

The contrasting interaction effects of improvisational behavior with entrepreneurial self-efficacy on new venture performance and entrepreneur work satisfaction

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Abstract

Although improvisation is often considered to be an elemental component of entrepreneurship, little work has been done to evaluate factors that influence the relationship of entrepreneur improvisational behavior with important outcome variables. In an attempt to partly fill this gap, the current study examines the moderating effect of entrepreneurial self-efficacy on the relationship of founders' improvisational behavior with both the performance of their startups and their individual level of work satisfaction using a national (United States) random sample of 159 entrepreneurs. In alignment with our predictions, improvisational behavior was found to have a positive relationship with new venture performance (i.e., sales growth) when exhibited by founders who were high in entrepreneurial self-efficacy, whereas improvisational behavior was found to have a negative relationship with new venture performance when exhibited by founders who were low in entrepreneurial self-efficacy. Contrary to our expectations, entrepreneurial self-efficacy was found to have a negative moderating effect on the relationship between entrepreneur improvisational behavior and work satisfaction.

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1. Executive summary

In a world defined by constant opportunity and change, deciding whether to “stay the course” or reach for a promising new prospect can mean the difference between success and failure. For entrepreneurs this situation is exacerbated. Virtually by definition, most entrepreneurs must be able to work efficiently with limited resources and under intense time pressure. Additionally, they are often faced with unique problems and opportunities for which they have no available heuristics or pre-composed plans to guide them. For these reasons, the ability of entrepreneurs to extemporaneously compose and execute novel plans is likely to have important implications for the performance of

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their new ventures. Although improvisation appears to be an important component of the entrepreneurial process, we know little about why some entrepreneurs are more effective improvisers than others. Similarly, it is not known what effects that improvisational behavior has on the work satisfaction of entrepreneurs. For example, we do not know if improvisational behavior tends to energize versus exhaust entrepreneurs, and which factors may enhance or reduce such effects. To this end, the current study examined the linkage of entrepreneur improvisational behavior with both performance and satisfaction.

Across a wide variety of domains, there appears to be a consensus that improvisation is not inherently good or bad; instead the effectiveness of improvisational behavior appears to be dependent on multiple factors. Perhaps most importantly, improvisation requires domain-specific confidence in one's abilities. It is not enough to be highly skilled within a domain — improvisers must be confident in their ability to effectively apply their knowledge (i.e., be high in domain-specific self-efficacy). This is because improvisation can be very risky and highly stressful, especially for those who lack confidence in their abilities. New venture founders who lack confidence in their entrepreneurial abilities are likely to experience cognitive overload during improvisational episodes and have a more difficult time recognizing unique ways in which resources may be recombined. For these reasons, entrepreneurial self-efficacy was expected to have a positive moderating effect on the relationship of entrepreneur improvisational behavior with new venture performance.

Work satisfaction is another important outcome of improvisational behavior, and one that has been underrepresented in entrepreneurship research. Entrepreneurs who are not satisfied with their work are less likely to persist in their efforts over time, experience greater health concerns, and treat their employees more poorly. Although work on improvisation within organizations has been relatively silent with respect to work satisfaction, we point again to the fact that improvisation can be a highly stressful endeavor, especially when acting under the pressure filled situations that often characterize the new venture development process. In this context, we suggest that improvisation may act as a role stressor for entrepreneurs. Congruent with the literature on workplace role stressors, entrepreneurial self-efficacy should help to reduce the degree of psychological strain experienced by improvising entrepreneurs. Based on this logic, we anticipated that perceived confidence in one's ability to perform the roles and tasks of entrepreneurship would positively moderate the linkage between the improvisational behavior of founders and the level of their work satisfaction.

We tested our hypotheses using a national random sample of 159 entrepreneurs who were both founders and top management team leaders of their firms. The results of the study supported our prediction that entrepreneurial self-efficacy positively enhances the effects of improvisational behavior on performance. Those entrepreneurs who were avid improvisers and high in entrepreneurial self-efficacy were found to be the highest performers. The results in terms of work satisfaction were, however, found to be contrary to our expectations. Entrepreneurial self-efficacy had a significant negative moderating effect on the relationship between improvisational behavior and work satisfaction. Rather than reducing the psychological strain of improvisational behavior, it seems that entrepreneurs high in entrepreneurial self-efficacy may have been burning themselves out by over-engaging in their work and improvising to a greater extent than what may have been good for their well-being. Despite being the highest performers in our study, those entrepreneurs who rated highly in both improvisational behavior and entrepreneurial self-efficacy were among the least satisfied with their work — suggesting that new venture performance and entrepreneur work satisfaction might not necessarily go hand-in-hand.

2. Introduction

Recently it has been suggested by several authors that the entrepreneurial process might be best viewed as an improvisational activity (Baker et al., 2003; Baker and Nelson, 2005; Hmieleski and Corbett, 2006; Miner et al., 2001; Weick, 2002). Perhaps the most appealing aspect of this perspective is that improvisation blends together both planned and emergent behavior (Cunha et al., 2003; Weick, 1998). It is clear that new ventures almost always begin with a goal or vision of some form, implying an initial rational outlook (Baum et al., 1998; Shane and Venkataraman, 2000). In this regard, new venture creation — much like improvisation — is a deliberate and intentional process (Bird, 1992; Krueger et al., 2000). Inevitably, however, environmental conditions, resource constraints and cognitive limitations almost always prevent entrepreneurs from executing their plans as initially intended (Baker et al., 2003; Baron, 1998). This implies that entrepreneurs must be able to effectively deviate from their plans in order to adapt to their environmental conditions, which in many cases are changing both quickly and unpredictably (Hmieleski and Ensley, 2004). Therefore, the ability to extemporaneously create and execute new plans on the fly would seem to be an important ability for entrepreneurs to possess. Research by Baker et al. (2003) drives home this point by demonstrating

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