The mediating role of entrepreneurial orientation: A meta-analysis of resource orchestration and cultural contingencies

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ABSTRACT

Building on the resource orchestration literature, we use meta-analytic structural equation modeling to test a model where entrepreneurial orientation (EO) mobilizes resources to influence firm performance. Our results indicate that (1) EO mediates (partially) the human and social capital—firm performance relationships; (2) social capital is positively associated with human capital; (3) the relationship between social capital and firm performance is mediated in two steps, first, by human capital, and then, by EO; and (4) the human capital—EO relationship is stronger in high in-group collectivistic, low future oriented, and high uncertainty avoidance cultures.

1. Introduction

The key question strategic management aims to answer is: why does firm performance differ (Rumelt, Schendel, & Teece, 1994)? To answer this question, the resource-based view of the firm (RBV) posits that organizations having heterogeneous resource stocks that are also difficult to duplicate may use these resources to develop a competitive advantage and outperform rival organizations (Barney, 1991; Peteraf, 1993). While this perspective has dominated the strategic management literature as evidenced by several review articles devoted to the resource-based view (Armstrong & Shimizu, 2007; Barney, Wright, & Ketchen, 2001; Barney, Ketchen, & Wright, 2011), recent research suggests our understanding of the process through which resources influence performance remains incomplete. As noted by Priem and Butler (2001), possessing resources ensures neither competitive advantage nor above-market performance. Rather, it is now recognized that resources must be accumulated, combined, and exploited to unlock their value-creating potential (Grant, 1991; Sirmon & Hitt, 2003; Sirmon, Hitt, & Ireland, 2007). Only recently, however, has theory been developed to help explain how this process might unfold. According to the resource orchestration view, resources may influence performance when managers structure, bundle, and leverage resources in a way appropriate for a particular market (Sirmon et al., 2007; Sirmon, Hitt, Ireland, & Gilbert, 2011). Key to the resource orchestration view are resource mobilization, whereby resources are directed by managers for a particular use, and resource coordination, during which managers integrate mobilized resources into an effective structure (Helfat et al., 2007; Sirmon et al., 2011).

The difficulty of utilizing resource orchestration lies in understanding ways in which managers can mobilize and structure resources. One possible avenue managers may go about mobilizing resources is by developing an organization’s entrepreneurial orientation (EO). EO refers to “processes, practices, and decision-making activities that lead to new entry” (Lumpkin & Dess, 1996: 136). More specifically, EO is a multidimensional construct describing the strategy-making process at the organizational level including dimensions such as product innovation, proactiveness, and risk taking behavior (Covin & Slevin, 1991; Rosenbusch, Rauch, & Bausch, 2013). Product innovation represents firm’s efforts to experiment with and develop new products designed to meet current or future market demands (Chirico, Sirmon, Sciascia, & Mazzola, 2011; Lumpkin & Dess, 1996, 2001). Proactiveness refers to managers’ forward-looking perspective regarding future wants and needs in a market (Shane & Venkatraman, 2000). Firms may benefit from taking proactive measures by capitalizing on new or developing opportunities and by shaping the competitive landscape (Chirico et al., 2011). Risk taking reflects managerial behavior whereby time, effort, and money are invested before financial returns are realized (Venkatraman, 1997). Chirico et al. (2011) stated explicitly that because

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product innovation, proactiveness, and risk taking are the key dimensions of EO and because EO includes taking actions to create and pursue future opportunities, EO is the conduit through which managers use systems of practices and managerial styles to direct how resources are used. Thus, EO represents managers’ mobilizing visions as discussed in the resource orchestration literature (Chirico et al., 2011; Sirmon & Hitt, 2003; Sirmon et al., 2007). Although the resource orchestration view has only recently been formally introduced (Sirmon et al., 2011), using EO as the focal point for resource mobilization allows us to test a model incorporating key tenets of resource orchestration: resources must be mobilized in a manner that supports competitive advantage as evidenced by superior performance.

The purpose of this paper is to use the resource orchestration view to theoretically develop and test a model whereby EO mediates the relationships between social and human capital and firm performance in a two-step process through meta-analytic structural equation modeling (MASEM) while also considering the moderating effects of national culture. MASEM is ideal for this purpose as it allows researchers to go beyond existing meta-analytic techniques that cumulate research findings into a single effect size (Hunter & Schmidt, 2004). More specifically, MASEM allows researchers to control for additional variables, provide information on model fit, and most importantly for our purposes, allows for testing intermediate relationships such as those that lie in the “black box” between resources and performance (Bergh et al., 2011; Sirmon et al., 2007).

This paper makes four contributions to the literature. First, we contribute to the developing resource orchestration literature by integrating resource orchestration concepts with EO into a model whereby EO (as the process by which resources are mobilized) mediates the relationship between firm resources and firm performance. While a growing list of studies have relied on resource orchestration as a theoretical basis (e.g., Chadwick, Super, & Kwon, 2015; Chirico et al., 2011; Mannor, Shamsie, & Conlon, 2016; Wales, Patel, Parida, & Kreiser, 2013) none have theoretically investigated how EO mediates the resources-performance relationship and few have associated resource orchestration with EO (Chirico et al., 2011; Wales et al., 2013). Thus, we provide among the first examinations of resource orchestration where managerial resource mobilization (in the form of EO) mediates the relationship between resources and performance.

Second, we contribute to the EO literature by meta-analytically examining two antecedents of EO (i.e., human capital and social capital). Prior EO literature has largely focused on studying mediators of the relationship between EO and firm (e.g., Martin & Javalgi, 2016; Morgan & Strong, 2003; Shan, Song, & Ju, 2016; Vega-Vázquez, Cossio-Silva, & Revilla-Camacho, 2016) moderators of this relationship (e.g., Cadogan, Boso, Story, & Adeola, 2016; Deutscher, Zapkau, Schwens, Baum, & Kabst, 2016; Hernández-Perlines, 2016; Martin & Javalgi, 2016; Núñez-Pomar, Prado-Gascó, Sanz, Hervás, & Moreno, 2016; Semrau, Ambos, & Kraus, 2016), and how EO moderates other firm-level business performance relationships (e.g., Bhuian, Menguc, & Bell, 2005). Recent research has also investigated how particular EO dimensions collectively influence firm performance by using fuzzy-set analysis (e.g., Lisboa, Skarmeas, & Saridakis, 2016). Despite this research, little attention has been focused on EO antecedents. In their recent meta-analysis examining the mediating role of EO in the task environment-performance relationship, Rosenbusch et al. (2013) noted that researchers know little about the antecedents of EO. Human capital and social capital are each recognized as important to firm performance (Grant, 1996; Nahapiet & Ghoshal, 1998) and meta-analyses have supported these relationships (Crook, Todd, Combs, Woehr, & Ketchen, 2011; Stam, Arzlanian, & Elfring, 2014; Unger, Rauch, Frese, & Rosenbusch, 2011), yet our understanding of how managers orchestrate these resources through mobilizing or coordinating actions remains incomplete.

Third, our comprehensive review of the literature revealed that effect sizes for human and social capital – EO relationships are mixed across studies. Existing studies reported both negative and positive effect sizes with varying degree of magnitude. As such, an additional aim of this meta-analysis is to clarify the complexity underlying the firm resources – EO relationship by exploring possible moderators of this relationship (Frese, Bausch, Schmidt, Strauch, & Kabst, 2012). More specifically, we examine national culture as a contextual variable because national culture variance has been shown to noticeably impact the level of entrepreneurial activity in a given society and strategic behaviors displayed by organizations (Kreiser, Marino, Dickson, & Weaver, 2010; Saeed, Yousafzai, & Engelen, 2014).

Fourth, we employ MASEM to test our mediated model. As Bergh et al. (2014) note, meta-analysis assesses only individual elements of a model thus limiting researchers’ ability to assess mediating models. Further, MASEM allows researchers to test the explanatory and predictive adequacy of different theories (Bergh et al., 2014). Other advantages to using MASEM include the generation of effect sizes to control for other variables, comparing mediation models against one another, and maximizing external validity (Bergh et al., 2014; Shadish, Cook, & Campbell, 2002). Lastly, MASEM’s statistical power advantage provides MASEM the potential for a substantially larger sample size than in typical structural equation modeling studies thus allowing for the study of entire fields of study (Bergh et al., 2014; Cheung & Chan, 2005) such as the antecedents and performance outcomes of EO as examined in this study. Thus, we are able to provide an early test of a full resource orchestration model with the aim of extending the MASEM methodology to strategic management research and thereby contribute to “the ongoing stream of methodological inquiry in strategy research” (Wiersema & Bowen, 2005: 688).

Lastly, recent studies show publication bias influences the fields of entrepreneurship and strategic management (Harrison, Banks, Pollack, O’Boyle, & Short, 2017; O’Boyle, Rutherford, & Banks, 2014). To answer the call for improved meta-analytic practice (Banks, Kepes, & McDaniel, 2012; Kepes, Banks, McDaniel, & Whetzel, 2012; Kepes, McDaniel, Brannick, & Banks, 2013), this study is among the first in strategic management or entrepreneurship to perform all three sets of sensitivity analyses (i.e., publication bias analyses, outlier analyses, and analyses of the influence of reliability imputations) recommended to assess the robustness of meta-analytic results. The conceptual model examined in the present study is shown in Fig. 1.

2. Theory and hypotheses

2.1. EO as a mediator of the human capital - firm performance relationship

The RBV indicates that a firm’s sustainable competitive advantage originates from firm resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). Thus, variance in firms’ resources and capabilities may result in firm performance heterogeneity (Hitt, Bierman, Shimizu, & Kochhar, 2001). Human capital, including education, experience, intelligence, judgment, knowledge, and skills (Barney, 1991; Unger et al., 2011), may be a source of competitive advantage as long as the human capital controlled by the organization is sufficiently different from their competitors (Alvarez & Barney, 2001).

A recent meta-analysis by Crook et al. (2011) demonstrates that knowledge, skills, and abilities (KSAs) can lead to competitive advantage. This meta-analysis confirms a positive and significant relationship between human capital and firm performance. Results from a similar meta-analysis by Unger et al. (2011) support Crook et al. (2011) by demonstrating a positive and significant relationship between human capital and entrepreneurial success. These meta-analytic reviews provide a consistent message that the direct effect of human capital on firm performance does exist. Consistent with Hitt et al. (2001) and two recent meta-analytic reviews, we also propose a direct effect of human capital on firm performance. Hitt and colleagues noted, however, that “the effects of human capital and resources on firm performance are both direct and indirect” (Hitt et al., 2001: 23), suggesting that our...
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