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Toward a Better Understanding of the Association Between Strategic Planning and Entrepreneurial Orientation – The Moderating Role of National Culture☆

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ABSTRACT

Does strategic planning facilitate or inhibit entrepreneurial orientation within firms? While most extant research finds positive relationships between planning and entrepreneurial orientation, the strength of these relationships varies across studies. Based on data from 294 firms from nine culturally and economically diverse countries, the present study shows that national cultural dimensions (in particular individualism, power distance, and femininity) determine the effectiveness of strategic planning in driving entrepreneurial orientation in firms.

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1. Introduction

Research has given broad attention to the top-management tool of strategic planning—encompassing systematic scanning of the environment, setting strategic and operative goals, and analysis of information gained in the top management team (TMT) (Boyd, 1991; Miller and Cardinal, 1994; Powell, 1992; Song et al., 2015)—since strategic planning sets the stage for subsequent behavior at all of a firm's hierarchical levels' and units' (Song et al., 2015). As Barringer and Bluedorn (1999) show empirically, strategic planning is positively related to a firm's entrepreneurial orientation (EO), a performance-influencing firm-level behavior that manifests across all of a firm's hierarchies and units (Wales et al., 2011).

While empirical evidence largely confirms a positive association between strategic planning and EO, we know little about the boundary conditions of this relationship (Song et al., 2015). Understanding the context surrounding an association is essential if researchers are to determine the conditions under which the relationship becomes more or less pronounced (Whetten, 1989). As EO is a firm-level construct and as strategic planning sets the stage for subsequent action by influencing workplace conditions across all of a firm's hierarchies and units, the degree to which strategic planning influences EO is likely to depend on the degree to which employees accept strategic planning and their resulting behavior.

Informed by cross-cultural management research, our main argument is that national cultural values and preferences, most of which are acquired during childhood socialization (Newman and Nollen, 1996) and are deeply rooted in the mind, drive employees' acceptance of or resistance to strategic planning (Smircich, 1983). More specifically, employees may consider strategic

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planning as particularly enabling (Song et al., 2015) when the resulting workplace conditions are congruent with their national cultural preferences. When there is no such congruence, employees are likely to feel uncomfortable, dissatisfied, and less likely show the desired behavior, reducing the effect of strategic planning on firm-level behaviors like EO. However, few studies develop and test theory that explains national culture's impact on the relationship between strategic planning and firm-level behavior, an important research gap from the theoretical and practical perspectives. In terms of theory, detailed rationale explains how *firm-level factors* moderate the relationship between strategic planning and firm-level behavior like innovation (Song et al., 2015); however, no theory yet explains how the particularities of national culture (which is at the core of international management research), as an *environmental boundary condition*, shapes employees' values and preferences and, therefore, determines the conditions under which the relationship between strategic planning and firm-level behavior becomes more or less pronounced. In terms of the practical perspective, a major challenge for top managers is to determine how to allocate their sparse resources between strategic and operative issues. Managers often complain about being stuck in daily operations (Kaplan and Norton, 2008), making allocating their resources to time-consuming strategic issues challenging (Kaplan and Beinhocker, 2003). Therefore, top managers must learn how their firms' strategic planning works in their cultural contexts so dedicating their scarce resources to this management tool actually pays off.

Therefore, the present study contextualizes the relationship between strategic planning and a firm's EO by studying the moderating influence of national culture, captured by the four prominent national cultural dimensions from Hofstede (2001): uncertainty avoidance, power distance, individualism, and masculinity. We develop theoretical arguments for how these national cultural dimensions affect the relationship between strategic planning and EO and validate our research model empirically by means of unique survey data from 294 firms from nine national cultural settings (Australia, Austria, Chile, China, Germany, India, Spain, the U.K., and the U.S.).

We make three contributions to the literature. First, our research contributes to cross-cultural management research by developing (for the first time to the best of our knowledge) detailed theoretical arguments on how strategic planning affects firm-level behavior across national cultural settings and validating these arguments empirically. Extant cross-cultural literature examines the degree to which the impact of various management tools—such as establishing a firm culture (Engelen et al., 2012), applying a specific leadership style (Engelen et al., 2014, 2013; Kirkman et al., 2009), or designing reward schemes (Newman and Nollen, 1996)—on employee behavior depends on culture; however, the current theoretical understanding of how national culture intervenes in strategic planning's effect on firm-level behavior is a gap in the literature—one that we seek to close.

Second, we contribute to theory in strategic planning research by helping to clarify the boundary conditions under which strategic planning has a more or less pronounced effect (Boyd, 1991; Miller and Cardinal, 1994; Powell, 1992). Specifically, we complement and advance Song et al.'s (2015) theory that the *firm-level factors* of firm age, risk-taking, and knowledge-based reward systems determine employees' *autonomy* and *knowledge* and intervene in the relationship between strategic planning and innovation. Our theory focuses on the *congruence* between the individual's preferences and values (as determined by national culture as an *environmental boundary condition*) and the working conditions strategic planning provides for the individual.

Third, we contribute to the EO literature by establishing theoretically and validating empirically that the extent to which firm-level EO develops depends on the joint effect between complex tools of top management (e.g., strategic planning) and employees' predispositions (e.g., national cultural values). In this regard, our study links the ongoing debate concerning the genesis of EO (Wales et al., 2013) with the environmental context under which the emergence of EO becomes more or less pronounced.

2. Theory and hypotheses

2.1. The association between strategic planning and EO

Extant research conceptualizes EO, our dependent variable, as a firm-level construct that encompasses the dimensions of proactiveness, innovativeness, and risk-taking (Miller, 1983). The literature finds that EO improves firm performance largely by ensuring that the firm introduces ahead of its competition new products or services with the potential for substantial returns, thereby giving the firm first-mover advantage in targeting premium segments (Stam and Elfring, 2008). Two meta-analyses confirm an overall positive performance effect of EO but with varying levels of correlation (Rauch et al., 2009) that depend on contextual factors, including national cultural boundary conditions (Saeed et al., 2014).

Research agrees that EO is a firm-level construct that can manifest across all of a firm's hierarchical levels and units; that is, it can be operative in each employee (e.g., all top management and middle management members and all rank-and-file employees), each of whom can drive entrepreneurial initiatives or their implementation (Covin and Slevin, 1991; Wales et al., 2011). However, there is also agreement in the literature that firms are not entrepreneurial per se but that there are many barriers in many firms that inhibit entrepreneurial behavior. Therefore, specific conditions are necessary for firm-level EO to be unleashed. In this regard, studies investigate the influence of individual-, firm-, and environmental-level constructs as antecedents of EO (for a review see e.g., Wales et al., 2013).

We argue that top management is essential for the development of firm-level EO. Extant research indicates that, without favorable conditions provided by top management, employees are unlikely to engage in or implement the risky entrepreneurial initiatives that are the foundation of firm-level EO (Cao et al., 2012; Stam and Elfring, 2008). In line with Song et al. (2015), we conceptualize strategic planning conducted at the top-management level as a management tool that impacts the development of EO, as strategic planning shapes the working conditions across all of a firm's hierarchies and units. Thus, strategic planning sets the groundwork for subsequent actions like those that support firm-level EO (Barringer and Bluedorn, 1999). As Delmar and

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