Beyond personal control: When and how executives’ beliefs in negotiable fate foster entrepreneurial orientation and firm performance

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Abstract

Negotiable fate, the belief that fate imposes boundaries within which personal actions can shape outcomes, is rooted in Chinese collective wisdom. This belief is hypothesized to prompt executives to use available resources to create opportunities by directing their attention to controllable aspects of unpredictable environments. Thus, executives’ endorsement of negotiable fate beliefs is expected not only to enhance firm-level entrepreneurial orientation, but also to positively predict firm innovation and financial performance. We further expect these mediation effects to be stronger under dynamic environments. Studies of top executives in China support the theorized moderated-mediation model. By providing evidence for its context-specific benefits, the concept of negotiable fate enhances the dialogue on fate beliefs in the Chinese context and suggests new directions for organizational behavior scholarship beyond China.

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1. Introduction

Chinese collective wisdom gives fate a prominent role in causal models (Arkush, 1984). The importance of fate in Asian causal thinking is also observed empirically: the East has been consistently shown to have a stronger belief in fate than the West (Cheng, Cheung, Chio, & Chan, 2013; Leung et al., 2002). Current theories, which have primarily been developed in the West, posit that individuals who believe fate causes outcomes can become passive and withdrawn (Rotter, 1966; Seligman, 1972). However, China’s economic growth from 1986–2016 suggests otherwise, as the average annual GDP per capita growth has been approximately 9% (World Bank, 2016). Traditional theories of fate beliefs and perceived control developed in the West cannot adequately account for China’s aggressive growth.

Considering the conflicting Western/Eastern views regarding fate, scholars have argued that uniquely Chinese orientations towards fate merit more systematic attention from organizational behavior scholars (Bond, 2009; Leung, 2010, 2012). Our research addresses negotiable fate, a cultural value that is prevalent in Chinese society and firmly embedded in the collective wisdom of Chinese proverbs (Au, 2008; Au et al., 2012; Chiu, Au, & Zhang, 2012). Negotiable fate is defined as the belief that fate imposes boundaries within which personal actions can shape outcomes. In contrast with traditional theories of fate beliefs and perceived control, which posit that personal action or fate is sufficient to determine outcomes (Rotter, 1966), negotiable fate postulates that fate and personal action have conjoint influences on outcomes (see Fig. 1), and prescribes specific roles for each.

Although the concept of negotiable fate is rooted in ancient Chinese proverbs, it has played a very important role in China’s recent and rapid economic growth (World Bank, 2016). As China shifted from a planned to a market economy, it has experienced great turbulence and uncertainty, and yet, many Chinese business leaders have incorporated an entrepreneurial orientation into the way in which their enterprises operate. We theorize that Chinese business leaders’ beliefs about how fate and personal action jointly influ-
ence outcomes provide the basis for initiative to find and leverage the best uses of available resources.

A firm’s entrepreneurial orientation—its strategic stance towards innovation—enables it to undertake somewhat risky ventures, and beat competitors (Covin & Slevin, 1989; Dess & Lumpkin, 2005; Miller, 1983; Simsek, Heavey, & Veiga, 2010). The importance of entrepreneurial orientation lies in its robust association with firm performance (Rauch, Wiklund, Lumpkin, & Frese, 2009). Firm-level entrepreneurial orientation has been attributed to those characteristics and values of executives that propel them to make assertive strategic choices (Koenig, Schlaegel, & Gunkel, 2013; Simsek et al., 2010). Following the rich tradition of scholarship on how leaders’ characteristics shape firm-level strategies and performance (Chatterjee & Hambrick, 2007; Li & Tang, 2010; Nadkarni & Herrmann, 2010), we study the effects of executives’ beliefs in negotiable fate on firm outcomes through firm-level entrepreneurial orientation.

Past empirical findings have established internal locus of control (Koenig et al., 2013) and favorable core self-evaluations (Simsek et al., 2010) as essential characteristics of executives that foster firm-level entrepreneurial orientation. However, compared with respondents from Western samples, Chinese respondents tend to exhibit lower levels of internal locus of control (Evans, 1981; Lu, Kao, Cooper, & Spector, 2000; Na & Lofts, 1998), and relatively stronger beliefs in fate. Findings such as these suggest that Chinese firms should be less entrepreneurial than those outside of China, but empirical findings do not show that this necessarily follows (Global Entrepreneurship Monitor, 2016; Lu & Tao, 2010).

We propose that Chinese executives effectively navigate dynamic and changing environments by acknowledging those aspects that are uncontrollable through their beliefs in negotiable fate. Given China’s rapid transition from a planned to a market economy, institutional structures to support commerce may be less well established than those in many Western countries. Such institutional structures are the legal system: laws are poorly defined and constantly changing (Zhang, 2014), and firms have relatively underdeveloped and informal legal support (Xin & Pearce, 1996). Thus, executives must recognize that uncontrollable external factors impact outcomes if they are to successfully navigate this type of environments. However, in contrast with the traditional formulation of external locus of control and fatalistic determinism (Leung et al., 2012; Rotter, 1966; Seligman, 1972), negotiable fate beliefs do not imply passivity; instead, they encourage the exercise of personal control within the boundaries imposed by fate. So understood, Chinese executives can acknowledge that external factors have impact but still believe they can alter outcomes. We propose that believing in negotiable fate encourages executives to make the most of available resources, and find optimal outcomes through experimentation. We call such deduction negotiable fate logic.

In addition to the turbulence of the Chinese economy as a whole, executives’ immediate environments can attenuate or accentuate their experiences of uncertainty (i.e., environmental dynamism). We maintain that environmental dynamism strengthens the relationship between executives’ beliefs in negotiable fate and firm-level entrepreneurial orientation. Our rationale is that highly dynamic environments offer numerous possibilities for satisfying consumer demands, and the most appropriate options are unknown at the outset of innovation processes. For uncertain market environments that carry high risk of failure, negotiable fate logic enables firms to make the best use of available resources and successfully create market opportunities (Sarasvathy, 2001).

Furthermore, consistent with past research (Rauch et al., 2009), we theorize that firm-level entrepreneurial orientation promotes stronger firm innovation and financial performance. Thus, we expect that executives’ beliefs in negotiable fate will foster stronger firm-level entrepreneurial orientation; in turn, firm-level entrepreneurial orientation will lead to stronger firm innovation and financial performance. These mediation effects are expected to be stronger for firms in highly dynamic environments.

Our research makes several noteworthy contributions to the literature on perceived control, fate beliefs, and entrepreneurial orientation. First, we answer calls to enrich the study of organizational behavior in China by better understanding the meaning of fate and perceived control in the Chinese cultural context (Bond, 2009; Leung, 2012). Negotiable fate, rooted in Chinese proverbs, represents a model of causality in which internal and external factors are believed to jointly influence outcomes. We use negotiable fate to explain when and how Chinese executives simultaneously report strong beliefs in fate, or external locus of control, and make strategic entrepreneurially-oriented decisions. Thus, we demonstrate how causal models reflecting cultural values can explain phenomena observed in China.

Second, we provide insight into how Chinese executives navigate unique challenges that currently characterize the turbulence and uncertainty of China’s economy but may also be encountered beyond China’s borders. Our knowledge of entrepreneurial orientation, its foundations and effects, is based upon the findings of studies from Western economies (Simsek et al., 2010) that are markedly different from China’s turbulent and uncertain economy. We propose that in turbulent and uncertain environments, negotiable fate beliefs provide executives with impetus to focus their attention on making the most of available resources. Our theoretical work predicts that (1) beliefs in negotiable fate will foster an entrepreneurial orientation in Chinese executives; and (2) environmental dynamism will moderate this relationship such that it is stronger when environmental dynamism is high rather than low. Such moderation is consistent with our view that negotiable fate has context-specific benefits, suggesting that the control perspective associated with negotiable fate can potentially explain the emergence of entrepreneurial orientation in environments other than China where uncertainty is endemic. We elaborate on these and other contributions in the discussion section.

2. Theoretical foundation and hypotheses development

2.1. Conceptualizing negotiable fate

Over the last three decades, empirical findings have consistently shown that people from Asian countries, relative to those from Western countries, have lower internal locus of control or higher external locus of control (Cheng et al., 2013; Evans, 1981), and believe more strongly in fate (Leung et al., 2002). Paradoxically, however, Asians are not passive, and they do not lack the drive to succeed: seven Asian cities are included among the top...
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