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# The Impact of Environmental Variables and Firm Strategies on the Performance of Entrepreneurial Firms

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## EXECUTIVE SUMMARY

*This paper examines existing concepts of entrepreneurship and strategic management and develops two orthogonal but additive models. The first model (Model 1) studies how firms adapt to their operating environments and the kinds of strategies they follow, and the impact of these strategies on aggregate firm performance. The second model (Model 2) is an examination of the organization's intangible elements, and the impact of the organization's internal variables on aggregate firm performance. Using multiple regression analyses from each perspective, we find both models provide partial explanations of a firm's aggregate performance. We test the models on a sample of 163 entrepreneurial and small firms. We then proceed to test a third integrated model that combines the two models that we have tested. Model 1, the impact of environmental factors and business strategies on aggregate firm performance, explains 22.4% of the variance. Model 2, which examines the impact of internal organizational variables in firm performance, explains 32.2% of the variance. The integrated model, which combines Models 1 and 2 into a single model, explains 39.4% of the variance of aggregate firm performance. The conclusion section discusses the shortcomings of the research, and what needs to be done to develop improved models and better techniques to test models. The limitations of this research are also highlighted.*

Keywords: Entrepreneurship, Environmental variables, Operating business strategies, Intangible organizational elements