WHEN THE GOING GETS TOUGH, THE TOUGH GET GOING ENTREPRENEURIALLY: THE RELATIONSHIP BETWEEN ENVIRONMENTAL HOSTILITY, ENTREPRENEURIAL ORIENTATION, ENTREPRENEURIAL SELF-EFFICACY AND FIRM PERFORMANCE (SUMMARY)

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When the Going Gets Tough, the Tough Get Going Entrepreneurially: The Relationship Between Environmental Hostility, Entrepreneurial Orientation, Entrepreneurial Self-Efficacy and Firm Performance

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Principal Topic

Given the dire current economic conditions, what enables certain firms to effectively navigate through powerful economic headwinds and remain successful? Is a high entrepreneurial orientation of the firm enough to overcome economic challenges or are successful firms led by self-efficacious leaders who “will” their respective organizations through times of great environmental hostility? In this paper we argue that orientation (EO) and entrepreneurial self-efficacy (ESE) are both important contributors to performance. Indeed, we demonstrate that an entrepreneur’s level of self-efficacy is important, but insufficient, by itself, to overcome the challenges of an economic recession. Rather, we predict and show that ESE serves as a mediator which changes the EO-performance relationship. We theorize that although entrepreneurs are important, it is not their level of self-efficacy that helps firms to respond to environmental hostility. Rather, it is the ability of self-efficacious entrepreneurs to channel the entrepreneurial orientation of their firms that allows their organizations to perform in the face of environmental turbulence.

Method

We test our hypotheses in the context of the current economic downturn using three waves of survey data collected from 243 firms. Perceived environmental hostility data was collected during the first and third waves (May 2009 and May 2010, respectively). Subjective financial performance data was collected during wave three. EO and ESE data were collected via the second (October 2009) and third waves of surveys, respectively. Multiple regression techniques were used to test our hypothesized relationships.

Results and Implications

The results of our study indicate that EO and ESE are both positively associated with firm performance. The results also suggest that the EO-performance relationship is moderated by the environment. Specifically, we demonstrate that EO’s impact on performance is more positive when environmental hostility is higher. While we predicted a similar relationship to exist between ESE and performance, our data analysis failed to support this prediction. However, we were able to demonstrate that ESE mediates the EO-performance relationship.

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