REGULATORY FOCUS AND EXECUTIVES’ INTENTIONS TO COMMIT THEIR FIRMS TO ENTREPRENEURIAL ACTION

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ABSTRACT

Higgins (1997) suggests that strategic actions are influenced by an individual’s regulatory focus, which consists of two distinct strategic orientations: promotion focus and prevention focus. Using survey data from senior executives of 275 telecommunications firms, we find that entrepreneurial intent is positively correlated with both the promotion focus and the prevention focus of the firm and that the positive correlation between promotion focus and entrepreneurial intent becomes even stronger at higher levels of environmental hostility. In contrast, we find that the positive correlation between prevention focus and entrepreneurial intent weakens and eventually reverses at higher levels of environmental hostility.

INTRODUCTION

Regulatory Focus Theory (RFT; Higgins, 1997) suggests that decision making and behavior are largely determined by how individuals allocate their attention. RFT delineates between two orthogonal self-regulatory systems known as promotion focus and prevention focus. At any point in time, both systems exist, yet one system dominates the other because of either situational triggers (Crowe & Higgins, 1997) or a dispositional tendency when strong situational cues are absent (Higgins, Roney, Crowe, & Hymes, 1994). RFT proposes that gain situations, attempts to satisfy nurturance needs, or efforts to live up to a particular ideal, can evoke a promotion-focused state of eagerness, which is a strategic orientation that is focused on maximizing returns by ensuring hits and the avoidance of missed opportunities (Crowe & Higgins, 1997). Consequently, individuals experiencing eagerness exhibit greater openness to behaviors that are often associated with entrepreneurship, such as innovation and creativity (Forster, Friedman, & Liberman, 2004; Schumpeter, 1934). In contrast, RFT proposes that loss situations, attempts to fulfill security needs, or efforts to meet certain duties and obligations, can evoke a prevention-focused state of vigilance, which is a strategic orientation that is focused on minimizing risk by ensuring correct rejections and the avoidance of false alarms (Crowe & Higgins, 1997). Consequently, individuals experiencing vigilance tend to become more conservative and less open to innovative or creative behavior.

Organizations, like individuals, are also capable of exhibiting regulatory focus. For instance, Brockner and Higgins (2001:60) note, “To the extent that (attempting to realize) the idealistic vision of the founder has become part of the company’s culture, organization members are likely to adopt a promotion focus.” Brockner and Higgins (2001) attribute this process of adoption to a promotion-focused state of eagerness that is elicited from employees as they try to help the company reach its goals. This implies that structural distribution of attention within a firm can be heavily promotion-focused and/or prevention-focused, depending on the initiatives in which the firm is currently engaged.

Despite the fact that managers must assess the regulatory focus of their firms when evaluating internal and external environments, interpretive studies of strategic decision making (e.g., Jackson & Dutton, 1988) have tended to emphasize the effect of the external environment – in terms of opportunities or threats – on both decision making and organizational action while relatively neglecting similar examination of the internal environment. This emphasis on regulatory reference points (i.e., opportunities or threats) without concomitant consideration of the decision maker’s state of regulatory focus led Higgins (1997) to suggest that some organizational psychological studies may suffer from over-
application of the hedonic principle which posits that people are motivated to approach pleasure and to avoid pain. He adds, “It’s time for the study of motivation to move beyond the simple assertion of the hedonic principle that people approach pleasure and avoid pain. It’s time to examine how people approach pleasure and avoid pain in substantially different strategic ways that have major consequences” (Higgins, 1997: 1280).

Using survey data from senior executives of 275 telecommunications firms, we examine the relationship between the firm’s regulatory focus and its entrepreneurial intent and whether this relationship depends on the external environment. Recently, a number of studies have begun to examine the implications of regulatory focus on the entrepreneurial process (e.g., Baron, 2004; Brockner, Higgins, and Low, 2004) suggesting the possible existence of an especially strong link between promotion focus and intentions to engage in entrepreneurial action (McMullen & Shepherd, 2006). Consistent with RFT, we create a measure that delineates the firm’s regulatory focus in terms of promotion focus and prevention focus and hypothesize that executives will exhibit more entrepreneurial intent when they believe that their firms are high in promotion focus. Conversely, we expect that firms high in prevention focus will exhibit less entrepreneurial intent and that both of the hypothesized main effects will depend on interpretations of the external environment.

This study seeks to contribute to the literature (1) by introducing a socio-cognitive explanation of how a firm’s initiatives influence the entrepreneurial intent of its senior executives, (2) by developing a measure of these executives’ interpretations of the regulatory focus of their firms, and (3) by examining whether the promotion focus or prevention focus of the firm is correlated with executives’ willingness to commit their firms to entrepreneurial action.

THEORETICAL PERSPECTIVE AND HYPOTHESES DEVELOPMENT

Whether conceptualized as character (Selznik, 1957), posture (Covin & Slevin, 1991), or a theory of business (Drucker, 1994), firms develop a strategic orientation that shapes their decisions and actions. As executives attempt to navigate their firms through ambiguous external environments, the “adaptive decisions made today tend to harden and become aspects of tomorrow’s structure” (Miles & Snow, 1978:28). Yet, the literature remains relatively silent regarding why different strategic orientations emerge and why they exhibit a preference for either improving current activities or developing new ones (Gifford, 1998; Dosi, 1988).

Recently, scholars (e.g. Occasion, 1997) have argued that a firm’s actions depend on its focus of attention, situated attention, and structural distribution. This attention based view (ABV) of the firm suggests that what decision makers do depends on the issues and answers they focus their attention on. In turn, this focus and action depends on the particular context or situation in which they find themselves. Finally, this context or decision depends on how the firm’s rules, resources, and social relationships regulate and control the distribution and allocation of issues, answers, and decision makers into specific activities, communications, and procedures. Thus, how firms channel attention is likely to encourage a systemic bias regarding which environmental stimuli are noticed, attended, interpreted, and acted on.

Regulatory focus theory is a theory of self-regulation that may be capable of explaining why this systemic bias arises. RFT posits that, at any given point in time, people may engage in self-regulation with a promotion focus or a prevention focus (Brockner, Higgins, & Low, 2004). Promotion-focused and prevention-focused self-regulation differ along three dimensions: the underlying motives that people are trying to satisfy, the nature of the goals or standards that they are trying to attain, and the types of outcomes that are salient to people (Brockner et al., 2004).

Research on the existence of these two distinct strategic orientations has taken two approaches. The first conceptualizes regulatory focus as a personality variable, arguing that people have a chronic
predisposition toward either promotion focus or prevention focus. Typically, these studies identify individuals who are predominantly promotion-focused from those who are predominantly prevention-focused. Experiments are then conducted to examine the differences between these groups according to a number of dependent variables. Empirical evidence suggests that, compared to prevention-focused individuals, promotion-focused individuals are more likely to focus on nurturance needs rather than security needs (Higgins et al., 1994), hopes and aspirations rather than duties and responsibilities (Higgins et al., 1994), and gains rather than losses (Shah, Higgins, & Friedman, 1998). Individuals with strong promotion focus have also been shown to be more proactive and open to future possibilities (Forster, Higgins, & Taylor, 2003).

The second research approach views regulatory focus as a situational variable, positing that situational characteristics can evoke one focus or another temporarily through priming or framing. For instance, thoughts about duties and obligations induce a temporary state of prevention focus, whereas thoughts about ideals and aspirations induce a temporary state of promotion focus. Evidence from experimental research suggests that prevention focus evokes a state of vigilance that seeks to avoid mistakes (Crowe & Higgins, 1997), whereas situational promotion focus encourages a state of eagerness, which is open to the conception, creation, and/or invention of new possibilities (Liberman, Idson, Camacho, & Higgins, 1999; Friedman & Forster, 2001).

The situational and chronic approaches used in RFT research have significant implications for firms. Whereas chronic regulatory focus centers on the selection and retention of certain types of employees, situational focus addresses a temporary state that can be evoked through interaction with others or firm goals (Brockner et al., 2004:13). Given the uncertain nature of work environments, managers as “makers of meaning” may influence other firm members’ regulatory focus through the use of language and symbols (Brockner & Higgins, 2001). Thus, the more promotion-focused managers are, the more likely their subordinates will follow suit (Wu, McMullen, Neubert, & Yi, 2006).

Though senior executives have considerable influence in establishing the goals and initiatives of the firm, the concept of self-regulation also limits what leaders believe the system can (cannot) achieve. This suggests that executives’ interpretations of their firms’ regulatory focus should influence the types of actions they choose for their companies. The salience of certain firm ideals, standards, and needs should communicate the intensity of the promotion or prevention focus that executives believe their firms are experiencing. In turn, this belief influences the interpretations of the appropriate environmental conditions. These interpretations facilitate or suppress the type of action to which an executive is willing to commit the firm, thereby influencing the firm’s entrepreneurial intent – defined as a senior executive’s intention to commit the firm to entrepreneurial action. If a promotion focus dominates a firm, then the firm will exhibit a preference for entrepreneurial actions, such as trying to enter new markets, reach new customer groups, create new products, or implement new work systems. The reverse is also true. When a prevention focus dominates a firm, then the focus will be on minimizing strategic errors that can undermine firms’ survival or competitive position. These observations suggest the following hypotheses:

Hypothesis 1: The greater the firm’s promotion focus, the greater the senior executive’s intention to commit the firm to entrepreneurial action.

Hypothesis 2: The greater the firm’s prevention focus, the lesser the senior executive’s intention to commit the firm to entrepreneurial action.

External Environment, Regulatory Focus, and Firm Action

The environment can evoke promotion and prevention focus. To date, however, most self-regulation research has investigated desired end-states (gain scenarios). This disproportionate focus reflects the inherent difficulty of studying self-regulation in reference to negative outcomes (Carver & Scheier, 1998). With positive outcomes, the actor approaches one particular goal, while negative outcomes conceptualize
the action as avoiding one particular outcome by moving away from it and toward another. This motion away from and toward particular environmental stimuli addresses regulatory reference, which is independent of regulatory focus. Whereas regulatory focus distinguishes between approach and avoidance more in terms of the allocation of attention to either the return sought or the risk born, regulatory reference views “approach versus avoidance” in terms of movement in relation to given reference points. Therefore, it distinguishes between the approach regulation in reference to desired end-states (discrepancy-reducing) and avoidance regulation in reference to undesired end-states (discrepancy-amplifying) (Higgins, 1997:1296).

Like regulatory focus, regulatory reference is a systems concept that was examined first in cognitive psychology at the individual level before being applied to firm-level phenomena. Higgins (1997) proposes that regulatory reference research remains incomplete because of a failure to recognize that people approach pleasure and avoid pain in “substantially different strategic ways that have major consequences” (1280) and offers RFT as a means of filling this void.

RFT argues that desired end-states (e.g., gains or opportunities) or undesired end-states (e.g., losses or threats) should not be considered the exclusive predictors of firm action. Instead, firm action should be influenced by executives’ interpretations of both the external and internal environments. This view reinforces classic strategy writers (Ansoff, 1965; Andrews, 1987) who suggest that managers should consider the opportunities and threats posed by the external environment along with the firm’s strengths or weaknesses that enable opportunity exploitation or mitigate perceived threats. Accordingly, the configural effect of regulatory focus and various environmental conditions should impact firms’ intentions to engage in entrepreneurial action. For example, the threat rigidity hypothesis posits that systems will restrict information processing, tighten control, and conserve resources when confronting a threat (Staw, Sandelands, & Dutton, 1981). This should lead a firm to revert to dominant behavioral responses to perceived intense environmental hostility. For a firm that is high in prevention focus, perceived high environmental hostility should strengthen its preference for entrepreneurial action. Therefore, we offer the following hypothesis:

Hypothesis 3: The greater a firm’s prevention focus, the lesser the senior executive’s intention to engage in entrepreneurial action. This negative relationship will be even stronger at higher levels of environmental hostility.

We also expect environmental hostility to strengthen the relationship between promotion focus and the intention to engage in entrepreneurial action. It may seem counterintuitive for a threat to encourage entrepreneurial intent, given the restriction in information processing, tightening in control, and conservation of resources that is expected to occur. However, if entrepreneurial action is the modus operandi of the firm facing the threat, then continuing to respond in this way would be less demanding cognitively and behaviorally than significantly shifting to an alternative approach. Thus, executives who are experiencing a promotion-focused state of eagerness are inclined to persist, push the envelope, and explore new frontiers. Thus, we offer the following hypothesis:

Hypothesis 4: The greater a firm’s promotion focus, the greater the senior executive’s intention to engage in entrepreneurial action. This positive relationship will be even stronger at higher levels of environmental hostility.

METHODS
Data Collection

A population of 10,539 high-technology firms located in the Rocky Mountain and Southwestern states was identified from the *Rocky Mountain High-Technology Directory* (covering 5,435 firms in AZ, CO, MT, NV, NM, UT, and WY) and the *Texas High-Technology Directory* (covering 5,104 firms in TX), both of which were published by Leading Edge Communications, Inc. From this population, four industries within the Computer and Electronic Manufacturing subsector (NAICS 334) were selected and targeted in their entirety for a total sample of 2215 firms. The industries studied consisted of the four largest high-technology industries within the subsector: (1) 33411 Computer and Peripheral Equipment Manufacturing – 456 firms, (2) 33422 Radio and Television Broadcasting and Wireless Communications Equipment Manufacturing – 244 firms, (3) 33431 Semiconductor and Other Electronic Component Manufacturing – 742 firms, and (4) 33451 Navigational, Measuring, Electromedical, and Control Instruments Manufacturing – 774 firms. The subsector sampled was created by the NAICS in 1997 “because of the economic significance these industries have obtained” and “because their rapid growth suggests that the products of these industries will become even more important to the economies of the North American countries.” (U.S. Census Bureau, 1998) Thus, constraints on generalizability were greatly mitigated by these industries’ importance for U.S. global competitiveness, job creation, and innovativeness (Datar, Jordan, Kikre, Rajiv, & Srinivasan, 1997).

The most senior executive of each of the 2,215 firms was surveyed by mail. Of the questionnaires mailed, 180 were returned as undeliverable, reducing the potential sample to 2,035. Forty-one questionnaires were returned unanswered because of addressee retirement (n=9), death (n=7), voluntary departure (n=6), prohibitive company policy (n=3), and similar reasons. Two mailings yielded 289 completed questionnaires (a 16.2 percent response rate). This rate compared favorably with those reported in past surveys (e.g., Chandler & Hanks, 1993; McDougall, Covin, Robinson, & Herron, 1994). Respondents included presidents (n=172, 60.1%), CEOs (n=33, 11.5%), general managers (n=28, 9.8%), senior vice presidents and directors (n=28, 9.8%), and owners and founders (n=25, 8.7%). We tested for response bias by examining the differences between respondents to the first and second mailings. The $\chi^2$ tests revealed no significant differences ($p>.05$) between the two groups in the survey variables and demographic variables, including age, ownership (public or private), autonomy (independent or subsidiary), location, number of employees, position, and industry types.

Data were gathered from a single respondent representing firms’ most senior executives. Though it would have been more advantageous to have responses from multiple informers, researchers have found a great deal of correspondence in the opinions of executives within firm management teams (Zahra & Bogner, 2000) and between the responses from a senior respondent in these firms and secondary data (Zahra & Bogner, 2000).

Dependent Variable

Entrepreneurial Intent. Using a 5-point scale (0=no, 1=very small to 4=very large), we asked respondents to indicate whether and to what extent they intended to commit their firms to entrepreneurial action. Entrepreneurial action included such behavioral properties as risk taking, experimentation, flexibility, and innovation (Lumpkin & Dess, 1996). Accordingly, items from existing scales inspired the original eleven-item measure constructed for this study. To reduce bias, we included two reverse-scored items on restructuring and downsizing, which are considered to be inconsistent with entrepreneurial action. Finally, we focused upon the intentional, rather than the behavioral, component of action, defined as intentional behavior (Bird, 1988; Krueger, 2000). This allowed for the use of a cross-sectional design, assuming that current intentions will become tomorrow’s behaviors. Prior studies have shown that strongly held intentions are highly correlated with subsequent behavior (Kim & Hunter, 1993). Items captured a senior executive’s intention to engage in entrepreneurial action over the next 12 months, a period short enough to prevent the confusion of specific intentions with general expectations and long
enough to prevent intentions for future behavior from becoming confounded with current actions. A list of all items is available from the authors.

Independent Variables

Firm Promotion Focus. We developed a 10-item measure that captured a firm’s promotion focus. Using a seven-point scale (7 = to a great extent, 1 = not at all), respondents indicated the extent to which their firms were characterized by elements of promotion focus, such as nurturance needs, strong ideals, and gain/non-gain situations. For description of the exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) procedures conducted on the measure, see below.

Firm Prevention Focus. We developed a 6-item measure that captured a firm’s prevention focus. Items followed a seven-point scale (7 = to a great extent, 1 = not at all), and respondents indicated the extent to which their firms were currently characterized by elements of prevention focus, such as security needs, strong oughts, and non-loss/loss situations. See below for EFA and CFA procedures.

Environmental Hostility. To gain a better understanding of how senior executives perceived their firm’s external environment, we used the 4-item measure (α = .51) developed by Dess and Beard (1984).

Control Variables

Analyses controlled for three variables. The first was size. The degree of change that firms could undertake is often restricted by the inertia that pervades many larger firms (Lant & Mezias, 1992). Therefore, compared to executives from smaller firms, executives from larger firms are likely to be more constrained by interpretations of their internal environment even when interpretations of the external environment suggest that firm adaptation through entrepreneurial action would be beneficial. Accordingly, the analyses controlled for firm size using the natural logarithm of a firm’s full-time employees or full-time equivalents (Zahra, Ireland, & Hitt, 2000) as obtained from the Leading Edge High-Technology Directories (2002).

The second control variable was executives’ chronic regulatory focus, which helped to safeguard against executives’ reports of firm practices from being colored by their personal outlook. This was necessary also because chronic regulatory focus is an enduring individual level measure, unlike executives’ interpretations of their environments which are often situational in nature. Therefore, we employed the regulatory focus questionnaire (RFQ) (Higgins, Friedman, Harlow, Idson, Ayduk, & Taylor, 2001). By capturing and controlling for chronic regulatory focus, we sought to reduce the potential bias associated with the informants’ chronic personal disposition from their temporary assessments of the internal and external environments. The RFQ is an 11-item measure. See EFA and CFA procedures below.

The third and final control variable was industry type, which was measured at the five-digit NAICS code level. We collected information for this variable from secondary databases (Leading Edge and Dunn & Bradstreet). Three industry variables were created using dummy codes to control for industry effects.

Exploratory and Confirmatory Factor Analysis

Exploratory factor analysis (EFA) was conducted to establish the unidimensionality on original measures – entrepreneurial intent, firm promotion focus, and firm prevention focus. When multiple factors emerged, maximum likelihood and a Promax oblique rotation with Kaiser Normalization were employed. Items were then segregated based upon the pattern matrix and factor loading plots. Next, Cronbach’s coefficient alpha and a mean inter-item correlation were calculated for each scale. Multiple factor models (identified by EFA) were then compared to a single factor model using confirmatory factor analysis (CFA) to determine which model fit the data better. The factor loading plots (from the reliability
analysis) and respecification of the two-factor model (identifying the covariance as equal to one) were then reviewed to determine whether multiple factors were dimensions of a shared underlying construct. If so, the average of the items was calculated and used as a single construct. Further analysis indicated that where multiple factors were present for Entrepreneurial Intent ($\chi^2/df=5.04$; NFI=0.957; TLI=0.948; RMSEA=0.114), Firm Promotion Focus ($\chi^2/df=2.597$; NFI=0.989; TLI=0.989; RMSEA=0.072), and Firm Prevention Focus ($\chi^2/df=5.36$; NFI=0.987; TLI=0.973; RMSEA=0.119), the dimensions appeared to belong to the same underlying construct. CFA was conducted on the 11-item RFQ measure (from Higgins et al. 2001) which consists of six items designed to assess chronic promotion focus and five items to assess chronic prevention focus ($\chi^2/df=1.615$; NFI=0.998; TLI=0.997; RMSEA=0.045).

**ANALYSIS AND RESULTS**

The inter-correlation matrix is available from the authors. Table 1 presents the results of the regression analysis. First, an omnibus test was conducted to determine whether the independent variables as a set (Firm Promotion Focus, Firm Prevention Focus, and Environmental Hostility) provided significant improvement in explaining Entrepreneurial Intent over and above the control variables. Results indicated that the augmented model (base model plus independent variables) ($R^2=.329$; $F^*(10,265)=14.41; p<.0001$) was indeed a significant improvement ($R^2=.275$; $F^*(3,265)=33.5$) over the compact (control variables only) model ($R^2=.074$; $F^*(7,268)=3.57; p=.0002$). Finally, the model including interactions between interpretations of the external and internal environments ($R^2=.350$; $F^*(12,263)=12.86; p<.0001$) also provided a significant improvement ($R^2=.031$; $F^*(2,263)=4.273$) in explaining Entrepreneurial Intent over and above the main-effects-only model.

Single degree of freedom tests were performed for each of the hypothesized main effects between interpretations of the internal environment and the intention to commit the firm to entrepreneurial action. Analyses revealed a significant positive relationship between Firm Promotion Focus and Entrepreneurial Intent ($R^2=.179$; $F^*(1,263)=57.456; p<.0001$) such that for every unit increase in Promotion Focus above the average Entrepreneurial Intent increased .17 units. These results supported hypothesis 1. A single degree of freedom test also showed a significant positive relationship between Firm Prevention Focus and Entrepreneurial Intent ($R^2=.043$; $F^*(1,263)=11.90; p=.0006$) such that, for every unit increase in Prevention Focus above the average, Entrepreneurial Intent increased .06 units. This significant relationship was in the opposite direction as that predicted by hypothesis 2.

Single degree of freedom tests also examined the perceived external environment’s influence upon the relationships just discussed above. These tests revealed that the unexpected positive relationship between Firm Prevention Focus and Entrepreneurial Intent diminished and eventually reversed as Perceived Environmental Hostility increased ($R^2=.033; F^*(1,263)=8.880; p=.0032$). Thus, hypothesis 3 was supported. Finally, a single degree of freedom test showed that the positive relationship between Firm Promotion Focus and Entrepreneurial Intent became even stronger at higher levels of Perceived Environmental Hostility ($R^2=.015; F^*(1,263)=4.040; p=.0455$) such that a unit increase in Firm Promotion Focus above the average increased Entrepreneurial Intent by an additional .0506 units for each unit that Environmental Hostility exceeded the average. Thus, hypothesis 4 was supported. Figures 1 and 2 graphically display these interactions.

**DISCUSSION**

In this study, we examined whether senior executive’s interpretations of the firm’s regulatory focus (promotion and prevention) explained their intention to commit the firm to entrepreneurial action, beyond what might be accounted for by external environment or personal disposition. Although external environment and personal disposition are essential to understanding whether action will be entrepreneurial, Higgins (1997) argued that people also experience temporary mental states (promotion and prevention mindsets) that should no longer be ignored in the decision-making process. He added that, despite a growing body of regulatory focus research, most examinations of the moderating effects of
promotion and prevention focus have studied desired end-states (i.e., gains or opportunities) while neglecting the role these foci play in determining responses to undesired end-states (i.e., losses or threats). We sought to extend regulatory focus research to the examination of the firm’s actions, arguing that it influences these actions through executive interpretations in the same way that strategic issue diagnosis researchers (e.g., Jackson & Dutton, 1988) envision the external environment influencing firm behavior. Moreover, we chose to examine this process within a market sector that was confronting considerable environmental hostility, thereby allowing insight into the relatively neglected examination of regulatory focus in reference to undesired end-states.

We predicted not only that entrepreneurial intent would increase with the firm’s promotion focus and decrease with the firm’s prevention focus but also that these relationships would become even stronger as the threat of environmental hostility increased. As predicted, we found that entrepreneurial intent was associated with firm promotion focus and that this relationship was indeed strengthened in increasingly hostile environments. But contrary to expectations, we found that firm prevention focus was positively associated with entrepreneurial intent. This unexpected relationship, however, was environmentally dependent such that it weakened within increasingly hostile environments and eventually reversed to conform to the direction communicated in the main effect hypothesis.

Our study extends past work on strategic action in several ways. By finding that interpretations of the firm’s regulatory focus are associated with executives’ willingness to commit their firms to entrepreneurial action, we provide evidence that strategic action is more than a matter of strategic issue diagnosis or personality differences. Controlling for those factors suggests that senior executives also assess the focus of their firms and what types of action are consistent with that focus. However, this interpretation does not appear to play a discriminating role in whether firms will commit to entrepreneurial action until the executive begins to perceive high levels of environmental hostility. As the perceived threats of environmental hostility increase, entrepreneurial intent diverges considerably depending upon how the executives interpret their firm’s regulatory focus. As the promotion focus of the firm increases, executives tend to respond to environmental hostility by increasing their willingness to commit the firm to entrepreneurial action. Thus, hostility is confronted using entrepreneurial action. In contrast, as the prevention focus of the firm increases, executives tend to respond to environmental hostility by gradually turning away from entrepreneurial action and eventually abandoning it entirely.

Without considering the configural effects of regulatory focus, this weakening effect would have been lost. Instead, this research would have concluded that there was a positive relationship between increases in perceived environmental hostility and entrepreneurial intent for all firms in the sample. Thus, we provide empirical support for Higgins’ (1997) contention that regulatory focus and the hedonic principle must be separated when studying threat versus opportunity because there are significant independent effects of regulatory focus on decision makers’ information processing and decision making that are lost when the hedonic principle is overapplied (1292). Our findings echo and edify his contention that it is time for greater nuance in scholarly conception of opportunity and threat. Even within the various threats that comprise the measure of perceived environmental hostility, it seems important to distinguish between the threat of nonfulfillment (promotion threat) and the threat of committing mistakes (prevention threat). Only with such distinctions does it become “possible to examine threat versus opportunity effects independent of the hedonic principle” (Higgins, 1997:1292).

Limitations

Though consistent with past practice in this area of research, our study’s contributions should be interpreted with caution given that we collected data at one point in time and used a single respondent. Further, while the sample represents its population, the results may not apply to other high technology sectors or low technology industry groups.

Implications for Research and Practice

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This study supports the importance of RFT as a framework for explaining firm focus on entrepreneurial action. A natural extension of our findings is to test the robustness of the results using other samples drawn from low and high technology industries both in the U.S. and other countries. Such future analyses would help establish the generalizability of our results. Another important avenue for research is to establish the contingent nature of our results under other environmental conditions. If executives’ interpretations of their firms’ external environments matter as ours as well as prior research suggest, then the moderating effects of various environmental conditions deserve a closer examination. Researchers might examine the moderating effects of environmental complexity and dynamism on the relationships between regulatory focus and executives’ intentions to commit their firms to entrepreneurial action. Finally, gaining an understanding of these contingent relationships can provide a more accurate and informative picture of how and when regulatory focus influences firm actions.

Our findings also have managerial implications. For example, by understanding that a firm’s initiatives are likely to evoke promotion-focused or prevention-focused states that influence which environmental stimuli are noticed, attended, interpreted, and acted on, senior executives not only become more aware of their own decision making biases, but also gain insight into how firm initiatives might be used to stimulate a bias for or against entrepreneurial action among their employees. That is, experiments have established that regulatory focus can be intentionally manipulated. Therefore, if senior executives scan the internal and external environments and decide that more entrepreneurial action is necessary to stave off the stagnation that often accompanies an emphasis on exploitation (March, 1991), then they may wish to emphasize ideals and nurturance needs instead of obligations and security needs in an effort to evoke a promotion-focused state of eagerness from employees. This can be somewhat counterintuitive in hostile environments where the desire to “circle the wagons” in response to a threat often emerges. However, such a response only serves to trigger prevention focus and exacerbate the tendency toward stagnation. Thus, by understanding how the environment influences thought, executives may learn not only to cope with hostile environments more effectively but also to use the internal environment as a means of psychologically manipulating the behavioral preferences of employees to generate competitive advantage.

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REFERENCES


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*** p<.01; ** p<.05
Figure 1. Entrepreneurial Intent by Firm Promotion Focus by Environmental Hostility

McMullen and Zahra: CORRELATION BETWEEN REGULATORY FOCUS AND EXECUTIVES’ INTENTIONS

Frontiers of Entrepreneurship Research 2006
Figure 2. Entrepreneurial Intent by Firm Prevention Focus by Environmental Hostility