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ENTREPRENEURIAL ORIENTATION: A MANIFESTATION OF AN ENTREPRENEUR'S INTERNAL PSYCHOLOGICAL RESOURCES (INTERACTIVE PAPER)

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≈ INTERACTIVE PAPER ≈

**ENTREPRENEURIAL ORIENTATION: A MANIFESTATION OF AN
ENTREPRENEUR'S INTERNAL PSYCHOLOGICAL RESOURCES**

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Principal Topic

Upper echelons theory has made considerable progress in investigating the impact of executive and top management team characteristics upon organizational-level outcomes, including firm performance. However, much of this work has been based in demographic, functional background, experience, affiliation, and tenure data from executives, rather than on the underlying psychological and social characteristics that drive executive behavior. This has led to a tenuous understanding of how executive psychological processes are converted into strategic choices and, ultimately, firm performance. This study addresses a gap in the literature by drawing upon positive psychology theory and investigating the relationship between a higher-order psychological construct – psychological capital (PsyCap) – and firm performance. We propose that entrepreneurs who are high in self-efficacy, hope, resilience, and optimism (the components of PsyCap) will be more likely to develop an entrepreneurial orientation within their respective firms. We theorize that EO partially mediates the relationship between PsyCap and firm performance. Further, we posit that the direct relationship between PsyCap and firm performance will be stronger under conditions of low resource munificence, where the internal psychological resources of the entrepreneur will provide a competitive advantage over one's peers.

Method

Survey data was collected at two points in time from 145 entrepreneurs with businesses located largely in the Mid-West. The measures used in this study have been previously established and validated. Our hypotheses were tested using hierarchical linear regression.

Results and Implications

Results are supportive of all the study's hypotheses, revealing a significant, positive effect of PsyCap on firm performance that is partially mediated by entrepreneurial orientation. Additionally, we found that the positive relationship between PsyCap and firm performance is negatively moderated by environmental munificence. This study is one of the first to examine the underlying psychological characteristics of top executives, in the form of PsyCap, as a driver of performance. Further, we illuminate one mechanism by which PsyCap influences performance, through its positive influence on EO.

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