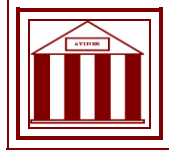


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**The Moderating Role of Self Efficacy  
on the Relationship between  
Organizational Culture and  
Entrepreneurial Behaviors**

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Dr. Gregory T. Papanikos  
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Athens Institute for Education and Research

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## **The Moderating Role of Self Efficacy on the Relationship between Organizational Culture and Entrepreneurial Behaviors**

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### **Abstract**

The role and importance of organizational culture in developing entrepreneurialism, which itself is important in obtaining competitive advantage, has been steadily increasing. Organizational culture affects the entrepreneurial behavior of employees' as it has an impact on many organizational variables. However, it is also believed that there are different impacts of various variables on this effect. The aim of this study is to determine the moderating role of self efficacy on the relationship between organizational culture and entrepreneurial behaviors. The sample of the research is comprised of the employees of small scale defense industry enterprises and the workers of the outsourcing companies working for defense industry. In order to obtain descriptive findings, the research hypotheses are tested using data collected from 583 employees with a questionnaire survey. The results of the research demonstrate that externally focused organizational culture types - developmental culture and rational culture - increase the entrepreneurial behavior of the employees. In addition, the results also prove that the self efficacy has a moderator effect on the relationship between both the developmental culture - entrepreneurial behavior and the rational culture - entrepreneurial behavior. Additionally the analyses of moderating effect were

examined by drawing regression curves in case of low and high level of self-efficacy. In this context, it is determined that low level of self-efficacy has positive moderating effect on the relationship between development culture and entrepreneurial behaviors, while high level of self-efficacy has negative moderating effect and low level of self-efficacy has positive moderating effect on the relationship between rational culture and entrepreneurial behaviors. Finally, the findings are compared with those in the literature and some recommendations are made for executives and researchers.

**Key Words:** Organizational Culture, Development Culture, Rational Culture, Entrepreneurship Behavior, Self Efficacy, Moderating Effect.

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## **Introduction**

Organizational culture is a pattern that connects employees to each other and it consists of widely shared values, rules, beliefs, attitudes, ideologies, assumptions and expectations (Kilmann, et al., 1985). Therefore, organizational culture is a set of values governing the rules of employees' behaviors, shaping the perceptions about processes and procedures, and succeeding in an uncertain environment (Schein, 1986). It also plays a critical role in organizational processes because it functions as a tool that regulates employees' attitudes and behaviors (Pfeffer, 1981; Louis, 1983).

Self efficacy, like organizational culture, is also considered to be an important variable that can influence employees' perceptions and behaviors. Indeed, in the Theory of Social Cognition, perceived self efficacy is expressed as a fundamental factor regulating the human motivation and their actions and affecting their behaviors (Bandura, 1997). Self efficacy is related to the general beliefs about producing high performance on the tasks undertaken in life (Bandura, 1977). Furthermore, it is accepted that self efficacy affects perceptions and attitudes, and that it increases with the experience of employees and that becomes a permanent property related to employees' ability (Phillips & Gully, 1997). For this reason, self efficacy is an important and the most extensively studied variable among those affecting human motivation; and suggestedly having positive effects on the results, exhibited effort, perseverance in the face of failure, the target level of performance and the self-regulation processes (Bandura & Cervone, 1986; Gist, 1987; Stevens & Gist, 1997).

As far as the concept of self efficacy is concerned, it is considered to have a supporting effect with regards to employees' showing an entrepreneurial behavior. Today the concept of entrepreneurship often comes into question. The domains of this concept are considered to be acquired for an important target for managers and employees (Drucker, 1985; Lumpkin & Dess, 2001). Entrepreneurship plays an important role in maintaining the volume of employment, in gaining economic efficiency, in bringing innovation to the market and to the formation of new business areas (Shane & Venkataraman, 2000).

The purpose of this study is to determine the effect of externally focused organizational culture types - developmental culture and rational culture - on employees' entrepreneurial behavior and the moderating role of self efficacy on this effect in the Turkish defense industry enterprises. First, the hierarchical regression analyses have been made to examine the correlations between variables and the moderating effects. After that through the use of regression curves, the moderating effect of low and high levels of self efficacy have been discussed.

Although there are plenty of studies analyzing and assessing the moderating effects of self efficacy in the literature, it is argued that there is room for examining the effects of self efficacy on the relationship between organizational culture and entrepreneurial behavior. In this context, with an



applied research in the Turkish culture, this study is believed to make an important contribution to the literature by proving with regression curves the moderating effects of self efficacy on the relationship between externally focused organizational culture and entrepreneurial behaviors' of employees, and by identifying different findings.

## **2. Conceptual Framework and Hypotheses**

This empirical study was designed to determine the effect of development culture and rational culture on entrepreneurial behavior and the role of self efficacy on this effect. As a preliminary step, the theoretical framework was put forth and the hypotheses were formed on the basis of the existing literature. Within this scope, the relationship between development and rational culture and entrepreneurial behavior was examined. And then the hypotheses dealing with the role of self efficacy on these relations were formed.

### *2.1. Relations among Organizational Culture, Entrepreneurship and Self Efficacy*

Hayton, George, and Zahra (2002) reported that many researchers identified relationships between culture and entrepreneurship on their studies. In the research conducted, some findings have been identified such as organizational culture is being positively correlated with entrepreneurship (Zahra, 1991), organizational culture having a determining influence on entrepreneurship (Covin & Slevin, 1991) and the interaction between culture and entrepreneurship being important. (Seong, 2011).

Some studies have been conducted to investigate the relationships between cultures and innovation - the sub dimension of entrepreneurship. These studies indicated that there was a positive relationship between organizational culture and innovation (Flynn & Chatman, 2001; Heracleous, 2001; Lau & Ngo, 2004; Prajogo & McDermott, 2005; Elenkov & Moral, 2009), although a limited number of studies showed a negative relationship (Jaskyte, 2003; Jaskyte, 2004).

It was determined that a positive relationship existed between development culture and innovative behavior in the sub-culture studies (Akkoç, et al., 2011; Lau & Ngo, 2004). Tseng and Lee (2009) have found that organizational leaders focused on innovation in the rational culture and that organizational (developmental and rational) culture had a positive effect on organizational performance, on the participation and the development of employee relations. It is understood from these studies both the organizational culture and the sub-cultures are important factors affecting entrepreneurship. In this context a positive relationship between both rational and development culture and entrepreneurial behavior is being expected. Thus, in order to test the effects of rational and development culture on entrepreneurial behavior, the below hypotheses are formed in our research model:

***Hypothesis 1:*** *There is a positive relationship between developmental cultural atmosphere in enterprises and entrepreneurial behaviors of employees.*

***Hypothesis 2:*** *There is a positive relationship between rational cultural atmosphere in enterprises and entrepreneurial behaviors of employees.*

Forming the beliefs of self efficacy is expressed as a complex self assessment process in the literature. It is necessary for this process to select, reveal the weight and integrate the information from many sources. Organizational culture can play an effective role in this assessment process. Organizational culture does not only affect the type of information obtained from various sources but also what information is selected, how the weight is measured and how it is integrated in the self efficacy judgments of the individuals. It is accepted that culture affects self efficacy beliefs by influencing the basic systems and the whole human community such as family, school, workplace, community organizations. The daily routine behaviors from different environments provide information about self efficacy of people in different fields of interest (Oettigen, 1995).

According to the Theory of Value-Beliefs, the shared cultural values not only affect the organization and employee behaviors, but also affect the perceptions of acceptability and legitimacy (Hofstede, 2001). Self efficacy plays a profound role in determining employees' frame of mind, partly their business decisions and actions, and their effort and perseverance (Bandura, 1986). Within this framework, studies conducted by Oettigen (1995) show that culture plays a decisive role in determining self efficacy. On the other hand, people with different cultural background tend to have different self competence levels in making career decisions (Mau, 2000).

Findings about the relationship between entrepreneurship and self efficacy have been observed in the studies conducted by researchers (Bandura, 2002; Baum & Locke, 2004). For instance, some research has found that perception of self efficacy has a positive effect on entrepreneurial behavior and that entrepreneurial behaviors increased with the increase of self efficacy (Krueger & Brazeal, 1994; Poon et al., 2006). Besides, a positive relationship between self efficacy and sub-dimensions of entrepreneurship - innovation, risk taking, and proactiveness - has been identified in a study of the IT sector as a sample (Çetin, 2011).

After presenting the relationship among development/rational culture, entrepreneurship and self efficacy variables in the light of theory and empirical research, whether there is a moderating effect of self efficacy on the organizational behavior variables is researched at the next step. In this context, it is found that there was a moderating effect of self efficacy on the relationship among intention-planning-behavior in a longitudinal study in South Korea and Costa Rica (Gutiérrez-Doña, et al., 2009). In another study on the relationship between stress and tension, the moderating effect of self efficacy was determined (Grau et al., 2001; Siu et al., 2005). The other study conducted in Malaysia showed that there was a moderating effect of self efficacy on the relationship between dimensions of organizational structure (formalization and

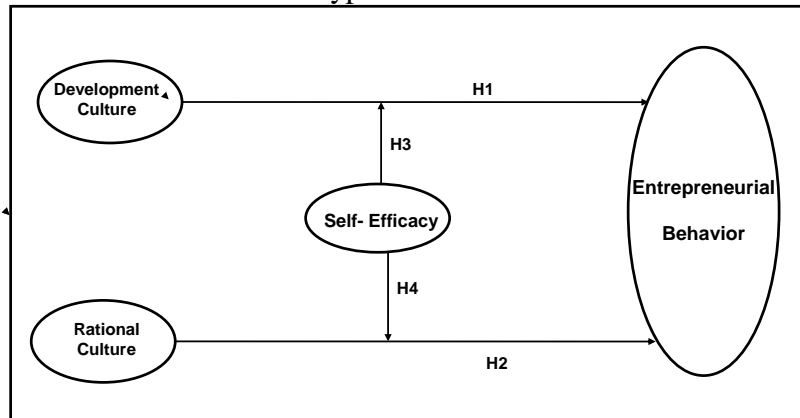
centralization) with organizational climate (negative) and job stress (Nasuridin, et al., 2009).

From the above theories and empirical studies examining the relationships among these variables (development/rational culture, entrepreneurship and self-efficacy), there appears to be a moderating role of self efficacy on the relationship between organizational culture and entrepreneurial behaviors. There is no specific research investigating the moderating effects of self efficacy on this relationship, which we now attempt, in the literature. Taking into account the need to fill this gap, the following hypotheses have been formed to investigate research model.

**Hypothesis 3:** *There is a moderating effect of self efficacy on the effect of development culture in enterprises on the entrepreneurial behaviors of employees.*

**Hypothesis 4:** *There is a moderating effect of self efficacy on the effect of rational culture in enterprises on the entrepreneurial behaviors of employees.*

**Figure 1.** Research Model and Hypotheses



The research model and hypotheses based on theory and empirical studies are presented in Figure 1.

### 3. Research Methodology

In this empirical study, designed to determine the effect of Development Culture (DC) and Rational Culture (RC) on Entrepreneurial Behavior (EB) and the role of Self Efficacy (SE) on this effect, firstly the information on sampling and scales are given. Then, in the light of data obtained from the sample, the analyses of the model are conducted. In this context, Confirmatory Factor Analysis (CFA) of each variable is made and correlations between variables are determined. In order to test the hypotheses and the moderating effect, the hierarchical regression analysis is conducted. In conducting the hierarchical regression analysis, the regression curves are drawn to prove the moderating effect. Finally, the findings resulting from all these

analyses are compared with those in the literature and some recommendations are made for executives and researchers.

### 3.1. *Research Sample*

This research uses the employees of firms in defense industry in Ankara, Turkey as the study target. In this sample there are approximately 10.000 employees. The size of the sampling is calculated as for 384 employees by considering an error margin of 5% within the reliability limits of universe of 95% (Sekaran, 1992: 253). In this context, it has been planned to conduct a questionnaire application on totally 650 employees chosen randomly with the random sampling method according to clustering. 592 of the distributed questionnaires have been returned and 583 of them have been deemed suitable for analysis. The 24,7% of respondents is woman (n=144) and 87,7% of them is married (n=511).

### 3.2. *Measures*

The data collection tool of the research is questionnaire. Cronbach's alpha reliability coefficients of scales are analyzed with SPSS software package and the confirmatory factor analyses are conducted by AMOS program. To be consistent with past research, the scales are adapted from past research in management, organizational culture and organizational behavior (e.g., Pearce et al., 1997; Khandwalla, 1976; Tseng and Lee, 2009). All of the constructs are measured using multi-item scales anchored by 1 (strongly disagree) and 5 (strongly agree).

The scales developed by Tseng (1988), Quinn and Spreitzer (1991), Wang and Shyu (2003) and used by Tseng and Lee (2009) were used in this research in order to measure whether the organizational culture was rational or development culture. The development and rational culture scales consist of 8 items and 4 items respectively. The questions in the 8-item scale are questions such as “*Our company emphasizes creativity and productivity*” and “*Our company emphasizes the importance of a reformist and risk-taking CEO*”. The questions in the 4-item rational culture scale are, on the other hand, “*Our company focuses on reaching its target in a competitive market*” and “*Our company focuses on the competition rivals*”. The Turkish validation of the scale used in this study has been conducted by authors. The Cronbach alfa reliability coefficient has been identified as .73 for the development culture scale and .74 for the rational culture scale in the study of Tseng and Lee (2009).

In order to determine the level of employees' self-efficacy, we applied the scale developed by Khandwalla (1976) and used by Waldman et al. (2001). The questions in the 10-item scale are those like “*I know what I should do when I am faced with a new situation*” and “*My past experiences and accomplishments increase my confidence that I will be able to perform successfully*”. The Turkish validation of the scale used to determine the level of self-efficacy is conducted by authors. The Cronbach alfa reliability coefficient is .86 for this scale in the study of Waldman et al. (2001).

Finally, the scale formed by Pearce et al. (1997) and used by Zampetakis et al. (2009) is employed to measure the employees' entrepreneurial behaviors. The scale is composed of 6 items and the questions are like "I display an enthusiasm for acquiring new skills" and "I create a co-operational and team working climate in my department in order to meet a challenge". The reliability coefficient is .71 for this scale in the original study of Zampetakis et al. (2001) and was considered acceptable. Again, the Turkish validation of the scale is made by authors.

#### 4. Findings

Analyses were conducted using SPSS and AMOS program for the data obtained from the research. In the first phase of the study, CFA is made by AMOS for the variables. Results of the CFA are presented collectively in Table-1.

**Table 1.** Goodness of Fit Values of the Scales as a result of CFA

Variables	X <sup>2</sup>	df	CMIN/DF	GFI	AGFI	CFI	NFI	TLI	RMSEA
			<5	>.85	>.80	>.90	>.90	>.90	<.08
<b>1. Development Culture (DC)</b>	9.95	20	.49	.99	.98	.99	.99	.99	.01
<b>2. Rational Culture (RC)</b>	1.76	2	.88	.99	.97	.99	.99	.99	.02
<b>3. Self Efficacy (SE)</b>	27,3	9	3.03	.99	.98	.98	.99	.99	.01
<b>4. Entrepreneurial Behavior (EB)</b>	9.2	9	1.03	.99	.98	.99	.99	.98	.01

**Note:** Goodness of fit value ranges is organized according to the "acceptable" standards.

In the second step of the analysis; means, standard deviations and correlation values of the variables related with development and rational culture, self efficacy and entrepreneurial behaviour are examined. Findings are shown in Table 2.

**Table 2.** Means, Standard Deviations and Correlation Values

	Mean	S.D.	1	2	3	4
<b>1. EB</b>	3.85	.74	<b>(.82)</b>			
<b>2. SE</b>	3.79	.73	.86**	<b>(.88)</b>		
<b>3. DC</b>	3.81	.75	.85**	.87**	<b>(.86)</b>	
<b>4. RC</b>	3.78	.79	.77**	.80**	.80***	<b>(.76)</b>

**Note:** The alpha reliability coefficients are shown in parentheses.  
(\*p< .05, \*\* p< .01, \*\*\*p< .001)

As shown in Table 2, there are significant relationships between all dependent and independent variables of the research. For this reason, significant effects among variables are predicted.

In the hierarchical regression analysis conducted to test the hypotheses; age and tenure in the organization as control variables for the employees, development culture and rational culture as independent variables; entrepreneurial behavior as dependent variable and self efficacy as moderator variable are included in the model (Table 3 and 4). Development and rational culture and the self efficacy variables are centralized during the inclusion process in order to prevent collinearity problem (Cohen et al., 2003).

It is found that the relationship between development culture and entrepreneurial behavior is positive and significant ( $\beta = .84, p < .001$ ) and that development culture explains 71% of the variance on entrepreneurial behavior (Table 3). In addition, when the collinearity of the model is checked to control whether there is a problem of multicollinearity, it is seen that there is not a multicollinearity between the variables ( $VIF=1.00, Tolerance=0.99$ ). Thus, hypothesis H<sub>1</sub> is confirmed. According to these results, development culture has a positive effect on the level of employees' entrepreneurial behavior.

**Table 3.** Results of Hierarchical Regression Analyses (Main and Moderating Effects) of Development Culture and Self Efficacy on Entrepreneurial Behavior

Variables	Entrepreneurship		
	Step 1 (Hypothesis 1) $\beta$	Step 2 $B$	Step 3 (Hypothesis 3) $B$
Age	-.02	-.01	-.02
Tenure	-.01	-.01	-.01
DC	.84***	.40***	.13**
SE		.51***	.14**
DC x SE			-.65**
$\Delta R^2$	.71	.06	.04
$\Delta F$	424.2***	147***	122.4***
$R^2$	.71	.78	.82
Adjusted $R^2$	.84	.88	.90
$F$	424.2***	446.8***	467.9***

\*  $p < .05$ , \*\*  $p < .01$ , \*\*\* $p < .001$

As a result of the regression analysis conducted to examine the relationship between rational culture and entrepreneurial behavior, it is observed that there is a positive and significant relationship ( $\beta = .77, p < .001$ ). Rational culture explains 59% of the variance on entrepreneurial behavior (Table 4). Additionally, when the collinearity of the model is checked to control whether there is a problem of multicollinearity, it is observed that there is not a multicollinearity between the variables ( $VIF=1.01, Tolerance=0.95$ ). Thus, hypothesis H<sub>2</sub> is confirmed. According to these results, it is possible to

say that rational culture has a positive effect on the level of employees' entrepreneurial behavior.

**Table 4.** Results of Hierarchical Regression Analyses (Main and Moderating Effects) of Rational Culture and Self Efficacy on Entrepreneurial Behavior

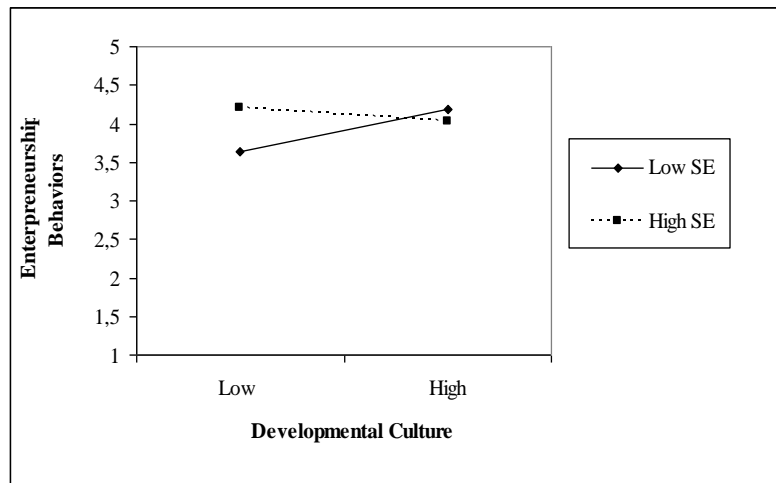
Variables	Entrepreneurship		
	Step 1 (Hypothesis 2) $\beta$	Step 2 $\beta$	Step 3 (Hypothesis 4) $B$
Age	-.01	-.01	-.02
Tenure	-.03	-.01	-.02
RC	.77***	.22***	.05
SE		.68***	.19***
RC x SE			-.68***
$\Delta R^2$	.59	.16	.05
$\Delta F$	246.5***	344.6***	162.8***
$R^2$	.59	.75	.81
Adjusted $R^2$	.59	.75	.81
$F$	246.5***	396.6***	451.5***

\*  $p < .05$ , \*\*  $p < .01$ , \*\*\* $p < .001$

The moderator variable is a kind of variable which affects the power and direction of the relationship between independent and dependent variable (Baron & Kenny, 1996: 1174). In the final phase, the moderating effect of self efficacy according to the results of multiple regression analysis in Table 3 and 4 is examined in order to test the third and fourth hypothesis. As a result of the analysis, it is seen that self efficacy has a moderating effect both on the relationship between development culture and entrepreneurial behavior and on the relationship between rational culture and entrepreneurial behavior. In addition to this, the process suggested by Cohen et al. (2003) is observed in order to make a more detailed examination about the direction of the relationship. Within this context, the meaningfulness of the relationship between development culture and entrepreneurial behavior, in the low and high cases of the moderating variable of self efficacy is tested via the drawn regression curve (Aiken and West, 1991).

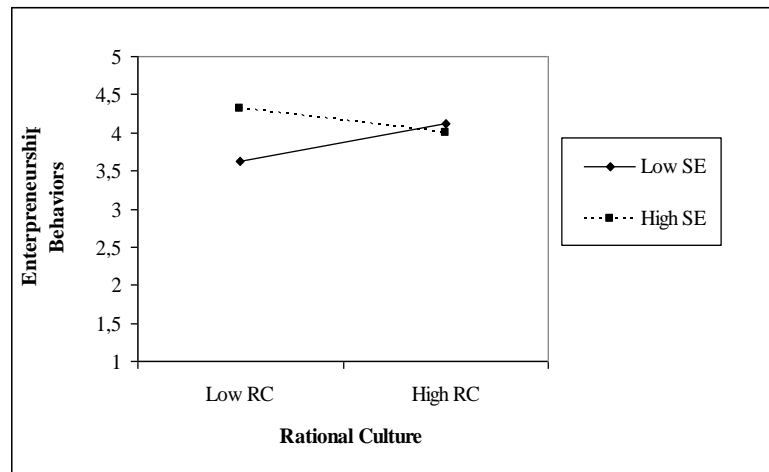
As seen in Figure 2, the relationship between development culture and entrepreneurial behavior is positive and significant on condition that self efficacy is low ( $\beta = .37$ ,  $p < .001$ ). On the other hand, it is observed that this relationship is not significant when self efficacy is high ( $\beta = -.11$ ,  $p > .05$ ). It is also observed that 82% of the variance of the model is explained in consequence of the exchange of development culture and entrepreneurial behavior variables. Thus, hypothesis  $H_3$  is confirmed. In other words, self efficacy has a moderating effect within the scope of this relationship.

**Figure 2.** The Moderating Effect of Self Efficacy on the Relationships between Development Culture and Entrepreneurial Behavior



When Figure 3 is analyzed, it is seen that the relationship between rational culture and entrepreneurial behavior is negative and significant on the condition that self efficacy is high ( $\beta = -.20, p < .001$ ). On the other hand, it is observed that this relationship is positive and significant when self efficacy is low ( $\beta = .30, p < .001$ ). Also 81% of the variance of the whole model is explained in consequence of the exchange of the rational culture and self efficacy variables. Therefore hypothesis  $H_4$  is confirmed; self efficacy has a moderating effect within the scope of this relationship.

**Figure 3.** The Moderating Effect of Self Efficacy on the Relationships between Rational Culture and Entrepreneurial Behavior.



## 5. Discussion and Conclusion

In this study, by conducting an applied research on employees of defense industry in Ankara, the effect of externally focused organizational culture types such as development culture and rational culture on employees'



entrepreneurial behavior and the moderating role of self efficacy has been investigated. We have tried to explain the effects of variables included in the analysis of this research on entrepreneurial behavior with the help of hierarchical regression analysis and structural equation model. With this research in the defense industry, descriptive findings related to the relationship between externally focused organizational culture and entrepreneurial behaviors have been reached.

When results of the analysis are examined, it is determined that developmental culture and rational culture are associated with entrepreneurial behavior and these increase entrepreneurial behavior positively and significantly. However, the effects of developmental culture are relatively high in comparison with the effects of rational culture. This finding is consistent with similar studies (Flynn & Chatman, 2001; Heracleous, 2001; Lau & Ngo, 2004; Prajogo & McDermott, 2005; Tseng & Lee, 2009; Elenkov & Manev, 2009; Akkoç et al. 2011). Although both rational culture and developmental culture are externally focused organizational culture types, these are two different sub-culture types in that rational culture is based on control values and development culture is based on flexibility values. It is expected that these two cultures focusing on different values would have different effects on entrepreneurial behavior. The basis of this expectation is that rational culture focuses on tighter process controls and centralized structure. Because of this, entrepreneurial behaviors of employees would be suppressed and the effects would be very low. On the other hand, it is expected that the effects of developmental culture on employees' entrepreneurial behaviors would be high since the developmental culture focuses on flexibility, innovation, improvement and creativity. But according to the results of the analysis, the effects of rational and developmental culture on entrepreneurial behavior are very close and positive. It is thought that the organizational culture affects the entrepreneurial behavior and this effect via some variables is reflected to the output variables. From this point of view, the moderating role of self efficacy is investigated on the relationship between organizational culture and entrepreneurial behavior. Within this scope, it is determined from the obtained results that self efficacy has a moderating role on the effect of both developmental and rational culture on entrepreneurial behavior.

As a result the developmental culture and rational culture are important variables in improving the employees' entrepreneurial behavior. In today's environment, the detection of the occurrence of entrepreneurial behaviors which are necessary to achieve a competitive advantage taking place more efficiently through some variables such as self efficacy as well as creating externally focused organizational culture is an important finding obtained in this study. In this context, it can be proposed to business leaders and managers that if the values' and beliefs' of developmental and rational culture were made more obvious, the entrepreneurial behaviors exhibited by employees would be increased. On the other hand, entrepreneurial behaviors may occur more easily if the self efficacy of employees' is supported.

As in other studies, our work also has some limitations. Firstly, it is an important limitation that the study has been conducted only in defense industry. The research findings obtained in this study may become more meaningful in the case if other industries are included in future studies. Secondly, only externally focused organizational culture types have been taken into account in the research. However, it is thought that taking internally focused organizational culture with compatible variables into consideration will make it possible to obtain more descriptive findings. Another important limitation is that it is not conducted as a longitudinal study. Research results obtained from intermittent periods of time is considered to be more descriptive.

In the subsequent studies, we suggest that the effects of internally focused organizational culture types on improving entrepreneurship be investigated by taking into account the moderating role of some other variables such as self efficacy.

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