of the relationship between strategic alignment (SA) and new venture performance, and strategic alignment (SA) was entered as a mediator of the relationship between path-breaking approach

(PBA) and new venture performance. New venture performance was the dependent variable (Fig. 1). The analysis assessed (1) the effects of path-breaking approach (PBA) on new venture performance (both directly and indirectly, through strategic alignment (SA), (2) the effect of path-breaking approach (PBA) on strategic alignment (SA) (as moderated by entrepreneurial self-efficacy's searching (ESES)), and (3) the effect of strategic alignment (SA) on new venture performance (as moderated by entrepreneurial self-efficacy's implementing finance-related tasks (ESEIF)). The analysis combined mediation and moderation to estimate the conditional indirect effect of path-breaking approach (PBA) on new venture performance through strategic alignment (SA) as moderated by searching (ESES) and implementing finance-related tasks (ESEIF). The statistical significance of the direct and indirect effects was evaluated by means of 5,000 bootstrap samples to create bias-corrected confidence intervals (CIs; 95%).

Analysis and Results

In this results section, we discuss the measurement and core findings of our study and their implications. This chapter offers a comprehensive look at what we've discovered and how it relates to our initial research goals. We'll explore the practical and theoretical significance of our findings and their broader relevance to the new venture's literature, emphasizing our contributions to this specific field.

Scale and Measurement

We conducted a confirmatory factor analysis to assess measurement adequacy, utilizing oblimen rotation and a predetermined cut-off loading of 0.3 in our confirmatory factor analysis to assess measurement adequacy for NVP, S, IF, PBA, SA and control variables associated with the environment (ENV) and entrepreneur (ENT). The results indicated that all these variables, except SA, showed factor loadings exceeding 0.6, signifying a strong level of

internal consistency among the items. SA was the only variable that did not meet this criterion, with two of its four items having factor loadings of respectively 0.531 and 0.579. Next, we conducted a reliability analysis using Cronbach's alpha to assess internal consistency reliability, with values above 0.6 indicating consistent measurement of the underlying construct. The constructs NVP, S, SA, and IF demonstrated good reliability, meeting acceptable internal consistency criteria. However, the PBA construct exhibited lower internal consistency at 0.348, but its factor scores ranged from 0.623 to 0.700. Despite its low reliability, we decided to keep PBA in the analysis due to its strong validity and considering the limited sample size. As such, the results should be interpreted carefully because they suggest the need of further investigation. We also conducted a Harman's Single Factor test to examine the common method variance, which was found to be 11.26%, well below the 50% limit. Finally, we assessed multicollinearity, and the VIF values for our independent variables ranged from 1.049 to 1.172. These values, close to 1, indicate no significant multicollinearity issues. The tolerance values, also near 1, confirm that the independent variables do not have strong correlations with each other. The detailed results can be found in Table 4.

Multiple moderated mediation

The results of the regression analysis revealed that strategic alignment (SA), and the interaction insignificantly predicted 5.71% of the variance (R-squared = 0.0571) in new venture performance, demonstrating a weak and not meaningful relationship. The results of the regression analysis revealed that path-breaking approach (PBA), searching (ESES), and their interaction significantly predicted 24.97% of the variance (R-squared = 0.2497) in strategic alignment (SA), demonstrating a stronger and meaningful relationship. The control variables external finance, structure, team, and prior experience did not have significant relations with either the SA or NVP outcome variables.

Multiple moderated mediation analysis.

Effect	Coeff	SE	*t*	*p*	LLCI	ULCI
Strategic alignment (SA) on new venture performance	-0.1721	0.6568	-0.2621	0.7940	-1.4817	1.1374
Implementing finance (ESEIF) on new venture performance	-0.3248	0.6568	-0.5034	0.6163	-1.6112	0.9617
Moderation of implementing finance (ESEIF)	0.0919	0.1591	0.5779	0.5652	-0.2252	0.4091
Path breaking approach (PBA) on strategic alignment (SA)	-2.5203	0.7021	-3.5895	0.0006	-3.9199	-1.1206
Searching (ESES) on strategic alignment (SA)	-2.0438	0.6191	-3.3014	0.0015	-3.2779	-0.8097
Moderation of searching (ESES)	0.6014	0.1605	3.7479	0.0004	0.2815	0.9213
Path breaking approach (PBA) on new venture performance	-0.0702	0.1265	-0.6184	0.5383	-0.3304	0.1740

Note: Coeff = coefficient; SE = standard error; LLCI = lower limit confidence interval; ULCI = upper-limit confidence interval.

Moderator analysis: conditional effect of path breaking approach on strategic alignment at values of the moderator (searching).

Searching	Effect	SE	LLCI	ULCI
Low	-0.3150	0.14	-0.5999	-0.0302
Medium	0.0859	0.09	-0.1020	0.2738
High	0.4869	0.14	0.2032	0.7705

Note: SE = standard error; LLCI = lower limit confidence interval; ULCI = upper-limit confidence interval.

Model summary from a multiple regression analysis using SPSS Hayes Model 21

Outcome variable	R-sq	F	*p*
New venture performance	0.0571	0.5377	0.8243
Strategic alignment (SA)	0.2497	3.4229	0.0033

Table 3. Results of Hayes Model 21 regression analysis

In contrast to our expectations outlined in H1, the analysis did not reveal a statistically significant impact of strategic alignment (SA) on new venture performance growth (B = -0.1721; p = 0.7940). This outcome suggests there is no significant direct relationship between strategic alignment (SA) and new venture performance growth. Furthermore, contrary to the hypothesis 2, the analysis did not provide statistically significant evidence supporting the moderating role of implementing finance-related tasks (ESEIF) in the relationship between strategic alignment (SA) and new venture performance growth. The interaction effect (B = 0.0909; p = 0.5652) was not statistically significant, indicating that the impact of strategic alignment (SA) on new venture performance growth does not significantly vary based on different levels of implementing finance-related tasks (ESEIF). Consistently, given the pattern

of moderations and mediation, we are unable to determine if new venture performance improves by path-breaking approach (PBA) with high entrepreneurial self-efficacy on both searching and implementing finance. No significant direct effect emerged for path-breaking approach (PBA) on new venture performance (*B* = -.0702; p = .5383). However, as shown in figure 2, it appears that strategic alignment (SA) plays a role in improving new venture performance, especially when the entrepreneur takes on a central role as a positive moderating factor and actively participates in implementing financial control mechanisms within the new venture (ESEIF).

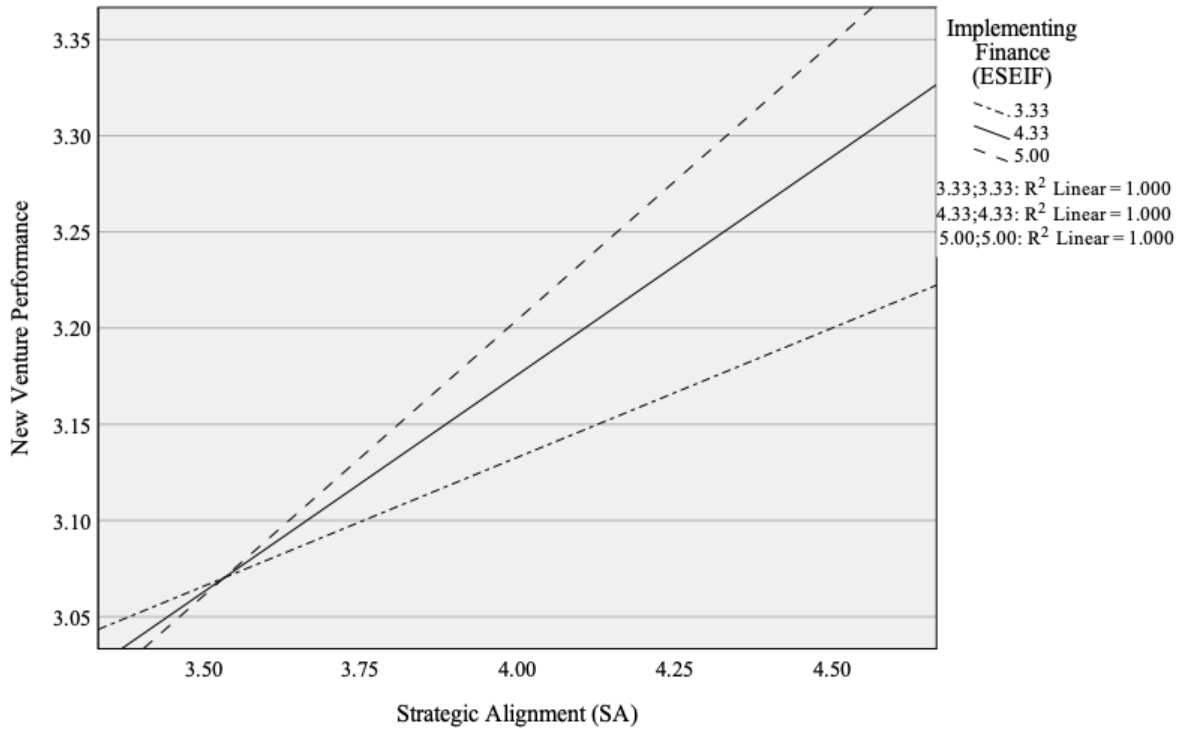

Figure 4. New venture performance

On the contrary, path-breaking approach (PBA) has a significant negative impact on strategic alignment (SA) (*B* = -2.5203; *p* = .0006), providing empirical support for hypothesis 3. Additionally, as hypothesized in hypothesis 4, searching (ESES) significantly moderates the effect between path-breaking approach (PBA) and strategic alignment (SA) (*B* = 0.6014; *p* <

.001). This interaction indicates that the association between path-breaking approach (PBA) and strategic alignment (SA) was stronger for entrepreneurs with higher levels of entrepreneurial self-efficacy on searching ($Effect_{high}$ = 0.4869) compared to those with lower entrepreneurial self-efficacy on searching ($Effect_{low}$ = -0.3150), thus confirming the expectations outlined in hypothesis 4. The results of the PROCESS macro are summarized in Table 5.

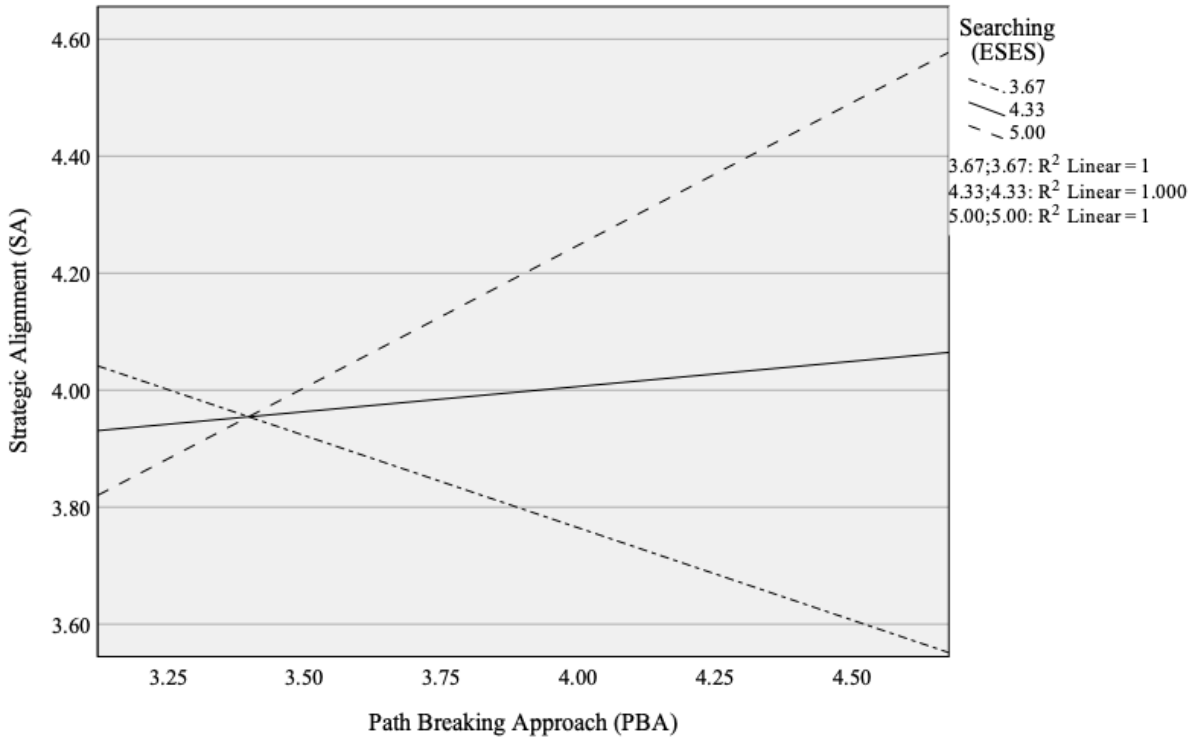

Figure 5. Strategic alignment

Summarized, H3 and H4 are supported, H1 and H2 are not. We investigated what impact entrepreneurs have who seek to grow their new venture performance, addressing their attitude toward path-breaking approach (PBA), entrepreneurial self-efficacy (searching and implementing finance), and strategic alignment (SA). We were unable to significantly demonstrate that all these variables help improve new venture performance. Neither path-breaking approach (PBA) nor strategic alignment (SA) moderated by entrepreneurial self-

efficacy on implementing finance-related tasks (ESEIF) have a direct impact on new venture performance. Instead, it is path-breaking approach (PBA) that affects strategic alignment (SA): higher strategic alignment is triggered by higher searching (ESES). Therefore, if this hypothesis aligns with the data, it implies that when a new venture adopts a path-breaking approach (PBA), it can cause a disturbance in how well the business aligns with its strategic goals and its organizational structure, as shown in Figure 3. However, this disruption doesn't always result in negative business performance. Entrepreneurial engagement, characterized by actively seeking new opportunities and having confidence in their ability to make things happen (high ESES), can help counter the negative effects of PBA. This, in turn, can improve the alignment with strategic goals and ultimately lead to better new venture performance and growth.

Discussion and conclusion

In this chapter, we take a close look at the important findings and insights from our research. This chapter explains why our research is important, shares the main results, and discusses and interprets it in a more detailed way. By unraveling the research and offering new perspectives, this chapter helps us better understand the interplay between dynamic learning capabilities, the entrepreneur, and organizational structure alignment in new ventures performance, and is significant to both academia and entrepreneurs.

Discussion

Our research, in which 81 founders participated, resulted in three main findings. Overall, the study confirms that entrepreneurs need to be aware of their necessary active role within the venture when pursuing sustainable growth and performance.

Firstly, the most important finding of this study is that a path-breaking approach has a significant impact on how the new venture's organizational structure strategically aligns with the ever-changing business landscape. This impact is reflected through leveraging dynamic learning capabilities that are essential to adapting to changes in a competitive environment. This finding is fully consistent with previous research on dynamic learning capabilities (Teece, 2007). To avoid stagnation, the entrepreneur plays a crucial role in introducing discrediting mechanisms, such as questioning old beliefs and recognizing new trends (Garud et al., 2010). The extent of this impact relies on the entrepreneur's ability to proactive identify trends, implement strategic changes, and align strategy with the organizational structure, which is, in line with Penrose's (1959) findings, heavily depending on their drive, skills, and experience (as shown in Figure 3).

Secondly, directly related to the first finding, we present a nuanced finding that a path-breaking approach can cause a significant negative impact on strategic alignment when entrepreneurs lack the drive, skills, and experiences to identify trends and align the organizational structure with dynamic capabilities shows that the entrepreneur plays a pivotal role in strategic alignment. Our findings align with research by Garud et al. (2010), which concludes that entrepreneurs unable to implement discrediting mechanisms as the venture's safeguard from straying into unproductive directions, can lead to disruption of established strategies and processes which result in inefficiency and reduced performance.

Thirdly, our research suggests that entrepreneurs, when taking on the responsibility of ensuring continued thriving through proficiency in financial management, positively impact new venture performance. This is supported by research from Timmons and Spinelli (2004). Additionally, the absence of financial literacy is argued to hinder entrepreneurial activity, as stated by Bosma and Harding (2006). Being the primary individual responsible for taking on risks within the venture and having a substantial financial stake in its long-term success, the

entrepreneur's responsibilities include the ability to implement finance-related tasks such as financial planning, budgeting, and resource allocation, which are vital for the venture's sustainable growth. The entrepreneur's drive, skills, and experience also play a role in the implementation of financial tasks (ESEIF), especially when aiming for growth in venture performance. While not statistically significant, the implementation of finance-related tasks by entrepreneurs in their scaling ventures strengthens the link between strategic alignment and new venture performance (as shown in Figure 2). Despite the result not showing statistical significance, possibly due to the small sample size, the finding remains interesting as it aligns with previous research indicating that strategic alignment, and proficiency in financial management impacts new venture performance positively. Highlighting the crucial role of financial management for entrepreneurs, there could be significant connections between strategic alignment and the performance of a new venture. Therefore, we propose extending the research with a larger sample size to better understand the specifics of this relationship.

Taken together, our results indicate that entrepreneurs play a pivotal role in ensuring their organization's competitiveness and adaptability by actively identifying vulnerabilities, recognizing emerging trends, implementing strategy changes, challenging established beliefs, and implementing discrediting mechanisms to avoid unproductive directions and to continuously adapt to changing environments. New ventures operate in highly dynamic and competitive environments, demanding the ability to swiftly respond to market changes. This often necessitates adapting their organizational structure. Embracing a path-breaking approach empowers entrepreneurs to align their venture with their strategy, but only when there are actively involved. This alignment is significantly influenced by the entrepreneur's self-efficacy in searching (ESES). Low levels of ESES hinder strategic alignment introducing the risk of straying into unproductive directions, disrupting established strategies and processes, leading to inefficiencies and reduced performance.

Theoretical contributions

Through empirical evidence, this study enhances our theoretical understanding of new venture performance, emphasizing the pivotal role that entrepreneurs play in increasing new venture performance. Our research focuses on the factors of path-breaking approaches (PBA) and strategic alignment (SA), which are influenced by entrepreneurial self-efficacy in search (ESES) and implementing finance-related tasks (ESEIF). These factors ultimately impact the performance of new ventures (NVP).

Our study aligns with Baum, Locke, and Smith's (2001), validating that growth links to a combination of external factors, organizational structure, and strategic decisions. Building upon the insights from Baum and Locke's (2004), our research delves into entrepreneurial self-efficacy in implementing finance-related tasks (ESEIF) as a factor for new venture performance. In line with Sabherwal et al. (2001), our results underscore the significance of adjusting strategic alignment to secure sustainable success, with changes impacting new venture performance. Furthermore, building on literature by Timmons and Spinelli (2004), our study highlights that effective financial management enhances performance. While our findings may not reach statistical significance, the study implies that the effective implementation of finance-related tasks (ESEIF) by entrepreneurs may serve as a contributing factor that positively influences the correlation between strategic alignment (SA) and new venture performance (NVP).

Second, building on existing literature, our study explores the role of entrepreneurs with high entrepreneurial self-efficacy in searching (ESES) as a key contributor to new venture performance, drawing from dynamic learning capabilities (Teece, 1996), strategic alignment (Younis et al., 2023) and path dependence (Vergne and Durand, 2011). Highlighting the importance of understanding path dependence (Vergne and Durand, 2011), entrepreneurs act as actors in implementing discrediting mechanisms creating paths aligned with strategy (Garud

et al., 2010). Building on the work of Cyert and March (1963) and Zahra et al. (2006), organizational learning is defined as an intricate process that encompasses management decisions in adjusting goals, attention rules, and search rules. Subject to environmental conditions and organizational knowledge, these decisions shape individuals in learning organizations, guiding skill enhancement, collaboration, and adaptation to changes aligned with strategic objectives (Younis et al., 2023). Teece (1996) underscores dynamic capabilities' critical role in long-term success through adaptation to market changes. Our research confirms that entrepreneurs actively identifying opportunities, adapting to changing environments, and executing strategies effectively (high ESES) positively influence the relationship between the path-breaking approach (PBA) and strategic alignment (SA). Our theoretical contribution emphasizes the intricate interplay, highlighting the entrepreneur's crucial role in searching (ESES) as a key influencer in the PBA-SA relationship. Additionally, our findings reveal that low levels of searching (ESES) while adopting a path-breaking approach negatively impact the PBA-SA relationship. This poses challenges in aligning organizational structures with strategy, impacting new venture performance.

Limitations and future research

Though the sample comprises of Dutch IT founders, a key limitation of this study is the insufficient sample size for comprehensive and rigorous statistical analysis. Considering the considerable time invested, with collecting data already been ongoing for over a year, the decision was made to conclude the study. A larger sample is crucial for more accurate and generalizable results. In this case, trying to get founders of IT companies to participate has been a lengthy, and cumbersome process. As a result, the smaller sample size has hindered the ability to detect significant relationships in the data. As such, the analysis did not reveal a significant relationship between strategic alignment (SA) and the growth of new venture

performance, nor did we find strategic alignment (SA) to fully mediate the relationship between path-breaking approach (PBA) and new venture performance. To address this limitation in future research, it is essential to increase the sample size to at least 300 viable responses, this then should enable to provide valuable insights on how the precise alignment of organizational structure with entrepreneurial growth pursuits influences venture performance, while considering the mediating and moderating mechanisms and contextual factors. Besides the limited sample size, our study's methodology is constrained by the cross-sectional data. A longitudinal study could provide insights into how these relationships change over time as organizations mature and adapt. Longitudinal data would allow us to monitor shifts in strategic alignment and venture performance, offering a more comprehensive understanding of their dynamics. Furthermore, all participants in our study were Dutch IT founders, but future research could explore whether new venture growth strategies and their drivers are different between ventures in other industries or geographies. Finally, additional research on different factors affecting new venture growth strategies, the varying success of scaling efforts, and the influence of entrepreneurs on these efforts, as well as why some entrepreneurs excel in scaling, is valuable.

Concluding remark

This study has contributed to the field of new venture research by shedding light on the complex relationships between path-breaking approach (DLCs), strategic alignment (SA), searching (ESES) and implementing finance-related tasks (ESEIF) in the context of entrepreneurial self-efficacy, and new venture performance. While the statistical significance of certain findings may be limited, it is evident that new venture scaling, when coupled with an active role of the entrepreneur, enhances performance. More detailed, the study highlights the potential pitfalls of embracing a path-breaking approach without proactive entrepreneurial

involvement but also emphasizes that an entrepreneurial spirit, coupled with a high level of entrepreneurial self-efficacy on searching, can mitigate these challenges and lead to improved strategic alignment and performance growth in new ventures. These insights are invaluable for both researchers and practitioners in the field, offering a deeper understanding of the complexities involved in establishing and growing successful new ventures. Next to entrepreneurs, policymakers and ecosystem builders should be aware of these findings to adjust their support programs and initiatives that promote scaling to include the factors path-breaking approach, strategic alignment, and entrepreneurial self-efficacy. Such programs play a crucial role in fostering innovation and growth in the startup and scale-up phases of ventures, ultimately contributing to economic development and job creation in the region.

Appendix

Major survey items

1. Organizational structure alignment

(1) *Low-repetition patterning*

a. "The majority of tasks undertaken in our firm cannot be captured in manuals"

b. "The most important knowledge in our firm cannot be written down", and

c. "There are few standard practices for new staff to follow when they join our firm."

(2) Path-breaking approach

a. "We move first in our market"

b. "Our resources are different from those of our competitors"

c. "We do not follow our competitors when making decisions about resource acquisitions."

(3) Change intent

a. "Our competitiveness depends on constant change to our processes and resources"

b. "We change the rules of competition in our market"

c. "Activities to be successful in our market are always changing"

d. "We are always changing our practices in our firm"

e. "Our most important activities are those that create future opportunities."

(4) Resource sustainability

a. "Our current resource base supports our long-term competitiveness"

b. "Our staff is constantly seeking to improve their practices"

c. "Our activities are focused on our strategic resources"

d. "We have practices focused on sustainable competitiveness"

2. Organizational structure

Please characterize the form of your organizational structure based on the definitions provided below. The definitions provided were:

- "Functional – employees are grouped on the basis of their area of specialization (e.g., sales, marketing, or R&D)";
- "Divisional – employees are grouped on the basis of product, service, geography, etc., and each division has the resources (sales, product managers, etc.) required for it to operate semi autonomously. Support functions (HR, finance, etc.) may be shared";
- "Matrix – combination of functional and divisional, where most employees have two managers (e.g., a functional manager and a divisional manager)";
- "Flat - an organizational model with relatively few or no levels of middle management between the executives and the frontline employees (as little hierarchy as possible, promoting less supervision and increased involvement in decision-making); and
- "Multi-disciplinary team - a group of people that have different but complementary skills working towards a shared objective".

3. Strategic alignment (SA)

(1) Horizontal structure alignment

a. High barriers between departments (R).
b. Frequent use of process teams.
c. Cross-functional teams have more authority in making day-to-day decisions than departmental managers.
d. Customer satisfied with response time.
e. Managerial tasks to front-line staff delegated.

(2) IT alignment

a. Technology enabled business processes to perform well.

b. State-of-the-art technology.

c. IT important to improvement of business processes.

d. Well integrated IT systems across functional units.

(3) Strategic alignment

a. Developed strategies based on customer needs.

b. Core processes important input into strategic plan.

c. Operational improvements had direct impact on ability to compete.

d. Sufficient measures permit clear tracking of performance.

e. Current strategic plan identified actually undertaken.

f. Strategic planning process actually encourages information sharing and cross-functional cooperation.

4. Entrepreneurial self-efficacy

Searching—(How much confidence do you have in your ability to ...?)

a. Brainstorm (come up with) a new idea for a product or service

b. Identify the need for a new product or service

c. Design a product or service that will satisfy customer needs and wants

Planning—(How much confidence do you have in your ability to ...?)

a. Estimate customer demand for a new product or service

b. Determine a competitive price for a new product or service

c. Estimate the amount of start-up funds and working capital necessary to start my business

d. Design an effective marketing/advertising campaign for a new product or service

Marshaling—(How much confidence do you have in your ability to …?)

a. Get others to identify with and believe in my vision and plans for a new business

b. Network—i.e., make contact with and exchange information with others

c. Clearly and concisely explain verbally/in writing my business idea in everyday terms

Implementing-people—(How much confidence do you have in your ability to ...?)

a. Supervise employees

b. Recruit and hire employees

c. Delegate tasks and responsibilities to employees in my business

d. Deal effectively with day-to-day problems and crises

e. Inspire, encourage, and motivate my employees

f. Train employees

Implementing-finance—(How much confidence do you have in your ability to ...?)

a. Read and interpret financial statements

b. Manage the financial assets of my business

c. Organize and maintain the financial records of my business

5. New venture performance

a. How would you rate your company's actual sales volume compared to its envisioned sales volume over the past three years?

b. How would you rate your company's actual sales growth compared to its envisioned sales growth the past three years?

c. How would you rate your company's actual employee growth compared to its envisioned employee growth the past three years?

d. How would you rate your company's endured cost increase compared to its envisioned cost increase in the past three years?

e. How would you rate your company's endured profit increase compared to its envisioned profit increase in the past three years? (R)

6. Being an entrepreneur

a. I have innovative ideas

b. If something ''can't be done, ''I find a way

c. I often find more than one solution to a problem

d. I'm only willing to take a risk if I am sure everything will work out

e. I am not prepared to risk my savings for my business

7. Environmental factors

a. Products or services in our industry update quickly

b. The acts of competitors are difficult to predict

c. The technology in our industry progresses quickly

d. To predict the change of customer needs is difficult

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