ENTREPRENEURIAL ORIENTATION, FIRM PERFORMANCE, AND CEO POWER: EVIDENCE FROM INDIA (INTERACTIVE PAPER)

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Entrepreneurial orientation (EO) refers to the corporate tendencies that enable a firm to adopt an entrepreneurial posture toward new business opportunities (Lumpkin & Dess, 1996). EO is defined as “the simultaneous exhibition of innovativeness, proactiveness, and risk taking” (Stam & Elfring, 2008: 98). As knowledge in the area of EO has expanded, increased attention is being paid to the contextual factors that may change the degree or nature of the EO-performance connection. From an upper echelons perspective, top management’s characteristics play a major role in converting EO into superior performance (Covin & Slevin, 1991). We examine whether the effect of EO on firm performance is contingent upon the power vested in the chief executive. Therefore, the present study is located at the intersection of entrepreneurship and upper echelon (Engelen, Gupta, Strenger, & Brettel, 2013), a fertile area of inquiry that has begun to attract the attention of researchers and scholars (Ling, Simsek, & Lubatkin, 2008; Simsek, Heavey, & Veiga, 2010).

Method

Data for testing the predictions developed in the research reported here were collected from large, publicly traded Indian firms. Despite being one of the world’s most rapidly emerging major economies, EO in India remains under-researched, which raises important questions as to the generalizability of entrepreneurship theories and the constructs underlying those theories.

We used content analyses to measure EO through a computer-aided text analysis (CATA) approach based on work from Short, Broberg, Cogliser, and Brigham (2010), who derive and test lists of words (“dictionaries”) that indicate “innovativeness,” “proactiveness,” and “risk taking”. CEO Power is a multifaceted construct (Adams, Almeida, & Ferreira, 2005), and so four indicators were used to create a measure of CEO Power. Firm performance is measured using financial data reported annually by the firm using two indicators: Return on Assets (ROA) and Return on Sales (ROS).

Results

The results of the present study shed light on the role of CEO Power in shaping the EO – performance relationship. Testing the relationship in an Indian context speaks to the generalizability of the EO framework. We believe these findings have some important implications for the literature on EO, upper echelons theory, and powerful CEOs.

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