Journal of Business Research 83 (2018) 10–18

Contents lists available at ScienceDirect

Journal of Business Research

journal homepage: www.elsevier.com/locate/jbusres

Entrepreneurs' improvisational behavior and new venture performance: Firm-level and institutional contingencies

Samuel Adomako[a,*], Robert A. Opoku[b], Kwabena Frimpong[c]

[a] Entrepreneurship Institute, King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia
[b] Donald Business School, Red Deer College, Alberta, Canada
[c] Department of Management and Marketing, King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia

ARTICLE INFO

Keywords:
Improvisation
Upper echelons
Financial resource capability
Institutional support
New venture performance, Ghana

ABSTRACT

Despite the growing research on the influence of entrepreneurs' improvisational behavior on organizational outcomes, there is limited understanding of the specific firm-level and institutional conditions under which entrepreneurs' improvisational behavior can effectively drive the success of new ventures. This paper contributes to filling this gap by investigating the moderating effects of financial resource capability and institutional support on the relationship between entrepreneurs' improvisational behavior and new venture performance. The study's theoretical model is validated by employing confirmatory factor analysis and hierarchical regression on primary data obtained from 395 new ventures in Ghana. The results reveal a significant positive moderating effect of financial resource capability on the relationship between entrepreneurs' improvisational and new venture performance. In addition, the findings show that the effectiveness of improvisation behavior in driving a firm's success depends on the level of institutional support. Implications for research and practice are discussed.

1. Introduction

Scholarly evidence shows that knowledge accumulation around improvisational behavior and its organizational outcomes has been substantial (e.g., Baker & Nelson, 2005; Crossan & Sorrenti, 1997; Hmieleski & Corbett, 2006; Hmieleski, Corbett, & Baron, 2013; Mullins & Komisar, 2009; Vera & Crosson, 2005; Weick, 2001). Improvisational behavior is generally perceived as the ability of entrepreneurs to extemporaneously create and execute strategic new plans (i.e., improvise). Although this is considered a crucial entrepreneurial ability (e.g., Hmieleski & Corbett, 2008), improvisational behavior does not always result in positive organizational outcomes (Crossan, Cunha, Vera, & Da Cunha, 2005; Vera & Crosson, 2005). Instead, the influence of entrepreneurs' improvisational behavior is likely to be contingent on several conditional factors.

The entrepreneurship literature shows that the firm-level conditions and institutional frameworks under which entrepreneurs' improvisational behavior relates to performance of new ventures are under-explored. Consequently, this paper examines these two potential ways in which the potency of improvisation drives new venture success. First, despite growing interest in the role of resource availability in entrepreneurship (e.g., Barney, 1991; Makadok, 2001), the potential ways in which a firm's financial resource capability interrelates with other salient predictors to improve firm performance have not been duly examined. This study contributes to closing this gap by exploring whether a firm's financial resource capability limits or enhances the performance benefits that accrue from entrepreneurs' improvisational behavior. The major rationale underlying this enquiry is that increases in individuals' perceptions of resource availability make them prone to improvise (Banin et al., 2016). According to the literature in organizational settings, resource constraints drive top managers to adhere to plans and only slightly deviate from them (Covin, Slevin, & Schultz, 1997). The general view in the literature suggests that resource availability is crucial for entrepreneurial behavior to flourish.

Second, to date, the literature has failed to shed light on the particular conditions in which varying levels of institutional support impact improvisational behavior to increase a firm's performance. Regrettably, this gap still remains despite the mounting research evidence, which suggests that there is a lack of theoretical clarity regarding the institutional contexts (e.g., Blau, 1964; Klapper, Laeven, & Rajan, 2006) under which improvisational behavior drives firm success. This paper draws insights from the central proposition of North's (1990) institutional theory, which contends that institutions determine the rules of the game. The essence of this theory is that the broader context of businesses – consisting of social, cultural, economic, political and technological factors– significantly influences entrepreneurial behavior.

* Corresponding author.
E-mail addresses: adomako@kfupm.edu.sa (S. Adomako), robert.opoku@rdc.ab.ca (R.A. Opoku), frimpong@kfupm.edu.sa (K. Frimpong).

http://dx.doi.org/10.1016/j.jbusres.2017.10.006
Received 27 May 2017; Received in revised form 2 October 2017; Accepted 5 October 2017
0148-2963/

Therefore, the expectation is that entrepreneurial new ventures are likely to adapt their activities and strategies to fit the opportunities and limitations provided through formal and informal institutional frameworks.

Against the backdrop of the foregoing arguments, this paper examines the following research question: *How do financial resource capability and perceived institutional support influence the performance benefits of entrepreneurs' improvisational behavior?*

This paper contributes to the entrepreneurship literature in three main ways. First, it illustrates the specific ways in which different levels of institutional support combine with entrepreneurs' improvisational behavior to enhance firm success. This approach is considered a useful extension of the literature because it provides strategic insights into the appropriate institutional context, which enhances the potency of entrepreneurial behavior on firm success.

Second, by examining the conditional effect of institutional context on entrepreneurial behavior, this paper contributes to the upper echelons literature (Hambrick, 2007; Hambrick & Mason, 1984). Even though the upper echelons theory emphasizes the importance of top management's characteristics and how they impact strategic decision-making (e.g., Hambrick & Mason, 1984), it is silent on the potential effects on varying institutional conditions. However, top management strategic decisions are not taken in isolation, as the environment plays a significant role in the decision-making behavior of entrepreneurs. Thus, the outcome from this enquiry can help improve scholars' understanding of the appropriate institutional conditions under which entrepreneurs' improvisational behaviors are likely to drive new venture success.

Third, by proposing and verifying the moderating effect of a firm's resource availability on the link between improvisational behavior and new venture success, this paper extends the boundaries of existing entrepreneurship research regarding the role of improvisational behavior in driving firm success (Hmieleski et al., 2013; Hmieleski & Corbett, 2008).

The rest of the paper is organized as follows: First, the theoretical background and hypotheses are considered. Second, the study methods are described. Third, the findings from the analysis are presented. Finally, the theoretical and managerial implications for entrepreneurship are followed by the conclusion.

2. Theoretical background and hypotheses

2.1. Improvisational behavior

Scholarly enquiry into improvisational behavior in the entrepreneurship literature began over a decade ago (e.g., Baker, Miner, & Eesley, 2003; Baker & Nelson, 2005; Hmieleski et al., 2013; Hmieleski & Corbett, 2006; Hmieleski & Corbett, 2008). However, research in large organizations on improvisation is well-established (e.g., Akgun, Lynn, & Reily, 2002; Banin et al., 2016; Eisenhardt & Tabrizi, 1995). Improvisational behavior is defined as the inverse of foresight and planning, which involves impromptu action (Dickson, 1997; Weick, 1998). This suggests that improvisational behavior involves activities with a limited amount of advanced preparation. Improvisational behavior is an 'impromptu action' (Dickson, 1997) that is generally contrasted with rational models of organizational decision-making (Smith & Blundel, 2014). In management, improvisational behavior is considered a commonplace human capability that can be observed in many aspects of life (Kamoche, Cunha, & Cunha, 2002; Miner, Bassof, & Moorman, 2001). For example, impromptu behavior is often connected with creative activities, such as music, theater, therapy or education (Miner et al., 2001). As the term has been utilized in different settings, it can be said that the concept of improvisation has subtle and different meanings depending upon the context.

In the management and entrepreneurship literature, improvisational behavior is generally perceived as the deliberate, spontaneous execution of a novel activity (Hmieleski et al., 2013; Hmieleski & Corbett, 2008; Moorman & Miner, 1998). This paper adopts this definition. Arguably, an individual can improvise at any time. There may be many potential causes for such behavior, for example, the introduction of a problem, an opportunity for which the person has no satisfactory, pre-composed arrangement, or the desire for something new and impulsive.

2.2. Decision-making theory and improvisational behavior

Decision-making theory can be approached from two main perspectives: normative and descriptive (Grant, 2003). The normative approach sees top management or the upper echelon as using rational behavior to make optimal decisions in an organization. According to this view, decision-makers are able to use relevant information to make decisions that affect the organization. As with entrepreneurs, the generation and analysis of information in decision-making is crucial. The entrepreneurial process follows a rational planning progression, which manifests in the time and effort dedicated to gathering market intelligence as a precursor to effective strategy formulation, implementation, and control.

The second perspective, the descriptive school, holds that "actual decisions flow from cognitive limitations, political processes, routines and environmental constraints" (Haley & Stumpf, 1989, p. 477). Essentially, this view places much emphasis on what is happening today and is therefore limited regarding future predictions (Wiltbank, Dew, Read, & Sarasvathy, 2006). Moreover, this view contends that departing from a planned line of action, such as strategies, frequently goes unnoticed in reality (Tversky & Kahneman, 1986). As such, resulting actions derived from the descriptive view are considered heuristic-based (Slovic, Fischhoff, & Lichtenstein, 1977) and impulsive (Quinn, 1980). Based on these perspectives on decision-making, this study argues that entrepreneurial improvisation is a heuristic-based and satisficing form of behavior, set in bounded rationality.

In entrepreneurship, improvisational behavior can be utilized to assess how resources are connected to meet previous objectives in order to find what results are conceivable (Baker et al., 2003). In addition, improvisational behavior may be an effective behavior strategy for managing change, especially in conditions of underdeveloped institutional structures and resource constrained environments, such as those in emerging market settings.

In the following sections, this paper examines the potential moderating effects of financial resource capability and institutional support on the relationship between entrepreneurs' improvisational behavior and new venture performance. The study's conceptual model is presented in Fig. 1 below. The conceptual model shows that the link between improvisational behavior and new venture performance is moderated by levels of financial resource capability. In addition, the proposed model shows that entrepreneurs' perception of stronger

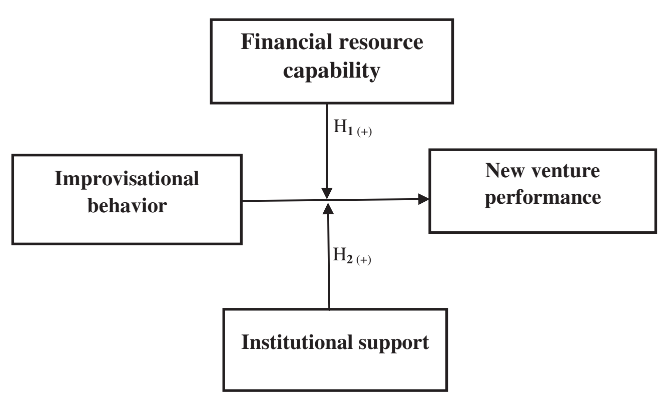

Fig. 1. Conceptual model of the study.