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HOW TO FOSTER EFFECTUATION IN THE CORPORATE CONTEXT? LEADERSHIP AS ANTECEDENT OF CORPORATE EFFECTUATION (SUMMARY)

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≈ SUMMARY ≈

HOW TO FOSTER EFFECTUATION IN THE CORPORATE CONTEXT? LEADERSHIP AS ANTECEDENT OF CORPORATE EFFECTUATION

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Principal Topic

Effectuation (Sarasvathy 2001) is primarily studied in the new venture context, but research also argued for its application in the corporate context (Wiltbank et al. 2006) and first empirical studies have identified positive performance consequences of effectuation there (Brettel et al. 2012; Berends et al. 2014). However, corporate governance is per se prediction-oriented, and entrepreneurial action does not come naturally to these structures. This creates a valid interest in the antecedents of effectuation in the corporate context. According to upper echelons theory, top managers exert influence on employees and thus shape corporate behavior (Hambrick & Mason 1984). In this paper we investigate the influence of top management leadership styles on effectual behavior in the corporate context.

Method

Using an empirical survey we acquired data from 375 top managers of established firms across all industries in Germany. Our independent variables are transformational-, transactional- (MacKenzie et al. 2001), and entrepreneurial leadership (Renko et al. 2014). As dependent variable we use effectuation orientation, a recently developed construct from Werhahn et al. (forthcoming) who conceptualized effectuation as a firm orientation that leads to effectual employee behavior. We control for instrumental leadership (Antonakis & House 2014), firm age, firm size, firm type (production or service) and differentiation focus. We treat effectuation as a multi-dimensional construct (Chandler et al. 2011). To test our hypotheses we use regression analysis.

Results and Implications

We find a positive influence of transformational leadership on all sub-dimensions of effectuation orientation while transactional leadership showed no significant relation. These findings support our general argumentation that for effectual employee behavior to be possible, employees need a substantial degree of freedom to decide on their own, and not being ordered, what to do. Our study offers practical implications in line with a growing interest among managers in more entrepreneurial employees and firms. Choosing more entrepreneurial candidates in the hiring process certainly is one way. However, this does not imply that those employees can actually act entrepreneurially. This study shows how exhibition of specific leadership styles can influence effectual behavior and foster entrepreneurial activity in a corporate setting.

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