ENTREPRENEURIAL ORIENTATION AND PERFORMANCE: THE EFFECT OF ORGANIZATIONAL COMMITMENT AND BUDGETARY SUPPORT

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ABSTRACT

The objective of the study is to understand the relationship between entrepreneurial orientation (EO), employers' organizational commitment to their employees (OCE), employees' perception of the adequacy of budgetary resources (BRs), and firm performance in Malaysian and Chilean firms. A survey of 165 managers finds that EO has a significant positive relationship with performance. Additionally, the perceptions about the adequacy of the BR have a significant positive effect on performance. And in the Chilean subsample, the OCE interacts positively with perceptions of budget resource adequacy to affect the firm performance. The total effect of EO on performance is similar across both countries despite the EO being higher in Malaysia and perceptions of budget resource adequacy being higher in Chile. The study highlights the contribution to the literature on the EO – performance relationship – and emphasizes the importance of providing adequate resources to enhance the psychological safety of employees working in less developed countries.

Keywords: Organizational commitment; budgetary support; entrepreneurial orientation; business performance; budgetary resource adequacy; employee psychological safety

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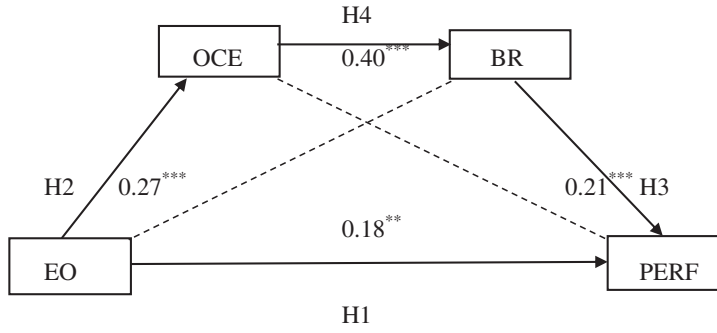
INTRODUCTION

The concept of entrepreneurial orientation (EO) as an individual-level construct affecting firm performance has begun to gain traction (Davis, Greg Bell, Tyge Payne, & Kreiser, 2010). Further, managing the risks inherent in having a leadership style that emphasizes an EO has emerged as a key challenge for managers working for companies in less developed countries. Requiring greater risk-taking by managers to promote an EO in an organization could be unnerving for employees and challenging for employers in less developed countries that do not have strong employment protection laws (Hochschild, 2015). Thus, the psychological safety of workers could be important for managers to take the necessary risk in an entrepreneurial organization that is assured when there is high employer commitment or support to the employees. Therefore, we argue that it is important for managers with an EO to promote high organizational commitment to employees (OCE) and provide adequate BRs that strengthen managers' psychological safety (Edmondson, 1999; Edmondson & Lei, 2014; Frazier, Fainshmidt, Klinger, Pezesshkan, & Vracheva, 2017). The objective of the study is to understand the relationship between EO as a leadership style, employers' OCE, employees' perception of the adequacy of BRs, and the performance of companies in Malaysia and Chile, two steadily growing developing countries.

Management accounting studies have shown that supervisors use budgets as means of expressing their leadership style, and a considerate leadership style (rather than a task-oriented leadership style) that emphasizes subordinates' well-being along with budget participation are positively associated with employee job satisfaction, organizational commitment, and performance (e.g., Brownell, 1983; Kohlmeyer, Mahenthiran, & Parker, 2014). Additionally, psychology studies emphasize the importance of psychological safety that allows employees "to feel safe at work to grow, learn, contribute, and perform effectively in a rapidly changing world" (Edmondson & Lei, 2014, p. 23). In the management literature, there is extensive evidence of the relationship between an EO and firm performance (Covin & Lumpkin, 2011; Edmond & Wiklund, 2010; Rauch, Wiklund, Lumpkin, & Frese, 2009; Stam & Elfrign, 2008). Although Lumpkin and Dess (1996) proposed a contingency framework to study the integrating activities that affect the EO to performance relationship, studies have sparingly investigated the intervening variables that could affect the EO-firm performance relationship. Additionally, in the management accounting literature, we are not aware of studies addressing EO as a distinct leadership style that inherently is riskier than a considerate leadership style which has been shown to interact with budget participation, employees' perception of justice, and information sharing (Kohlmeyer et al., 2014; Parker, Kohlmeyer, Mahenthiran, & Sincich, 2014). Hence, addressing the gaps in the management accounting and the EO literature, and the related issue of promoting the psychological safety of managers that is conducive to high organizational performance using organizational commitment and adequate BRs would be important in less developed countries to better align individual objectives and firm goals.

Lumpkin and Dess (1996) have suggested that an organization's culture is an important contingent factor affecting the relationship between EO and performance. We study the issues related to EO and psychological safety in Chilean and Malaysian managers because of their contrasting national culture dimensions that might provide insights into factors and how they combine to affect the relations between EO and firm performance. In Hofstede's national cultural dimension for uncertainty avoidance, Chile's score is 86 and Malaysia's score is 36, but Malaysia has the highest score of 100 for the power distance dimension.[1] Frazier et al. (2017) find that a country's cultural dimension uncertainty avoidance influences the effect psychological safety has on commitment and a supportive work environment, whereby the relationship is stronger in high uncertainty avoidance cultures than in low uncertainty avoidance cultures. Additionally, given the bias toward lower risk-taking in high uncertainty avoidance cultures we expect a lower EO in Chilean than in Malaysian firms. Thus, we study the mediating effects of OCE and budgetary support in affecting



Variables are defined in the Appendix.
Fit Statistics[11]:
$N = 165$
Chi-square = 0.01
Degrees of freedom = 1
Probability level = 0.93
AGFI = 0.97
NFI = 0.99
CFI = 0.99
RMSEA = 0.01
OCE-R^2 = 0.08, BR-R^2 = 0.16, and PERF-R^2 = 0.09
*** Significant at $p < 0.01$ level, ** significant at $p < 0.05$ level.

Fig. 1. Full Sample Model of Relations Between Entrepreneurial Orientation, Organizational Climate, and Performance. *Source:* Authors' original work.

the relationship between EO and firm performances by splitting the full sample into country-level subsamples, too.

Fig. 1 shows the hypothesized relationships between EO, OCE, budget resources, and firm performance. A key finding is that EO has a significant and positive direct relationship with performance. Additionally, the direct effect of perceptions about the adequacy of BRs on performance is significant and positive. Moreover, EO has a significant effect on OCE but OCE only has an indirect effect on performance by influencing the employees' perception of the adequacy of BRs. The country differences seem not as important, because in both countries the total effects that include both the direct and indirect effect of OCE and the adequacy of budget resources in affecting the EO and firm performance relationship are not significantly different. In Chile, the effect of OCE and budget resource adequacy in affecting firm performance is significant particularly when EO is low. Thus, the findings imply that, regardless of national cultural differences between Malaysia and Chile, the perceptions of OCE that is a proxy for psychological safety are important because it affects managers' perceptions about the adequacy of budget resources.

This study contributes to the management accounting and leadership literature by examining the influence of EO on performance via OCE and the budget support provided by companies. It emphasizes the importance of the relationship between EO and OCE as well as perceptions of BRs adequacy to impact significantly the firm performance. Additionally, the study contributes by demonstrating the reliability of measures of EO, OCE, and BR adequacy in less developed countries where these constructs have not been studied. These constructs are separate and distinct and possess acceptable to strong coefficient alphas in each country, reasonable validity, and good standardized factor loadings. Hence, even though the national cultures are different between Malaysia and Chile, the direct and indirect effects of these practices on firm performance seem to not be significantly different, providing preliminary evidence that organizational practices that positively influence OCE and employee perceptions about the adequacy of BRs should be implemented in less developed countries to improve the performance in entrepreneurial organizations.

LITERATURE REVIEW AND HYPOTHESES-DEVELOPMENT

Entrepreneurial Orientation

Entrepreneurial Orientation (EO) refers to the strategic posture of a firm (Covin & Slevin, 1989). In terms of strategic posture, all firms, regardless of size and type, fall on a continuum with aggressive EO at one end and conservative or low EO at the other end (Barringer & Bluedorn, 1999; Covin & Wales, 2012). Avlonitis and Salavou (2007) found that the entrepreneurial attitude instilled in active entrepreneurs as compared to passive entrepreneurs is mirrored in new product uniqueness rather than in product newness to customers. Further, EO

firms are associated with family businesses where the founder-manager has a lot of influence on the day-to-day business activities of the firm and its governance. An EO firm engages in product-market innovation, undertakes risky venture, and is the first to come up with "proactive" innovations that can beat its competitors (Avlonitis & Salavou, 2007; Miller, 1983), and a leadership style that emphasizes EO is positively associated with firm performance (Dess, Lumpkin, & Covin, 1997; Stam & Elfrign, 2008; Zahra & Covin, 1995). For example, in a meta-analysis, Rauch et al. (2009) find that EO is significantly positively correlated with firm performance with an average correlation coefficient between them of 0.24, which means that promoting an organizational climate of high EO is associated with higher performance. The EO construct has also proven to be valid in several cross-country studies. Apart from the United States, the EO construct was examined and found to be valid in Korea, Fiji, India, Malaysia (Lee, Lim, & Pathak, 2011), and Canada (Knight, 1997).

Covin and Slevin (1989) in their seminal article posit that there are three strategic sub-dimensions of an entrepreneurial firm – innovativeness, proactiveness, and risk-taking. Innovativeness is about how the top management views the importance of innovation and technological development, and how frequently a firm changes its product offerings. Proactiveness is the extent to which a firm takes initiative to introduce new products and processes to overtake its competitors. Risk-taking refers to the extent to which a firm tries out high-risk projects and takes an aggressive approach in exploiting potential opportunities (Covin & Slevin, 1989). Adding on to these sub-dimensions, Lumpkin and Dess (1996) propose that autonomy and competitive aggressiveness are two other crucial characteristics of an EO firm. Autonomy refers to the independence a firm possesses in pursuit of its businesses and idea implementation (Lumpkin, Brigham, & Moss, 2010). In an autonomous firm, managers have the freedom to make decisions on innovation adoption and on when and how to launch new products or adopt new practices. Competitive aggressiveness is described as "a combative posture or an aggressive response" in addressing the threats posed by competitors (Lumpkin et al., 2010, p. 250). Based on the EO literature, first, we hypothesize a direct effect of EO and firm performance in both countries and state that:

H1. Firms with higher entrepreneurial orientation will have higher firm performance.

Perceptions of Psychological Safety and Organizational Commitment to Employees

According to Cravens, Oliver, Oishi, and Stewart (2015), an understanding of the workplace climate requires examining how employees perceive their organizational environment. For example, an assessment of workplace climate is important for the managers' performance appraisal processes that provide feedback to help increase employees' job satisfaction and their engagement with the firm (Cravens et al., 2015; Hagedoorn, Van Yperen, Van De Vilert, & Buunk, 1999). And the construct OCE allows us to differentiate the employees' sense of

commitment to the organization versus their perception of the employer's commitment to them. Miller and Le Breton-Miller (2005) argue that OCE carries a similar concept of developing a cohesive community within a firm, which is important to developing a trustworthy workplace culture. According to Miller, Lee, Chang, and Le Breton-Miller (2009, p. 804), OCE focuses on community-building elements such as loyalty and caring about workers' welfare

> . . .beyond immediate legal or bureaucratic requirements, and providing secure, satisfying jobs. Such elements may create close associations between superiors and subordinates that overcome talent scarcities in the tight labor markets of emerging economies.

Further, in contrast to employees' affective organizational commitment, the construct OCE is scarcely studied in management accounting. We use this construct which measures employees' perception of the extent to which a firm genuinely cares about its employees' well-being, pays employees what they deserve, pays attention to their job satisfaction, and shares its profit with them (Bammens, Notelaers, & Gils, 2015; Miller et al., 2009).

In developing countries, many firms are family-owned small and medium enterprises (referred to as SMEs). In SMEs, Gomez-Mejia, Haynes, and Nunez-Nickel (2007) argue that owners are likely to view their business as a vehicle for extending the family's reputation, ensuring employment security, providing intergenerational benefits, and preserving the socio-emotional wealth that is important to their survival. Moreover, Miller et al. (2009) and Bammens et al. (2015) have shown that in SMEs, the connections between the owners and their employees are very close, more lasting, generous, and encompassing. Thus, owner-managers have an advantage in forming connections with employees and promoting human resource practices that benefit from such connections, and they also have the power to make and honor their commitments to workers (Miller et al., 2009; Miller & Le Breton-Miller, 2005). Economically, Verbeke and Greidanus (2009) have suggested that OCE may be a key variable that helps to overcome individual bounded rationality in relationships to build a trustworthy workplace climate that helps to minimize transaction costs. Therefore, economic and psychology theories predict that high levels of OCE are likely associated with higher levels of job security that can reduce opportunistic behaviors by managers (Verbeke & Greidanus, 2009; Verbeke & Kano, 2015). Thus, we posit that if employees perceive high OCE, they will reciprocate by working harder which leads to higher performance in entrepreneurial firms. This expectation is also consistent with the social exchange theory prediction (Cropanzano & Mitchell, 2005), and accordingly, we hypothesize that:

H2. There is a positive association between the EO leadership style and the perception of organizational commitment to employees (OCE).

Adequacy of Budget Resources

Budgets are a formal management control tool used by firms to set targets, assign responsibilities to managers for outcomes, and evaluate the performance of units for achieving them (Abernethy & Brownell, 1999). Budgeting is one of the most

common practices used to integrate all organizational activities (Hansen, Otley, & Van der Stede, 2003), and despite criticisms of traditional top-down budget practices, the practitioners still believe that the budgeting processes if designed properly can be relevant to align the organizational goals and motivate employees (e.g., Libby & Lindsay, 2010). To this end, Simons' (1995) levers of control framework classified management controls as a diagnostic tool that facilitates corrective action of deviations from budgets or as an interactive tool that facilitates discovery using feedback and dialogue. According to Abernethy and Brownell (1999, p. 19), interactive use of the budget is "the continual exchange of information between top management and lower-level management, as well as interactions within various management levels across organizational functions." They found that the interactive use of budgets plays an important role in facilitating organizational change. According to Bisbe and Otley (2004), through debates and dialogues, interactive use of budgets even in low innovative firms can introduce new ideas to improve process efficiency, improve product effectiveness, and affect firm performance because they lead to providing adequate budget resources.

In developing country SMEs, budgets are likely to be top-down rather than participative, which can result in them being used mostly as a diagnostic tool to facilitate management by exception. However, according to Mundy (2010, p. 510),

> . . .even the diagnostic use (of budgets) is not simply a constraining influence on managers' behavior, because monitoring processes highlight problems and can motivate managers to achieve their goals, sometimes through novel means.

Cools, Stouthuysen, and Van den Abbeele (2017) also find that even the diagnostic use of budgets in the context of responsive creativity to solve closed problems (as opposed to open self-discovered problems) does not stifle creativity, and provides a stimulus conducive to a positive perception of the workplace environment. Therefore, regardless of how budgets are used, studies have pointed out the importance of budgetary support as a tool to create a positive entrepreneurial climate. Thus, an EO firm that aims to produce a positive workplace climate should facilitate the provision of adequate budget resources for its managers.

The provision of adequate BRs to enable managers to execute their activities is an important form of employee empowerment (Nijssen & Paauwe, 2012; Nouri & Parker, 1998). However, there are not many cross-national studies on budgeting to evaluate its effectiveness as an imperative organizational practice related to emphasizing the EO firm performance relationship. According to Mahenthiran, Liu, and Hashim (2010), in the high power-distance Malaysian culture, supervisors' trust in subordinates mediates the relationship between uncertainty, supervisors' budgetary leadership style, and subordinates' perceptions of autonomy that affects divisional performance. In Turkey, Jermias and Yigit (2013) find that role ambiguity mediates the relationship between budgetary participation and job satisfaction, and it affects job performance. Stammerjohan, Leach, and Stammerjohan (2015) find that the mechanisms

connecting budget participation to performance are quite different between low and high power-distance subsamples. In the high power-distance subsample, the budget participation-performance relationship is not mediated by employees' job satisfaction but is fully mediated by the sharing of job-relevant information. Thus, the budget studies are generally consistent with the notion that information asymmetry and uncertainty related to the adequacy of budget resources (Greenberg, Greenberg, & Nouri, 1994; Nouri & Parker, 1998; Stammerjohan et al., 2015), leadership style (Kohlmeyer et al., 2014), and the perceived fairness of budgeting (Parker et al., 2014) directly or indirectly affects the relationship between budget practices, organizational commitment, and performance. Given these findings, we hypothesize that:

H3. The managers' perception of the adequacy of BRs is positively associated with the firms' performance.[2]

Edmondson and Lei (2014, p. 36) note, "research provides considerable support for the idea that a climate of psychological safety can mitigate the interpersonal risk inherent in learning in hierarchies," but the only time that might not be true is when leaders are uncaring such as when they do not provide a supportive work environment. Therefore, in a country like Malaysia, a high power-distance national culture accepts strict power differentials among individuals in a society, and by extension within a firm between the superiors and the subordinates (Mahenthiran et al., 2010). Thus, due to the higher power distance, superiors' leadership could involve expecting results without providing adequate budget resources that in turn can affect the relationship between OCE and performance. This conjecture leads us to examine if high OCE alone without adequate budget support can influence the relation between EO and firm performance.

The management control research suggests that the effectiveness of budget practices is determined not only by their fit with the firm's strategic context but also by how they fit with the organizational environment (Bedford, Malmi, & Sandelin, 2016; Chatterjee & Hambrick, 2007; Marginson, 2002). These studies suggest that the leadership in an organization has a significant role in influencing the direction of the firm, and in influencing how managers align their individual goals with organizational objectives (Langfield-Smith, 1997). Hence, we hypothesize that under conditions of high (low) OCE to budget resource adequacy (OCE>>BR) the relationship between EO and firm's performance will be higher (lower). Thus, to examine if OCE affects the relationship between the level of budgetary support and firm performance, we state the following hypothesis:

H4. The level of OCE affects the relationship between the adequacy of BRs (BR) and firm performance.

Fig. 1 shows the hypothesized relationships that provide the path diagram for our SEM analysis. Additionally, to control for the country-level moderating effects and test hypothesis *H4*, the SEM model is run separately for the Malaysian and the Chilean subsamples.

RESEARCH DESIGN

Data Collection

We collected the Malaysian data from the country's capital Kuala Lumpur and the surrounding cities in the Selangor province. Two research assistants prepared a list of 750 firms randomly drawn from a list provided by the Company Commission of Malaysia. Companies included in the list were those that were entirely owned by Malaysians. The research assistants first e-mailed the firms inviting them to participate in the study. To those that responded, the research assistants went to their office to deliver and subsequently collect the questionnaires. A Starbucks coffee card of MYR 20 (or US$ 5) was provided as a token of appreciation to each respondent. A total of 113 firms accepted our invitation and responded to the paper questionnaire, which gives us a response rate of about 15%. Sixty percent of the respondents carried the title of senior executive or equivalent, and 20% were middle managers. The remainder of the respondents were front-line managers or belonged to other position categories, but they all had indicated that they had budget responsibilities.

The questionnaire was first constructed in English. In Malaysia, the majority of businesses are Chinese-owned firms (Terpstra-Tong, Merchant-Vega, & Terpstra, 2012), so the questionnaire was translated and back-translated into Chinese (Brislin, 1970). Respondents had the choice to respond to the English or Chinese questionnaire. They completed the questionnaire in their offices. Using a consent form, all participants were assured of their anonymity and all participated voluntarily.[4]

The Chilean questionnaire was identical to the Malaysian survey in English and it was translated to Spanish and back-translated to ensure the accuracy of the items. The Chilean data were collected with the cooperation of local alumni who worked near the capital Santiago. The alumni connections were used to create a list of 200 firms that were mostly SMEs. The firms on the list were contacted before sending the questionnaire to them. The survey was sent only to senior managers in the firms, and a second follow-up questionnaire was sent to all respondents on the list three weeks after the initial mailing. We received 52 useable responses, which formed the Chilean sample. The surveys were completed anonymously, and the researchers did not provide a token of appreciation to the respondents in Chile. Regardless, the close connections between the university and its alumni resulted in a response rate of 26% in Chile.

In the Malaysian sample, the average tenure of the respondent in their current position was 5.6 years, and in the Chilean sample, it was 9.4 years. In both countries, the typical respondent had at least an undergraduate degree and both male and female respondents were equally represented. Further, the majority of the participants were senior executives in their companies with substantial budgeting and resource allocation experiences. The two major industries represented in the Malaysian sample were distribution and logistics (21 firms) and healthcare-related firms (20 firms). In Chile, there is greater dispersion in the industrial sector, the professional service industry represents eight firms, and the transport, distribution, and logistics sector represent seven firms.

Since this is an international study that focuses on the most knowledgeable senior managers with authority over entrepreneurial activities, budgets, and designing budget practices, we felt it is appropriate to use a single-respondent approach. Following Podsakoff, MacKenzie, Lee, and Podsakoff (2003), we attempted to remedy the common method variance issues through the psychological separation of the measurement of the dependent and independent variables, and by protecting the respondent's anonymity. To explore the degree to which the findings can be attributed to common methods bias, we conducted Harman's one-factor test. The largest single factor identified explained only 22.7% of the total variance, well below the benchmark of 50%. Though this method has significant limitations, Podsakoff et al. (2003) note that it is one of the most widely used post hoc tests for examining the hypothesis that common methods bias explains correlations uncovered in cross-sectional survey research. Therefore, although we cannot rule out the presence of common methods bias due to obtaining the responses from a single source at a point in time, we believe the impact of such bias in this study is likely to be relatively small.

Variable Measurements

The constructs were measured using multiple items on Likert scales with a range of 1–5. Below we provide details of each scale item for each construct, reference previous usage, and the validation of each construct, provide the specifics for

Table 1. Factor Loadings From the Structure Matrix Using Principal Component Factor Analysis.

Items	OCE	BR	EO	PERF
OCE3	**0.852**	0.316	0.173	0.202
OCE1	**0.846**	0.309	0.219	0.178
OCE2	**0.824**	0.283	0.071	0.131
OCE4	**0.637**	0.258	0.306	−0.020
BR2	0.363	**0.889**	0.140	0.162
BR3	0.268	**0.864**	0.014	0.104
BR1	0.409	**0.771**	0.061	0.272
EO2	0.096	0.146	**0.698**	0.025
EO5	0.306	0.038	**0.679**	0.347
EO3	−0.044	0.030	**0.628**	−0.150
EO4	0.147	−0.115	**0.585**	0.181
EO1	0.395	0.164	**0.524**	0.271
EO7	0.311	−0.147	**0.501**	0.372
PERF – GrowSale	0.140	0.114	0.128	**0.874**
PERF – Profit	0.124	0.030	0.185	**0.836**
PERF – CustLoy	0.155	0.352	0.061	**0.653**

Source: Authors' original work.

Note: The KMO Sampling Adequacy is 0.75, Bartlett's test of sphericity – Chi-Square is 873.79 that has a significant level of 0.00. For items and labels see Appendix.

scale reliability measures, and the factors structure matrix is reported in Table 1. Table 1 shows that there is no cross-loading between the constructs. Additionally, details of all measurement items, including item wording, standardized factor loadings, and coefficient alphas appear in the Appendix.

Entrepreneurial orientation is measured using the nine-item scale developed by Covin and Slevin (1989). As shown in Table 1, six items measuring EO loaded together, and their Cronbach's alpha coefficient was 0.60 for the Malaysian subsample, and 0.72 for the Chilean subsample. Typically, the nine items are grouped into three areas: (1) innovativeness, (2) proactiveness, and (3) risk-taking items with each group consisting of three questions. Of the six items that loaded together, three items belonged to innovativeness, two items belonged to proactiveness, and one question belonged to risk-taking. The items in the same grouping order were: (1) in general, the top managers of my firm favor a strong emphasis on tried-and-true products, (2) the firm has launched very many new lines of products and services, (3) changes in the products and service lines have been quite dramatic, (4) in dealing with its competitors, my firm typically responds to actions which competitors initiate, (5) is very often the first business to introduce new products or services, and (6) in general, the top managers of my firm have a strong preference for high-risk projects. These six items were measured using a rating scale that ranges from 1 "strongly disagree" to 5 "strongly agree."

The low coefficient alpha for EO for the Malaysian sample is somewhat surprising, as the scale has been previously validated in that country (Lee et al., 2011). The low alpha for the EO scale may be the result of our inclusion of both Ethnic Chinese-owned and Malay-owned businesses within the sample. Both Holt (1997) and Terpstra-Tong, Terpstra, and Tee (2014) present evidence that the values of ethnic Chinese managers and entrepreneurs differ from entrepreneurs of other ethnicities. We also observed that there seemed to be a slight difference in item loadings for Malay- and Chinese-owned business managers. A second review of the study which validated the EO construct for Malaysia (Lee et al., 2011) indicates that the Malaysian questionnaire was only translated into Malay, not into Chinese, hence their results may reflect an omission of Chinese speakers while ours did not. Concerning the coefficient alpha of 0.60, Nunnally (1967), in his first edition of *Psychometric Theory*, states that scales of this reliability level may be appropriate for exploratory research, while DeVellis (2012) characterizes alpha levels of 0.60 as being "questionable." On the other hand, Schmitt (1996) argues that scales with alphas as low as 0.49 may still be useful when "...a measure has other desirable qualities such as meaningful content coverage of some domain and reasonable unidimensionality...." (p. 351). Thus, we feel comfortable with using our EO scale, due to the perceived effects of different contexts, the dimensionality of the EO construct, and the fact that others have contributed to the EO literature using scales of similar reliability levels (e.g., Brettel, Chomik, & Flatten, 2015).

The OCE is measured using the four-item scale developed by Miller et al. (2009). As shown in Table 1, all four items measuring OCE loaded together in both Malaysia and the Chile samples, and their Cronbach alpha coefficients were

identical at 0.83 for both countries. The four items were: (1) the organization cares deeply about its employees' well-being, (2) the firm is profoundly concerned about paying the employees what they deserve, (3) the firm cares deeply about employees' overall satisfaction at work, and (4) if the firm earned more profit, it would share the gains by increasing wages and salaries. These four items were measured using a rating scale ranging from 1 "strongly disagree" to 5 "strongly agree."

The adequacy of budget resources is measured using the four-item scale developed by Brownell and Dunk (1991). As shown in Table 1, three of the four items measuring budgetary support loaded together in both the Malaysian and the Chilean samples, and their Cronbach alpha was 0.82 for the Malaysian subsample and 0.72 for the Chilean subsample. The three items were: (1) usually the firm budgets sufficient resources to perform the company assigned duties, (2) the resources budgeted by the firm are usually sufficient to perform the job, and (3) what is expected of an employee is achievable under the budget provided by the firm. The three items were measured with a rating scale ranging from 1 "strongly disagree" to 5 "strongly agree."

Performance is measured with the six-item scale of Gupta and Govindarajan (1984).[5] Because our sample includes firms from different countries associated with different industries, whose goals and objective performance criteria can be different, we chose to use a relative (to competitors), multidimensional subjective assessment of performance. Gupta and Govindarajan (1984) measure firm performance on six aspects – firm's profitability achievement, and firm's growth in sales (business) and orders, improvement in customer loyalty, improvements in internal efficiency, lowered employee turnover and increased employee morale. Across both countries, as shown in Table 1, the first three items loaded together on a single factor and comprised our measure of firm performance. These items were rated on a scale ranging from 1 "a lot worse" to 5 "much better." The Cronbach's alpha coefficients were identical at 0.77 for both the Malaysian and the Chilean samples.

As the scale of a firm can affect firm performance, we also controlled for firm size. Size is measured by the amount of the firm's sales revenue with a scale that ranged from 1 to 6. Details of the size scale items and the item factor loadings for the constructs when calculating their Cronbach alphas are shown in the Appendix.

RESULTS

Table 1 shows the factor loadings of the constructs when all the items are analyzed together. The confirmatory factor analysis results show that, as expected, the items load on distinct constructs. Table 2 provides the descriptive statistics including coefficient alphas by country. All the Cronbach alpha coefficients are 0.72 or higher, except for the EO construct in Malaysia that has an alpha of 0.60 that also lowers the total sample Cronbach alpha of EO to 0.66. Following Nunnally's (1978) suggestion that a scale with an alpha of 0.70 or

Table 2. Descriptive and Reliability Statistics.

Variable	Chile (N = 52)			Malaysia (N = 113)			Total Sample (N = 165)		
	Mean	Std. Dev.	Alpha	Mean	Std. Dev.	Alpha	Mean	Std. Dev.	Alpha
Organizational Commitment to Employees (OCE)	3.93	0.95	0.83	3.78	0.64	0.83	3.83	0.75	0.81
Budgetary Resources (BR)	3.97	0.65	0.72	3.70	0.63	0.82	3.78	0.65	0.83
Entrepreneurial Orientation (EO)	3.08	0.76	0.72	3.36	0.56	0.60	3.20	0.64	0.66
Performance (PERF)	3.60	0.69	0.77	3.62	0.59	0.77	3.62	0.62	0.76
Size	3.79	1.61	na	3.53	1.66	na	3.62	1.64	na

Source: Authors' original work.

higher is reliable, we generally conclude that our scales have acceptable levels of reliability.

Table 3 presents the results of the difference of means tests on the constructs comparing the Malaysian versus the Chilean subsamples. It shows that the size of the companies, the mean performance, and the OCE proxy are not significantly different between the Malaysian and Chilean companies indicating that the sample selection processes are not biased. Additionally, due to the higher national culture score for uncertainty avoidance in Chile, we expected the EO scale to have a significantly lower value in Chile, but the availability of BRs or the BR scale has a significantly higher score in the Chilean subsample than in Malaysian subsample at $p < 0.01$ level.

Table 4 shows the correlations between the study variables. The highest significant correlation is between the two organizational practice variables that we proposed affects the organizational climate, namely between OCE and BR (r =

Table 3. Differences in Construct Means Between Chile and Malaysia (T-Test Difference of Means).

Variable	Country	N	Mean	Std. Dev.	Std. Error	p Value
Organizational Commitment to Employees (OCE)	Chile	52	3.93	0.95	0.13	0.31
	Malaysia	113	3.78	0.64	0.06	
Budgetary Resources (BR)	Chile	52	3.97	0.65	0.09	0.01
	Malaysia	113	3.70	0.63	0.06	
Entrepreneurial Orientation (EO)	Chile	52	3.08	0.76	0.11	0.01
	Malaysia	113	3.36	0.56	0.05	
Performance (PERF)	Chile	52	3.60	0.69	0.09	0.89
	Malaysia	113	3.62	0.59	0.06	
Size	Chile	52	3.79	1.61	0.22	0.35
	Malaysia	113	3.53	1.66	0.16	

Source: Authors' original work.

Table 4. Pearson Correlations for the Full Sample.

Variable	EO	OCE	BR	PERF	SIZE
EO	1.00				
OCE	0.27***	1.00			
BR	0.10	0.39***	1.00		
PERF	0.20***	0.13	0.23***	1.00	
SIZE	0.12	−0.18**	−0.03	0.15	1.00

Source: Authors' original work.

Note: Variables are defined in Appendix.
***$p < 0.01$ **$p < 0.05$.

0.39, $p < 0.01$), and it is followed by the correlations between EO and OCE ($r = 0.27$, $p < 0.01$) and between BR and firm performance ($r = 0.23$, $p < 0.01$). The latter two correlations provide univariate support for our hypotheses *H2* and *H3*. Also, the correlation between EO and firm performance ($r = 0.20$, $p < 0.01$) is very close to the $r = 0.24$ correlation found in the Rauch et al. (2009) meta-analysis study. Moreover, given the factor structure matrix in Table 1, which shows no cross-loading of items and given that none of the correlation coefficients in Table 3 are higher than 0.40, we conclude that the constructs have convergent and discriminant validity. Further, since the correlations between the variables are not high, the chance for multi-collinearity between the variables is negligible.[6]

We received responses from subjects at different managerial levels in the Malaysian sample, but only from the senior managers in the Chilean sample. To determine whether or not this difference is germane, we examined the homogeneity of the Malaysian sample by splitting it into two subgroups based on the managerial level. Subgroup 1 was composed of the upper two levels ($n = 74$) and Subgroup 2 was composed of the lower two levels ($n = 39$). There were no statistically significant mean differences for any of the study variables except for the construct OCE ($p = 0.034$). We also examined differences in correlations among key variables between the two subgroups using the Fisher r-to-z transformation and found only the OCE-EO correlations to be statistically significantly different. Hence, we conclude that had the entire Malaysian sample been drawn from only the higher-level managers and the analyses performed here would likely have been statistically similar had we only included the upper two levels. Thus, we assume that most of our respondents were upper-level managers with significant budget responsibilities and the ability to influence the organizational climate.

Tables 5 and 6 present the correlation coefficients among study variables within each country. A series of Fisher r-to-z transformations were used to determine whether the correlation coefficients among the study variables differed between the two country subsamples. The p-values for all tested coefficients were greater than 0.10 (the largest absolute value of z was 1.21). Thus, while there are some significant differences in the mean values between the Chilean and Malaysian subsamples, there are no such differences between the samples

Table 5. Pearson Correlations Among Study Variables in the Malaysian Subsample.

Variable	EO	OCE	BR	PERF	SIZE
EO	1.00				
OCE	0.32***	1.00			
BR	0.09	0.34***	1.00		
PERF	0.34***	0.11	0.20**	1.00	
SIZE	0.16	−0.30***	−0.04	0.11	1.00

Source: Authors' original work.

Note: Variables are defined in Appendix.
***$p < 0.01$ **$p < 0.05$.

regarding the correlations among study variables. Therefore, we conclude that it is appropriate to combine the samples into a single sample to test all the hypotheses using SEM. Nevertheless, we also report the SEM results by country.

Fig. 1 shows the results of the SEM analysis conducted using AMOS 25.0 in SPSS. The fit statistics were obtained using maximum likelihood estimation and using the modification index that provides evidence of all significant paths. The lack of significance of the Chi-square statistic and the fit statistics (AGFI, NFI, and CFI statics are 0.97 or higher, and RMSEA is 0.01) suggest that the model shown in Fig. 1 can be used to test our hypotheses.

Fig. 1 shows that the most significant path coefficient is between OCE and BR (0.40), and given that for testing hypothesis *H4* we had to test for the moderation effect of OCE we redid the SEM analysis in AMOS for the Malaysian versus Chilean sub-samples. As expected, the OCE to BR relationship is stronger for the Chilean subsample than the Malaysian subsample (see Fig. 3 path coefficient between OCE and BR of 0.43 vs. Fig. 2 path coefficient between OCE and BR of 0.35). Thus, using Figs. 1–3 we discuss the results in terms of providing support for our hypotheses.

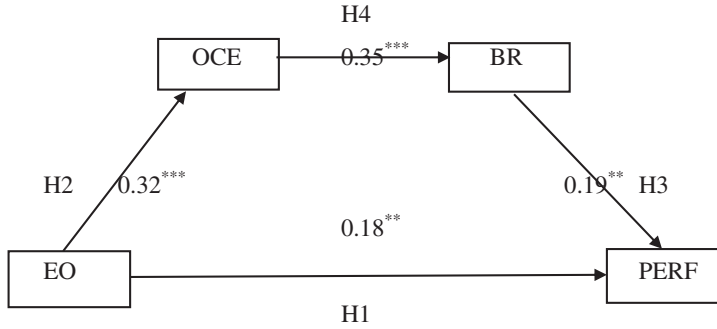
Hypothesis *H1* states that firms with higher EO would have higher firm performance. Fig. 1- full sample results show that the path coefficient from EO to

Table 6. Pearson Correlations Among Study Variables in the Chilean Subsample.

Variable	EO	OCE	BR	PERF	SIZE
EO	1.00				
OCE	0.28**	1.00			
BR	0.24	0.47***	1.00		
PERF	0.23	0.16	0.30**	1.00	
SIZE	0.10	−0.02	0.10	0.21	1.00

Source: Authors' original work.

Note: Variables are defined in Appendix.
***$p < 0.01$ **$p < 0.05$.

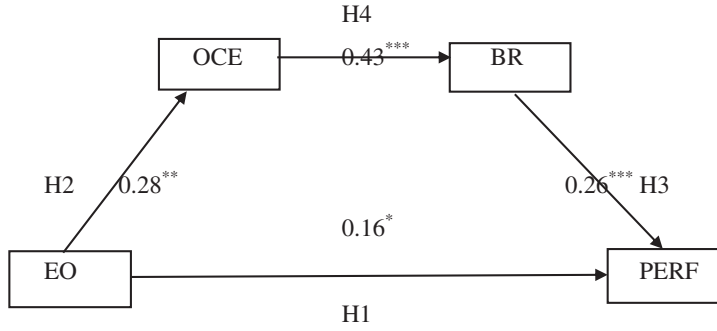


Variables are defined in the Appendix.
Fit Statistics:
$N = 113$
Chi-square = 0.01
Degrees of freedom = 1
Probability level = 0.93
AGFI = 1.00
NFI = 1.00
CFI = 1.00
RMSEA = 0.00
OCE-R^2 = 0.10, BR-R^2 = 0.12, and PERF-R^2 = 0.08
*** Significant at $p < 0.01$ level, ** significant at $p < 0.05$ level.

Fig. 2. Malaysian Sub-Sample Model of Relations Between Entrepreneurial Orientation, Organizational Climate, and Performance. *Source:* Authors' original work.

PERF is 0.18, which is significant at the $p < 0.05$ level. Fig. 2- Malaysian sub-sample results also show that the path coefficient from EO to PERF is 0.18, which is significant at $p < 0.05$ level, but in Fig. 3 the Chilean subsample results show that the same path coefficient is only 0.16 and it is significant only at $p < 0.10$ level. Hence, we conclude that the results provide support for hypothesis *H1* meaning that in both countries the EO directly and positively affects firms' performances.

Hypothesis *H2* states that there is a positive association between the EO leadership style and the perception of OCE. Fig. 1 shows that for the full sample the path coefficient from EO to OCE is 0.27, which is significant at $p < 0.01$ level. Figs. 2 and 3 also show that the relationship between EO and OCE is significant in Malaysian and Chilean subsamples at $p < 0.01$ and $p < 0.05$ levels, respectively. Hence, we conclude that there is support for hypothesis *H2* which means that in both countries entrepreneurial employers positively influence the firms' OCE.[7]



Variables are defined in the Appendix.
Fit Statistics:
$N = 52$
Chi-square = 0.01
Degrees of freedom = 1
Probability level = 0.91
AGFI = 0.99
NFI = 0.99
CFI = 1.00
RMSEA = 0.00
OCE-R^2 = 0.08, BR-R^2 = 0.23, and PERF-R^2 = 0.12
*** Significant at $p < 0.01$ level, ** significant at $p < 0.05$ level.

Fig. 3. Chilean Sub-Sample Model of Relations Between Entrepreneurial Orientation, Organizational Climate, and Performance. *Source:* Authors' original work.

Hypothesis *H3* states that the managers' perception of the adequacy of BRs is positively associated with the firms' performance. Figs. 1, 2, and 3 show that the adequacy of budget resource (BR) is positively and significantly associated with PERF at $p < 0.01$ level in the full sample and the Chilean subsample, and at $p < 0.05$ level of significance in the Malaysian subsample. Thus, we conclude that there is strong support for *H3* that means in both countries the managers' perception of the adequacy of budget resources is positively associated with firm performance. Hence, in less developed countries where budgeting practices are mostly top-down, the managers' perception of budget adequacy may be more important than the level of budget participation afforded to employees.

Hypothesis *H4* states that the level of OCE affects the relationship between the adequacy of BR and firm performance. To test the relationship between OCE and BR adequacy we conducted a regression analysis with an interaction term for OCE and BR along with our other key constructs and firm size as a control variable; the results appear in Table 7. This regression is conducted using

Table 7. Full Sample Regression Analysis of Key Constructs, Firm Size, and Interaction Effects on Performance (Mean Centered).

Variable	Coefficient		*t*-Value	VIF
Constant	3.591		73.273	–
OCE	0.028		0.326	1.35
EO	0.188		2.339**	1.15
BR	0.244		2.920***	1.24
Size	0.144		1.857*	1.07
OCE*BR	0.043		0.491	1.07
EO*OCE*BR	−0.127		−1.427	1.42
Adj. R^2		0.091		
F-Value		3.729		
Sig. *F*		0.002		
N		165		

Source: Authors' original work.

Note: Variables are defined in the Appendix. And significance levels are: $^{***}p < 0.01$, $^{**}p < 0.05$, and $^{*}p < 0.10$.

mean-centered data to eliminate the threat of multicollinearity that is common in interaction models.

Table 7 regression analysis shows that, after controlling for firm size, for the full sample the OCE*BR interaction is not significant. Similarly, Table 8 – Panel A shows that this interaction result OCE*BR is not significant for the Chilean subsample, too.[8] Thus, our results suggest that there is no support for hypothesis *H4*. However, Table 8 – Panel A shows that the three-way interaction between EO*OCE*BR is marginally significant at the $p < 0.10$ level. Thus, we anticipate there might be limited support for *H4* in the Chilean subsample where due to risk aversion we expected to find many more conservative low entrepreneurial firms. Thus, this moderation hypothesis is further explored in the discussion section.

DISCUSSION AND CONCLUSIONS

To further analyze the three-way interaction between EO*OCE*BR in the Chilean subsample shown in Table 8 – Panel A, we subdivided the Chilean subsample into low and high entrepreneurial firms based on the median EO score. There is no significant OCE*BR interaction in the high EO firms (table not shown), but there is a significant positive OCE*BR interaction at $p < 0.05$ level in the low EO Chilean firms as shown in Table 8 – Panel B. Hence, we examine this significant moderation effect of OCE*BR in the low EO firms using Fig. 4. Fig. 4 suggests that the low EO firms with high OCE perform significantly poorly (at $p < 0.05$ level) due to the low level of budget support or BR, particularly, compared to the low OCE and low BR firms. This explains why the main effect of OCE is significant and negative at the $p < 0.05$ level in Table 8 – Panel B. Hence,

Table 8. Effects on Performance (Mean Centered).

Panel A: Chilean Subsample Regression Analysis of Key Constructs, Firm Size, and Interaction			
Variable	Coefficient	*t*-Value	VIF
Constant	3.197	13.878	–
OCE	0.052	0.343	1.39
EO	0.171	1.244	1.13
BR	0.394	2.517**	1.46
Size	0.213	1.616	1.03
OCE*BR	0.111	0.769	1.23
EO*OCE*BR	−0.275	−1.873*	1.29
Adj. R^2	0.145		
F-Value	3.438		
Sig. *F*	0.040		
N	52		

Panel B: Chilean Subsample Regression Analysis of Low Entrepreneurial Orientation Firms Key Constructs, Firm Size, and Interaction Effects on Performance (Mean Centered)			
Variable	Coefficient	*t*-Value	VIF
Constant	19.618	2.826	–
OCE	−2.017	−2.128**	8.05
BR	−0.973	−1.549	2.32
Size	0.355	1.926*	1.06
OCE*BR	2.951	2.197**	6.35
Adj. R^2	0.132		
F-Value	2.806		
Sig. *F*	0.053		
N	25		

Source: Authors' original work.

Note: Variables are defined in the Appendix. And significance levels are:
$^{**}p < 0.05$, and $^{*}p < 0.10$.

the higher the uncertainty avoidance (in Chilean firms compared to Malaysian firms) the more important it is to align the organizational climate with the appropriate level of employer commitment and firm budgetary support because if they are misaligned it can significantly negatively affect the firm performance. Thus, we conclude there is limited support for hypothesis *H4* in the low entrepreneurial Chilean firms.

An important objective of the study is to investigate whether the relation between EO and firm performance is affected by the management perceptions of OCE and budget adequacy. As noted, the finding of OCE influencing the relationship between EO and firm performance can be due to a mediated-moderated relationship. A mediated-moderated relationship can be examined by studying the indirect relationships between EO>>OCE>>BR>>PERF. Essentially, that means that a higher (lower) psychological safety proxy – OCE and a higher

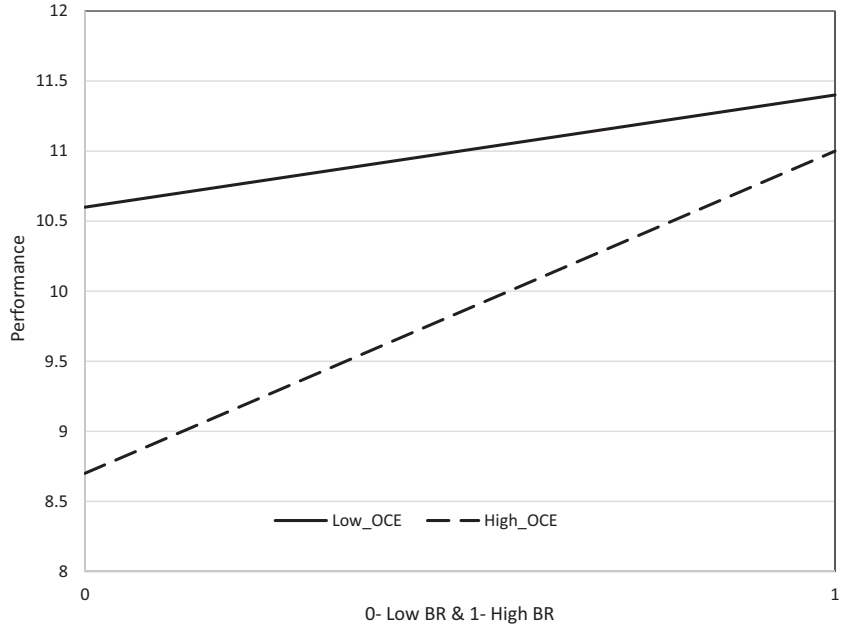


Fig. 4. Chilean Subsample Performance of Low Entrepreneurial Orientation Organizational Commitment (OCE) and Budget Resource Adequacy (BR) Interaction. *Source:* Authors' original work.

(lower) perception of the adequacy of the BR together – is the cause of the higher (lower) relation between EO and firm performance. The indirect path effects between EO>>OCE>>BR>>PERF is 0.02 in Malaysia (see Fig. 2) and it is 0.03 in Chile (see Fig. 3).[9] Hence, the total of the direct and indirect effects between EO and firm performance is 0.20 in the Malaysian and 0.19 in Chilean subsamples. Therefore, in the two countries, the findings suggest that for a firm's EO to affect its firm performance, both OCE and managers' perception of the adequacy of BR have to be high so that the high psychological safety they provide together will allow managers to take the necessary risk, and more importantly one without the other may not help to strengthen the relationship between EO and firm performance. Additionally, in our study, the total effect of EO on PERF is 0.20 which is comparable to what prior meta-analysis studies have documented as the average positive relations between EO and firm performance (see Rouch et al., 2009). Thus, we conclude that the country's effect on the relationship between EO and firm performance is not as important as the effects EO has on OCE and BR in affecting the relationship between a firm's EO and performance.

Consistent with previous research, we find the perception of the adequacy of budgetary support is a significant driver of performance. While the literature suggests that perception of budgetary support is correlated with budget

participation, it may be that, in developing countries, the perception of the adequacy of BR is even more important than participation in the budgeting process. Our results suggest that a positive organizational climate influences performance via perceived adequacy of budgets which positively affects the relationship between EO and firm performance. The results should be interpreted in light of the study's limitations that include concerns about the common methods bias, not collecting data to triangulate the perceptual measures of performance with objective measures such as the number of new unique products launched in a given period, and the influence of national cultural contexts of the countries studied affecting the findings.[10]

Malaysia has the highest power distance on Hofstede's power distance dimension, but both countries are generally rated highly on power distance suggesting that a hierarchical decision-making structure is common in both these countries. In such a context, it would not be surprising for employees to rely on specific leadership direction more than on OCE-based initiative to influence performance; they might be expected to follow leaderships' direction whether or not they feel safe. Additionally, if managers perceive working for an entrepreneurial firm requires intolerable risk-taking, they may choose to give up the traditional contractual work relationships for contingent work arrangements in the digital economy. However, these issues have not been specifically addressed in our current study but should be the subject for future research. Thus, in less developed countries, we encourage future accounting studies to address issues of budget support, psychological safety, and contractual work arrangements as interdependent factors to make contributions to literature in EO, management accounting, human resource management, and leadership studies.

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NOTES

1. https://www.hofstede-insights.com/product/compare-countries/

2. We did not find a significant relationship between EO and BR or between OCE and PERF in either subsample, so we omitted the formal presentation of the development of hypotheses related to these relationships, and they are shown only as broken lines in Fig. 1 and are omitted in Figs. 2 and 3.

3. Before distributing the surveys, we had to obtain approval from the institutional research boards at both institutions that required strict anonymity for the participants of the study. Hence, to ensure that the survey respondents were afforded anonymity, after the

fact we were not able to track a survey to the participant providing us the response to triangulate the subjective measures with objective performance measures.

4. This item was reverse coded such that a score of 1 and 2 was assigned a score of 5 and 4, respectively, and vice versa.

5. Most budget studies use the job performance scale used by Mahoney, Jerdee, Carroll (1963). We did not use this scale that measures constructs such as planning, coordinating, evaluating, and staffing, because our focus is at the firm level, and an individual level scale is more likely to be affected by the common method bias.

6. Also, the highest variance inflation factor that is a measure of multicollinearity in Tables 7 and 8 is much lower than an acceptable factor of 10.

7. We observed that in the full sample, the manager's tenure in the firm is positively and significantly associated with OCE but negatively and marginally significantly associated with EO. And the results are more pronounced in the Chilean subsample that may explain the lower EO to PERF relationship in Chile.

8. OCE*BR interaction is also not significant for the Malaysian subsample.

9. The indirect effect is the multiplicative effect of the path coefficients between EO>>OCE>>BR>>PERF, which is 0.02 (0.32*0.35*0.19) in Malaysia and 0.03 (0.28*0.43*0.26). The total effect is the sum of the direct and indirect effects in Figs. 2 and 3.

10. Since we did not collect data at two different points in time, we cannot rule out reverse causality, which is that the effect is from performance to BR and OCE and not in the direction we hypothesized. However, the leadership studies assume that it is the leaders' behaviors that influence both the organizational climate and the budget resources that affect employee behaviors and performance (e.g., Kohlmyer et al., 2014).

11. Having a path from OCE to PERF worsens the fit statistics, and in the low OCE sub-sample (i.e., Fig. 2 – Panel B) if the analysis includes it the model is not identified. Theoretically, the research evidence is also weak so we did not hypothesize a relation between them.

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APPENDIX

VARIABLE MEASUREMENTS (LABELS)

Multi-Item Scales	Standardized Factor Loadings
Performance (PERF) – A Lot Worse to Much Better (relative to competitors), 1-to-5-point scale.	
1. Profitability achievement.	0.797
2. Improvements in customer loyalty.	0.506
3. Growth in business and orders.	0.889
Cronbach's alpha	0.759
Organizational Commitment to Employees (OCE) – Strongly Disagree to Strongly Agree, 1-to-5-point scale.	
1. The organization really cares deeply about its employees' well-being.	0.839
2. The firm is profoundly concerned about paying the employees what they deserve.	0.743
3. The firm cares deeply about employees' overall satisfaction at work.	0.838
4. If the firm earned more profit, it would share gains by increasing wages and salaries.	0.512
Cronbach's alpha	0.814
Budgetary Support (BR) – Strongly Disagree to Strongly Agree, 1-to-5-point scale.	
1. Usually, the firm budgets sufficient resources to perform the company assigned duties.	0.736
2. The resources budgeted by the firm are usually sufficient to perform the job.	0.784
3. What is expected of an employee is achievable under the budget provided by the firm.	0.721
Cronbach's alpha	0.830
Entrepreneurial Orientation (EO) - Strongly Disagree to Strongly Agree, 1-to-5-point scale.	
1. A strong emphasis on the marketing of tried-and-true products and services.	0.512

(Continued)

Multi-Item Scales	Standardized Factor Loadings
2. Very many new lines of products or services.	0.443
3. Changes in product or service lines have been quite dramatic.	0.295
4. Typically responds to actions which competitors initiate.	0.462
5. Very often is the first business to introduce new products or services, administrative techniques, operating technologies, etc.	0.722
6.A strong preference for high-risk projects (with chances of very high returns).	0.550
Cronbach's alpha	0.665

SINGLE-ITEM SCALES

Country (Country)

0 = Malaysia and 1 = Chile.

Revenue (Company Size)

(1) Less than MYR5.0 million
(2) MYR5.0 million to less than MYR10.0 million
(3) MYR10.0 million to less than MYR50.0 million
(4) MYR50.0 million to less than MYR100.0 million
(5) MYR100.0 million to less than MYR$500.0 million
(6) MYR500.0 million or greater

(MYR: Malaysian ringgit; USD1 = MYR4. In Chile, equivalent Chilean Pesos ranges are used).