PREDICTING ORGANIZATIONAL PERFORMANCE AS A RESULT OF CEOs’ ACTIONS THAT BUILD ENTREPRENEURIAL CULTURE (INTERACTIVE PAPER)

Ayman El Tarabishy
The George Washington University, USA, ayman@gwu.edu

Marshall Sashkin
The George Washington University, USA

George T. Solomon
The George Washington University, USA

Recommended Citation
Tarabishy, Ayman El; Sashkin, Marshall; and Solomon, George T. (2008) "PREDICTING ORGANIZATIONAL PERFORMANCE AS A RESULT OF CEOs’ ACTIONS THAT BUILD ENTREPRENEURIAL CULTURE (INTERACTIVE PAPER)," Frontiers of Entrepreneurship Research: Vol. 28: Iss. 19, Article 20.
Available at: http://digitalknowledge.babson.edu/fer/vol28/iss19/20

This Interactive Paper is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized administrator of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.
INTERACTIVE PAPER

PREDICTING ORGANIZATIONAL PERFORMANCE AS A RESULT OF CEOs' ACTIONS THAT BUILD ENTREPRENEURIAL CULTURE

Ayman El Tarabishy, The George Washington University, USA
Marshall Sashkin, The George Washington University, USA
George T. Solomon, The George Washington University, USA

Principal Topic

It is generally accepted that leadership and particularly top-level leadership is related to organizational performance outcomes (e.g., see Yukl, 2004; Smith, Carson & Alexander, 1984). Sashkin and Tarabishy (2007) found that for a selective sample of relatively young, relatively small, entrepreneurial organizations all in the same high-technology industry, leadership scores assessed by leaders’ direct reports using The Leadership Profile (Sashkin & Rosenbach, 1998) predicted organizational performance a year later, with 85% of the correlations significant and above .50. These organizations’ entrepreneurial orientation or EO (Miller & Frensen, 1983; Covin & Slevin, 1989) was also strongly and significantly predictive of the same performance measures. Because a specific measure of the CEO leader’s culture-building activity was available in the Sashkin and Tarabishy data set, we were able to conduct a mediating analysis (Baron & Kenny, 1986) to test the hypothesis that the effects of the leader’s culture-building behavior on performance are mediated by organizations’ EO. Exploration of this issue is the central focus of the present paper.

Method

A purposive sample was developed to ensure comparability among the organizations. All were relatively small (five to 50 employees), relatively new (average age five years), and were information technology firms based in a single metropolitan area. A total of 93 ventures were contacted. Of these a final sample of 31 participated in all phases of the research, which consisted of two data collections one year apart. Leadership and EO were assessed in 2005 and a set of performance measures were obtained one year later.

Results and Implications

Our results demonstrate consistent and significant mediating effects, such that the effect of leaders’ culture-building actions are mediated onto a variety of performance outcomes through the indirect effects of the entrepreneurial culture constructed by means of those leadership actions, as assessed by EO.

The central aim of the present study was to test the hypothesis that an organization’s EO (entrepreneurial orientation) mediates the effects of the CEO’s culture-building actions on organizational performance outcomes. Our results showed strong support for this hypothesis, with aspects of EO (risk-taking and innovation) mediating the effects of CEO’s culture-building actions on a wide range of performance measures. Thus, organizational performance is not simply affected by leader behavior but is the result of the culture (EO) constructed by the leader’s actions.

CONTACT: Ayman El Tarabishy; ayman@gwu.edu; (T): 202-468-3133; Department of Management, School of Business, The George Washington University, Washington, DC 20052.