

# Top management team conflict and entrepreneurial strategy making in China

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**Abstract** How does top management team (TMT) conflict influence entrepreneurial strategy making of new ventures? With a sample of new ventures in China's technology industries, this study examines the conditions under which TMT cognitive conflict and affective conflict are associated with entrepreneurial strategy making. We found that cognitive conflict among TMT members had a positive relationship with entrepreneurial strategy making. Further, the positive relationship between cognitive conflict and entrepreneurial strategy making was moderated by dysfunctional competition and team deftness.

**Keywords** TMT conflict · Entrepreneurial strategy making · New technology ventures

In recent years, a growing body of literature has paid attention to the role of entrepreneurial strategy making in firm performance (e.g., Dess & Lumpkin, 2005; Lumpkin & Dess, 2001; Wiklund & Shepherd, 2003). Entrepreneurial strategy making, as a strategy making mode, captures the organizational processes, methods, and styles that firms use to develop and implement their strategic decisions. It specifically reflects the extent to which a firm is committed to risk taking, innovation, and proactiveness in developing and implementing its strategies (Miller & Friesen, 1983). Previous studies have generally found that entrepreneurial strategy making contributes to firm profitability and growth, particularly in certain environmental and strategic conditions (Covin & Slevin, 1989; Dess, Lumpkin, & Covin, 1997).

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What are the factors that may lead firms to be entrepreneurial in their strategic decision-making? While the extant literature has focused on such antecedents as environmental factors (e.g., Covin & Slevin, 1989; Miller & Friesen, 1983) and individual-level factors (e.g., Gartner, 1985), scholars have called for more research on its antecedents at different levels (Zahra, Jennings, & Kuratko, 1999). In particular, the upper echelons perspective (Hambrick & Mason, 1984) has suggested that a firm is a reflection of its dominant coalition, especially its top management team. As principal decision makers, top managers use their pre-existing knowledge structure to selectively interpret information obtained both internally and externally (Hambrick & Mason, 1984; Ocasio, 1997), and therefore their personal characteristics have important consequences with regard to a firm's decision-making process. Unfortunately, we could not find any study that has linked a firm's top management with its entrepreneurial strategy making.

The research question of this study is: How does top management team (TMT) conflict influence entrepreneurial strategy making in new ventures? Conflict is often seen in organizations because of the complexity and interdependence of organizational life (Pondy, 1967, 1992), and group conflict has important implications for team effectiveness, cohesion, and performance (Jehn, 1995; Pelled, 1996; Stewart, 2006). In particular, conflict is usually inevitable in TMTs of new ventures because top managers often face situations with high ambiguity, high stakes and extreme uncertainty (Eisenhardt, 1989). Research has indicated that new ventures are more often founded by teams rather than by solo entrepreneurs (Kamm, Shuman, Seeger, & Nurick, 1990). Strategic decision-makings in these firms are often made collectively instead of by individual entrepreneurs (West, 2007). Given the relatively simple organization infrastructure of new ventures, researchers have argued that the influence of TMTs in new ventures is typically stronger than in other types of firms (Daily, McDougall, Covin, & Dalton, 2002). Indeed, scholars have paid attention to how conflicts among entrepreneurial team members affect new venture performance (Ensley & Pearson, 2005).

Our study attempts to enrich this line of research by examining the role of TMT conflict in the entrepreneurial strategy making of new ventures. We conducted our study with a sample of new technology ventures in China's transition economy. Because previous studies are mainly limited to firms operating in Western developed markets with relatively stable institutional environments, we know little about how TMT conflict matters in the Chinese firms that are experiencing significant changes as China's economy moves from central planning to market competition (Li & Zhang, 2007; Peng & Heath, 1996). Given the significant differences between environments, cultures, and social norms of China and the Western developed markets, Chinese firms may have different problems and require different solutions for entrepreneurial strategy making (Quer, Claver, & Rienda, 2007). We hope our study can improve our understanding of how TMT affects entrepreneurial strategy making in a non-Western environment.

## Literature review and theoretical development

Strategy making is an organization-level process that encompasses the range of activities firms engage in to formulate and enact their strategic missions and goals.

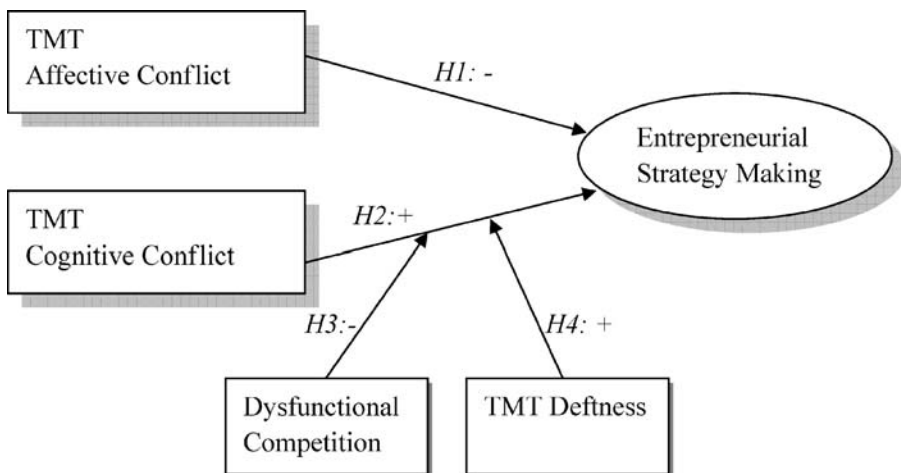
According to Miller (1983: 771), a firm that focuses on entrepreneurial strategy making is the one that “engages in product market innovation, undertakes somewhat risky ventures, and is *first* to come up with proactive innovations, beating competitors to the punch” (italic is original). Thus, conceptually there are three components of entrepreneurial strategy making that have been widely recognized in the literature (Covin & Slevin, 1989; Lee, Lee, & Pennings, 2001; Lumpkin & Dess, 1996): innovativeness, risk-taking propensity, and proactiveness. The component of innovativeness taps a firm’s propensity to engage in novelty, experimentation, and R&D activities that may result in new products or technological processes (Lumpkin & Dess, 1996). Through innovations, firms differentiate themselves from others and achieve competitive advantages. The component of risk-taking propensity refers to “the degree to which managers are willing to make large and risky resource commitments—i.e., those which have a reasonable chance of costly failures” (Miller & Friesen, 1978: 923). Entrepreneurial firms tend to engage in risk-taking behaviors (e.g., making large resource commitments) in the interest of obtaining high returns by seizing opportunities in the marketplace (Lumpkin & Dess, 1996). The component of proactiveness refers to a firm’s propensity of anticipating and acting on future needs by seeking new opportunities (Lumpkin & Dess, 1996; Miller & Friesen, 1978). Proactiveness is a crucial organizational process because it entails a forward-looking perspective.

A firm’s entrepreneurial strategy making can be largely affected by its TMT. It has been found that TMT has a greater impact on the organizational outcomes than do the actions of individual executives (O’Reilly, Snyder, & Boothe, 1993). Finkelstein and Hambrick (1996) specifically suggested that both TMT composition and dynamics are critical determinants of organizational strategy and performance. The effect of TMT composition and dynamics on organizational strategy and performance will be more evident and pronounced in new ventures than in established firms because in new ventures strategic decisions are often made by team cognition rather than by individuals (West, 2007). The strategic management literature has viewed firms as information processing and interpretation systems in which TMT members collect, interpret, and act upon information (Daft & Weick, 1984). TMT members in new ventures are motivated to thoroughly review and process pertinent information from the environment in order to recognize and identify potentially profitable market opportunities, which helps the ventures to develop new products, services, and technologies. TMT conflict—the process resulting from the tension between team members—will have important implications for TMT information processing. According to this information processing perspective, when there are TMT conflicts and these conflicts intensify, cognitive load among TMT members increases and information processing is impeded, which may interfere with cognitive flexibility and creative thinking (Carnevale & Probst, 1998). Thus, TMT conflict has the potential to be linked with a firm’s entrepreneurial strategy making.

Several scholars have made distinctions between different types of conflicts in organizations and have examined how they affect team performance. For example, Priem and Price (1991) characterized the types of conflict as cognitive task-related conflicts and social–emotional conflicts resulting from interpersonal disagreements not directly related to the task. Jehn (1995, 1997) argued that relationship conflict

generally interferes with team performance but that task conflict may enhance team performance. This is because task conflict increases team members' tendency to scrutinize task issues and to engage in deep and deliberate processing of task-relevant information, which fosters learning and the development of new and creative insights (Jehn, 1995). Similarly, Simons and Peterson (2000) argued that teams with task conflict tend to make better decisions because task conflict encourages greater cognitive understanding of the issues being considered. In contrast, relationship conflict limits the information processing ability of the team because team members spend their time and energy on each other rather than on task-related issues. However, in a recent meta-analysis of research on the associations between both relationship and task conflicts and team performance, De Dreu and Weingart (2003) found that for team performance, both task conflict and relationship conflict are equally disruptive. When conflict becomes more intense—regardless of the types of conflict—information processing is impeded and team performance suffers.

In this study we advance the entrepreneurship literature by linking TMT conflicts with new ventures' entrepreneurial strategy making. Our key argument is that in the context of new ventures, entrepreneurial strategy making is a function of the degree of information transfer and sharing among TMT members. Effective information sharing and processing help TMT members reduce their decision-making uncertainty and enhance their innovative and risk-taking activities. Thus, we propose that affective or relationship conflict is negatively related to entrepreneurial strategy making and that cognitive or task conflict is positively related to entrepreneurial strategy making. However, this positive relationship will be moderated by environmental conditions as well as team dynamics. Our contingency approach allows for a fine-grained understanding of the conditions under which cognitive conflict matters in the strategy decision-making of new ventures. Figure 1 depicts our theoretical model.



**Figure 1** A model of TMT conflict and entrepreneurial strategy making

### Affective conflict

Affective conflict exists when there are interpersonal incompatibilities, which typically include tension, animosity, and annoyance among members of a team (Jehn, 1995). Scholars have argued that affective conflict is dysfunctional because it is emotional and personal oriented, focusing on personal incompatibilities or disputes (Amason & Schweiger, 1994). A high level of affective conflict on a top management team may produce suspicion, distrust, and hostility among team members and impede information sharing, thus reducing, in turn, the quality of strategic decision-making. Amason (1996) found that affective conflict decreases strategic decision quality and affective acceptance of other team members. Also, Pelled (1996: 625) argued that affective conflict may “make individuals in the group more resistant to the task-related ideas expressed by other group members”. Affective conflict therefore seems to obstruct the exchange of information and erodes the commitment to one another, thus hindering the process of entrepreneurial strategy making. Based on this, we propose the following hypothesis.

**Hypothesis 1** Affective conflict among TMT members is negatively associated with entrepreneurial strategy making in Chinese new technology ventures.

### Cognitive conflict

Cognitive conflict is task-related and characterized as team members’ perceptual diversity about how to achieve common objectives (Amason & Sapienza, 1997; Pelled, Eisenhardt, & Xin, 1999). Cognitive conflict encourages group members to exercise their voices in the decision process and to develop a more complete understanding of problems, and ensures that the diverse capabilities of managers are tapped in the decision-making process (Jehn, 1995; Schweiger & Sandberg, 1989). Studies indicate that team members experiencing cognitive conflicts are more committed to the decision and its implementation (Amason, 1996). Team members who disagree on key issues are more likely to evaluate additional viable strategic alternatives (Schweiger, Sandberg, & Rechner, 1989) and are more open to multiple perspectives, thereby promoting innovative thinking (Cosier & Dalton, 1990). This is especially important for new ventures because having more strategic alternatives helps new ventures make better decisions (Eisenhardt, 1989).

As noted earlier, some scholars argue that cognitive conflict may have a double-edged sword effect on team performance in that, while generally functional, it may negatively impact team performance as well (e.g., De Dreu, 2006). In the context of Chinese new ventures, we argue that cognitive conflict among TMT members may have a positive relationship with entrepreneurial strategy making. While cognitive conflict somehow leads to the rise of affective conflict, this risk is relatively low in Chinese teams. Considerable research in cross-cultural management and psychology suggests that, when in conflict, Chinese people tend to prefer persuasion over direct confrontation because of the high value they place on harmony and social relationships (e.g., Chen, Liu, & Tjosvold, 2005). Field studies on various types of Chinese teams

have shown that Chinese team members tend to be more cooperative than competitive when they engage in cognitive conflicts (Chen et al., 2005). According to these authors, the Chinese culture of collectivism and “social face” concerns, as well as the influential use of implicit communication have been found to facilitate a cooperative, open-minded and productive discussion of opposing views (Wong & Tjosvold, 2006). In other words, the interactions between cognitive conflict and affective conflict may not be the same as that in the West. Consequently, the positive effects of cognitive conflict tend to outweigh the negative ones in the context of Chinese TMTs. We expect that at a higher level of cognitive conflict a Chinese TMT will be more innovative and entrepreneurial in strategy decision-making.

**Hypothesis 2** Cognitive conflict among TMT members is positively associated with entrepreneurial strategy making in Chinese new technology ventures.

### Moderating effects

The relationship between cognitive conflict and entrepreneurial strategy making may vary under different contexts. For example, it has been argued that the same team may exhibit different behaviors under different environmental conditions (Edmondson, Roberto, & Watkins, 2003). Jehn (1995) found that in complex, “non-routine” task environments, cognitive conflict has a stronger positive impact on team performance. Also, prior research has suggested that intra-team dynamics such as team trust have an important effect on TMT-outcome relationships (Simons & Peterson, 2000). In this section we focus on two important contingency variables: dysfunctional competition and team deftness.

#### Dysfunctional competition

Dysfunctional competition refers to the extent to which the competitive behavior of firms in a market is perceived as opportunistic, unfair, or even unlawful (Li, 2001; Li & Atuahene-Gima, 2001; Peng, 2001). Although dysfunctional competition can exist in any type of economy, it is more likely to occur in transition economies such as China’s. During the transition process, the formal institutions such as the legal framework that defines and protects property rights in China have not been well developed, and therefore firms engage in widespread opportunistic and unlawful behavior in their business transactions (Boisot & Child, 1988). Further, even though the Chinese government has established some formal institutions to protect property rights (e.g., making laws and legal regulations), the informal institutions are still lagging behind. For example, the revolutionary ideology of repudiating property ownership imprinted in the central planning era still exists, and the culture of respecting property rights has not been developed across the country. Not surprisingly, evidence has shown that behaviors such as patent and copyright violations, broken contracts and agreements, and unfair competitive practices have become widespread in China, with the tacit support of local authorities in some cases (Tsang, 1996).

We argue that the positive relationship between cognitive conflict and entrepreneurial strategy making is weaker when dysfunctional competition is high than when it is low. When there is a high level of dysfunctional competition, competitors' strategies become more unpredictable because the rules and norms of business are not necessarily obeyed by all the firms. There is a high level of heterogeneity and variability of market information which escalates the information-processing pressures for the management teams, and leaves firms with fewer strategic alternatives than in a fair environment. Furthermore, the unpredictability and heterogeneity of market structure cause information divergence among team members, and this asymmetric distribution of situational information reduces TMT decision-making effectiveness (Edmondson et al., 2003). Hence, with limited strategic alternatives and asymmetrically distributed information, the positive effect of cognitive conflict on entrepreneurial strategy making will be weakened. Our argument is consistent with De Dreu and Weingart (2003), who found that cognitive conflict negatively impacts team performance but that such impact becomes weaker in a simple task environment than that in a complex condition. Their rationale is that a complex environment requires more cognitive resources, which may be taken away from those needed for task completion. This leads us to propose the following hypothesis.

**Hypothesis 3** In Chinese new technology ventures, the relationship between cognitive conflict and entrepreneurial strategy making is weaker when dysfunctional competition is high than when it is low.

### Team deftness

Team deftness, which is defined as team mutual confidence, trust, and fluency of task execution (McGrath, Macmillan, & Venkataraman, 1995), presents an important antecedent of team effectiveness. It creates effective relationships among teammates and allows effective execution of interrelated activities. While cognitive conflict is vital for TMTs to develop more comprehensive routines, gaining better understanding of the problems, and developing more options for strategic choices (Eisenhardt, Kahwajy, & Bourgeois, 1997), such impact depends upon how well team members understand each other's values and underlying assumptions, and how much mutual confidence and interpersonal trust exists among team members. This becomes especially important in young entrepreneurial firms as they normally lack operating history and managerial capabilities, and have very limited organizational routines to rely on (Cooper, Gimeno-Gascon, & Woo, 1994). Therefore, effective communication and mutual trust are even more important in their strategy making process.

We argue that a TMT with a higher level of team deftness will present a more flexible, efficient, and collective atmosphere in the strategy making process. A high level of team deftness helps to build a cooperative and psychologically safe environment for top managers to freely exchange their views and engage in more open-minded discussions. Studies have shown that a team with mutual confidence and trust tends to resolve conflicts for mutual benefit and is able to integrate different ideas for developing new solutions (Tjosvold, Law, & Sun, 2006). When TMT



members perceive that their team has a high level of deftness, cognitive conflict becomes particularly important because it allows TMT members to build healthy relationships, challenge assumptions and perceptions, disclose information, and make high quality decisions. Consequently, TMT members may be more willing to collaborate in strategy decision-making and devote their efforts to developing entrepreneurial strategies. In contrast, when TMT members perceive that their team has a low level of deftness, cognitive conflict may arouse affective conflict that eventually negatively affects information processing among team members, hindering the process of entrepreneurial strategy making. Hence we argue that team deftness will positively moderate the relationship between cognitive conflict and entrepreneurial strategy making in new ventures. This leads us to propose the following hypothesis.

**Hypothesis 4** In Chinese new technology ventures, the relationship between cognitive conflict and entrepreneurial strategy making is stronger when TMT deftness is strong than when it is weak.

## Methodology

### Sample and data collection

To test these hypotheses, we gathered data from the population of new technology ventures in the Beijing High Technology Experimental Zone (BHEZ) in Beijing, China. BHEZ is one of the most developed high technology industry zones in China, and it has experienced significant growth in terms of number of ventures and industry sales over the past decade. Consistent with the accepted definition of a new venture, all sampled firms were eight years old or younger (McDougall, Covin, Robinson, & Herron, 1994). We drew a random sample of 300 firms from a sample frame of 500 firms compiled by the Administrative Office of BHEZ. These ventures met three criteria used to define a new technology venture in China: (1) the management of the firm was composed of engineers or scientists, (2) 30% or more of the firm's employees were technical employees, and (3) it spent 3% or more of total sales on R&D (c.f. Li & Atuahene-Gima, 2001). We sent a letter to the general managers of these ventures explaining the purpose of the study and inviting their participation in the study.

We collected the data by using an on-site structured interview with a questionnaire. The questionnaire was developed through a back-translation process. That is, the questionnaire was originally prepared in English and then translated into Chinese by two management researchers competent in both languages and with substantial research experience in the subject area in China. To avoid cultural bias and ensure validity, the Chinese version was then back-translated into English by two PhD candidates in management. The questionnaire was then pre-tested in three steps. First, the questionnaire was presented to two management professors who were asked to identify any ambiguous or irrelevant items. Second, we solicited feedback from another four academic experts to critically evaluate the scale items



and their ordering. They were also asked to identify items that failed to capture the construct and to suggest additional items that would capture the entire construct domain. Third, we pretested the questionnaire with founding members from ten technology ventures. In face-to-face interviews, they were asked to point out items or instructions they found confusing, irrelevant, or repetitive and any other problems they encountered. Items that were identified as being problematic were revised or eliminated, and new items were developed.

In most emerging economies such as China, the lack of reliable archival data and an inadequate postal system make the use of archival and mail survey research methods difficult (Xin & Pearce 1996). In addition, these methods do not allow for an in-depth understanding of the actual decision-making processes and their internal dynamics. On-site data collection appears to be the key to gaining access to the right respondents, to ensuring the correct use and understanding of the terms, and to achieving better response rates in these contexts (Li & Atuahene-Gima, 2001). For each interview, a trained interviewer scheduled appointments, presented the key informants with a survey questionnaire, answered general questions, and collected the completed questionnaire. It is believed that top managers typically possess the most comprehensive knowledge of needed information for new ventures. While the ideal may be to use multiple respondents, our pilot test suggested that a multiple-respondent approach is very expensive and time consuming in China. Nonetheless, in 45 cases we surveyed two informants from each of the firms and thus obtained 90 responses as a validation sample. A series of *t*-tests were conducted to determine if there were any response differences between CEO/president respondents and non-CEO/president respondents in terms of the major constructs (with continuous measures). Results of the *t*-test show that there were no statistically significant differences across these two kinds of respondents, which suggests that the single-respondent approach is valid in this study.

Also, as an incentive for participation, respondents were given the opportunity to request a summary report of findings from the completed study. To ensure authenticity of the data, the interviewers were asked to bring back a business card of each respondent. Using the business card, we telephoned each respondent to verify that the interview actually took place and that he or she completed the questionnaire. All respondents confirmed that the interviews did take place and that they had completed the questionnaires.

Of the 202 ventures whose managers agreed to participate, we obtained data from 184 firms. A comparison revealed that the sample closely mirrors the general population. We also examined non-response bias using the procedures recommended by Armstrong and Overton (1971). We found no statistically significant differences in terms of venture size and age between the responding and non-responding ventures. Information received indicated that the new ventures had an average of five top managers. The average age of the new venture was 4.96 years (SD=2.1 years).

## Measures

Preexisting measures were identified where possible and adapted on the basis of the nature of the phenomena under study. For those variables that were unique to the conceptual model developed here, we developed operational measures that were

assessed for content validity through interviews and discussions with managers from new technology ventures and knowledgeable academics.

Following Miller (1983) and Covin and Slevin (1989), we used six items to measure *entrepreneurial strategy making*. Two items measured each of the following components: innovativeness, risk-taking propensity, and proactiveness. The two items measuring innovativeness tap the extent to which the venture favors experimentation and original approaches to problem solving and design its own unique new processes and methods of production. The two items measuring risk-taking propensity tap the extent to which the venture was risk taking in strategic decision-making and has a strong proclivity for high risk projects with chances of very high returns. The two items measuring proactiveness tap the extent to which the venture is quick to seize opportunities and tries to be the first mover in the target market. Results of factor analysis show that these six items load on a single factor (one item for proactiveness was deleted because of low reliability). Thus, we combined the five items together and created a unidimensional construct ( $\alpha=0.75$ ).

*Cognitive conflict* ( $\alpha=0.78$ ) and *affective conflict* ( $\alpha=0.79$ ) were measured by a scale adapted from Amason (1996). Three items were used to measure cognitive conflict: (1) How many disagreements over different ideas about business decisions were there? (2) How many differences about the content of the decisions did top managers have to work through? and (3) How many differences of opinion were there within the team over decisions? We used four items to measure affective conflict: (1) How much anger was there among top managers over business decisions? (2) How much personal friction was there in your TMT during business decisions? (3) How much were personality clashes between team members evident during decisions? and (4) How much tension was there in the TMT during decisions? (1 = none, 5 = a great deal).

*Dysfunctional competition* ( $\alpha=0.71$ ) was measured by four newly developed items. The informants were asked to indicate the extent to which their principal industries have experienced the following in the past years: (1) unlawful competitive practices such as illegal copying of new products, (2) counterfeiting of their firms' own products and trademarks by other firms, (3) ineffective market competitive laws to protect their firms' intellectual property, and (4) increased unfair competitive practices by other firms in the industry. In the literature, some studies have noted that the validity of subjective measures is subject to the assumption that perceptual biases can be largely overcome; otherwise, it can be argued that the measures assess individual or organizational attributes rather than environmental attributes (Castrogiovanni 1991). Others have suggested that business founders and managers are the "experts" whose perceptions have usually been used as indicators of environmental characteristics (Li & Atuahene-Gima, 2001). Subjective measures are used here because it is difficult to find suitable "objective" measures of dysfunctional competition. In particular, we are aware of no suitable alternative measures of dysfunctional competition for multi-industry samples of new ventures.

Adapting from Nerkar, McGrath, and Macmillan (1996), we used eight items to measure *team deftness* ( $\alpha=0.86$ ). The respondents were asked to which degree the following items describe their team members: (1) other members know what to do, (2) other members in the team are competent, (3) team members trust each other, (4) team members understand each other, (5) each member will implement decisions

made by the team, (6) members resist challenging one another, (7) the team has good managerial skills, and (8) members support one another.

Several factors were controlled for in order to account for alternative explanations. They were venture age, venture size, number of founders on the team, industry type, venture origin, and venture ownership. Venture age was measured by the number of years the new venture had been in existence (eight years or less). Venture size was measured by the natural log of the number of full-time employees. The number of founders was measured by the count of founders presented in the current TMT. Industry type was controlled for to reduce potential enough noise in data. Following the practice of the administrators of the technology zones, we classified the sample into four groups: firms in electronic information industries, new energy and new material industries, pharmaceutical industries, and integrated optical communication industries; therefore four industrial dummies were created. Venture origin was controlled for because independent and corporate sponsored new ventures may differ in their strategy making processes and performance. We asked respondents to indicate the venture as either independently owned (coded as 0) or corporate sponsored (coded as 1). Finally, we controlled venture ownership by asking respondents to indicate the current nature of the ownership of the venture as one of the followings: state-owned, collectively owned, domestic JVs, JVs with foreign funds, privately owned, or others.

#### Validation of measures

Our reliance on perceptual measures for both dependent and independent variables raises a concern about the potential problem of common method variance. We followed Podsakoff, MacKenzie, and Jeong-Yeon's (2003) recommendation of integrating both procedural methods and statistical techniques to reduce the potential for common method variance. Regarding procedural methods, we assured the respondents that their answers were confidential and that there were no right or wrong answers to the questions in the survey. Also as noted earlier, through pretest interviews with founding managers from ten technology ventures, we carefully developed our questionnaires to avoid vague concepts and to keep questions simple and specific. These procedures were aimed to reduce the respondents' "evaluation apprehension and make them less likely to edit their responses to be more socially desirable, lenient, and acquiescent, and consistent with how they think the researcher wants them to respond" (Podsakoff et al., 2003: 888).

Regarding statistical techniques, we used Harman's one-factor test to check for the presence of common method variance (Podsakoff & Organ 1986). Significant common method variance would result in one general factor accounting for the majority of covariance in the variables. We subjected all of the five key variables to a factor analysis, which resulted in five factors with eigenvalues greater than 1, with the first factor accounting for only 28% of total variance. This result suggests that common method variance is unlikely to have caused any significant relationships among variables in our study. Further, as noted earlier we surveyed two informants in 45 cases of our sample. This provided multiple respondent data for 24% of our sample. All of the intra-class correlations of matched variables between the two informants were within the range of 0.79 to 0.91 (e.g., correlation for entrepreneurial

strategy making between the two respondents was 0.91), indicating strong inter-rater reliability. Thus, we do not believe that common method variance presents a serious problem in our data. Indeed, a number of studies have suggested that common method variance may not be as much of an artifact as is commonly assumed (e.g., Avolio, Yammarino, & Bass, 1991; Spector, 1987, 2006).

The internal consistency of the scales was assessed by computing Cronbach's  $\alpha$ . All of Cronbach's  $\alpha$  for the final scales exceeded 0.70, providing evidence of generally acceptable reliability. We examined unidimensionality and convergent validity of the constructs with confirmatory factor analysis. The fit indices indicate that the models fit the data well. All items loaded on their respective constructs with each loading large and significant at the 0.01 level. Discriminant validity of the measures was assessed in two ways. First, because no confidence intervals of the  $\phi$  values for the measurement models contained a value of 1 ( $p < 0.05$ ), we concluded that the constructs possessed discriminant validity (Anderson & Gerbing 1988). Second, we conducted a chi-square difference test for all of the constructs in pairs to see if they were distinct from one another. To assess discriminant validity of the constructs, a model in which the correlation between a pair of constructs was constrained was compared with an unconstrained model. To satisfy the discriminant validity criteria, the fit of the unconstrained model should be significantly better than the constrained model. The pairwise tests among the constructs indicate that in each case the  $\chi^2$  difference was significant at  $p = 0.01$  level, providing evidence of discriminant validity.

## Results

The summary statistics and correlations for all the variables included in the study are shown in Table 1. We used multiple regression analysis to test the hypotheses. We formed three hierarchical regression analyses, entering the sets of variables in different orders (see Table 2). In Model 1, only control variables were entered into the regression equation, explaining 7.5% of the variance ( $F = 0.98$ , n.s.). In Model 2, adding independent variables (including the set of TMT conflict variables) to Model 1 increased the variance explained by 35% ( $\Delta F = 15.69$ ,  $p < 0.001$ ). In Model 3, adding the set of environmental and team level moderators to Model 1 increased the variance explained by 7% ( $\Delta F = 6.98$ ,  $p < 0.01$ ).

Hypothesis 1 predicted that TMT affective conflict is negatively associated with new ventures' entrepreneurial strategy making. The regression coefficient for affective conflict is negative but not significant ( $\beta = -0.02$  in Model 2, and  $\beta = -0.02$  in Model 3, n.s.). Thus we did not receive support for this hypothesis. Hypothesis 2 predicted that TMT cognitive conflict is positively associated with entrepreneurial strategy making. The results indicated the relationship between cognitive conflict and entrepreneurial strategy making is positive and significant ( $\beta = 0.21$ ,  $p < 0.05$  in Model 2,  $\beta = 0.23$ ,  $p < 0.05$  in Model 3). Thus, Hypothesis 2 is supported.

Hypothesis 3 proposed that the positive relationship between cognitive conflict and entrepreneurial strategy making is weaker when dysfunctional competition is high than when it is low. Results from Model 3 indicate that this hypothesis is

**Table 1** Means, standard deviations, and correlation matrix.

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Entrepreneurial strategy making	3.75	0.70													
2. Venture age	4.96	2.08	0.01												
3. Venture origin	0.36	0.48	-0.03	-0.11											
4. Venture size	3.78	1.34	-0.04	0.39***	-0.02										
5. Number of founders	4.99	4.08	0.02	0.05	0.06	0.28**									
6. Electronic industry	0.52	0.51	-0.13†	-0.01	-0.06	-0.15*	0.19								
7. New energy / New material industry	0.08	0.28	0.10	0.20*	0.03	0.14†	-0.08	-0.32***							
8. Pharmaceutical industry	0.11	0.31	0.16*	-0.08	-0.15†	0.11	-0.05	-0.36***	-0.11						
9. Integrated optical industry	0.18	0.38	-0.15†	0.04	0.02	0.05	-0.10	-0.48***	-0.14†	-0.16*					
10. Venture ownership	0.78	0.42	0.02	-0.12†	-0.29**	-0.12	-0.13†	-0.06	0.01	0.06	0.03				
11. Affective conflict	2.42	0.71	-0.21*	0.08	0.01	0.06	-0.01	0.20*	-0.06	-0.12	-0.08	-0.03			
12. Cognitive conflict	2.72	0.78	0.06	-0.01	0.01	0.06	0.05	0.12†	-0.01	0.04	-0.14†	-0.01	0.59***		
13. Dysfunctional competition	3.36	0.80	0.22**	0.01	0.09	-0.06	-0.03	0.01	0.05	0.08	-0.11	-0.07	-0.06	0.05	
14. Team deftness	3.77	0.75	0.52***	-0.18*	-0.10	-0.11	0.05	0.06	-0.06	0.06	-0.05	0.11	-0.48***	-0.25**	0.10

† $p < 0.1$   
 \* $p < 0.05$   
 \*\* $p < 0.01$   
 \*\*\* $p < 0.001$

**Table 2** Results of regression analyses for entrepreneurial strategy making.

Variables	Model 1	Model 2	Model 3
Venture age	0.01	0.11	0.09
Venture origin	-0.04	-0.00	-0.03
Venture size	0.00	0.04	0.01
Number of founders	0.04	-0.01	-0.00
Electronic industry	-0.27†	-0.35**	-0.38**
New energy/new material industry	-0.02	-0.06	-0.08
Pharmaceutical industry	0.01	-0.07	-0.09
Integrated optical industry	-0.27*	-0.27*	-0.28**
Venture ownership	0.00	-0.03	-0.03
Affective conflict		-0.02	-0.02
Cognitive conflict		0.21*	0.23*
Dysfunctional competition		0.13†	0.11
Team deftness		0.59***	0.59***
Cognitive conflict × dysfunctional competition			-0.17*
Cognitive conflict × team deftness			0.18*
<i>R</i> -square	0.08	0.42	0.49
Adjusted <i>R</i> -square	-0.00	0.35	0.42
<i>F</i> value	0.98	16.68***	22.68**
$\Delta R$ -square		0.35	0.07
$\Delta F$ value		15.69***	6.98**

Standardized regression coefficients are reported

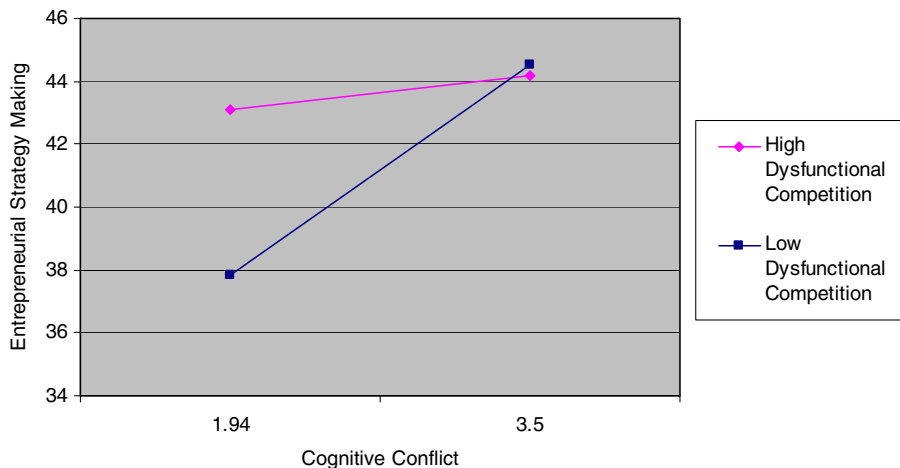
† $p < 0.1$

\* $p < 0.05$

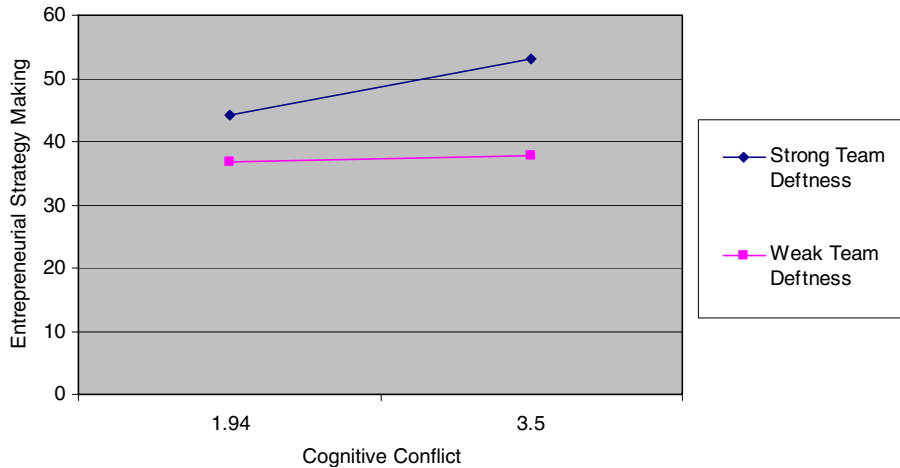
\*\* $p < 0.01$

\*\*\* $p < 0.001$

supported ( $\beta = -0.17, p < 0.05$  in Model 3). To facilitate interpretation, we plotted this significant interaction effect in Figure 2. In order to create this figure, all variables in Model 3 except dysfunctional competition and cognitive conflict were constrained to their means. Dysfunctional competition and cognitive conflict took the values of one



**Figure 2** The moderating role of dysfunctional competition



**Figure 3** The moderating role of team deftness

standard deviation below and above the mean. As shown in Figure 2, when dysfunctional competition is low, cognitive conflict has a significant positive relationship with entrepreneurial strategy making. However, when dysfunctional competition is high, this positive relationship becomes less significant. Thus, Hypothesis 3 is supported.

Finally, Hypothesis 4 suggested that the relationship between cognitive conflict and entrepreneurial strategy making is stronger when team deftness is strong than it is weak. Our results indicate a significant and positive beta for team deftness moderator ( $\beta=0.18, p<0.05$  in Model 3), thus supporting this hypothesis. Following the same procedure described above, we plotted this significant interaction effect in Figure 3, which shows that the relationship between cognitive conflict and entrepreneurial strategy making is significantly positive when team deftness is strong. However, when team deftness is weak, this relationship becomes non-significant. Thus, Hypothesis 4 is supported.

Among the control variables, our findings indicate that two types of industries had significantly negative relationship with entrepreneurial strategy making. It appears that new ventures in non-electronic information (non-integrated optical) industries tend to be more entrepreneurial than those in the electronic information (integrated optical) industry. In addition, we found significant positive relationship between TMT deftness and entrepreneurial strategy making, confirming prior research on the positive impact of team trust, understanding and coordination on the decision-making process.

## Discussion

### Contributions

This study examined how TMT conflict is associated with entrepreneurial strategy making in Chinese new ventures. Building upon an information processing



perspective, we argued that entrepreneurial strategy making is a function of the degree of information transfer and sharing among TMT members. Results from a sample of new ventures in China's technology industries generally support our hypotheses. Specifically, we found that cognitive conflict among TMT members had a positive relationship with entrepreneurial strategy making. Our results showed that this positive relationship was moderated by dysfunctional competition and team deftness. However, we did not find any significant relationship between affective conflict and entrepreneurial strategy making.

We believe that this is the first empirical research to link TMT conflict with entrepreneurial strategy making. The extant literature has mainly focused on environmental and individual factors as antecedents of entrepreneurial strategy making, and few studies have examined the role of TMT in this process. Our study fills a gap in the literature by enriching our understanding of how different types of TMT conflict play their roles in entrepreneurial strategy making. Further, by focusing on TMTs in Chinese new ventures, we have extended our understanding of the relationship between the TMT and entrepreneurial strategy making in a non-Western institutional context.

Our findings add to the current literature of the role of cognitive conflict in strategy decision-making process. Prior studies have found that while cognitive conflict benefits the team decision-making by stimulating open discussion and innovative approaches to problem solving, it also contains the risk of raising the level of affective conflict among team members, therefore undermining team decision-making process (De Dreu, 2006). The results of our study, however, confirm the positive influence of cognitive conflict in Chinese new ventures, suggesting that a TMT with a higher level of cognitive conflict will be more entrepreneurial in its strategic decision-making. Interestingly, we did not find the double-edged sword effect of cognitive conflict in Chinese TMTs, nor did we find the negative effect of affective conflict on entrepreneurial strategy making. Studies from cross-cultural management and Chinese TMTs may be able to offer some explanations. For example, studies have found that Chinese values of maintaining harmonious relationship and social face may motivate Chinese team members to be more supportive of open conflict (Chen et al., 2005), and they are more able to develop respect and openness to different views under certain circumstances (Tjosvold et al., 2006). The emphasis of cultural influences answers the call for more research on contextual variables in emerging economies (Quer et al., 2007). Nevertheless, future studies need to further explore the cultural influences on top management team dynamics and how these influences may be linked with the team-strategy relationship.

Our findings of the moderating effect of dysfunctional competition suggest that the positive effect of cognitive conflict may vary depending upon environmental context. These findings are in line with the contingency view of strategic leadership which suggests that TMTs may perform differently in different situations (Edmondson et al., 2003). Specifically, our findings suggest that when controlling for TMT cognitive capacity, TMT conflict has less impact on entrepreneurial strategy making when the environment is characterized by unpredictable, ambiguous, or even false information. However, as China is continuously improving its institutions and professionalizing the business environment (Ahlstrom, Bruton, & Yeh, 2007), we

would expect TMT's influence on entrepreneurial strategy making to be more salient as the transition progresses. We also found a significant positive moderating effect of team deftness on the relationship between cognitive conflict and entrepreneurial strategy making. The results suggest that the role of cognitive conflict in entrepreneurial strategy making is dependent upon the degree to which TMT members trust, understand, and support each other. Scholars have suggested that the consequences of team conflict will be affected by the approaches the team takes to managing and solving these conflicts (Chen et al., 2005; De Dreu & Weingart, 2003). Consistent with these studies, our findings suggest that a TMT with a high level of deftness will be more able to take constructive approaches to address different arguments and take advantage of cognitive conflict in the strategy decision-making process.

Finally, our study has contributed to the increasing body of research on new venture teams. The existing literature has shown that TMTs play a significant role in new venture growth and success (e.g., Eisenhardt & Schoonhoven, 1990), but most prior studies have focused on team members' demographic characteristics. Our study made an important contribution to this line of research by examining how TMT conflict affects the strategic decision-making process in new ventures.

### Limitations

As does any research project, this study has some limitations. Consistent with most survey research, our results primarily relied on subjective evaluation of the environmental and team variables, therefore common method bias is a concern. As noted earlier, we have implemented both procedural and statistical approaches to improve the reliability and validity of retrospective reporting. We reduced the potential for common method problems by employing previously validated measures (Spector, 1987). Also, with regard to the supported interaction hypothesis it is unlikely that respondents would have an "interaction-based theory" in their minds that could systematically bias their responses to produce these results (Aiken & West, 1981). Our factor analysis of all variables measured with multiple items did not reveal problems with common method variances. Nonetheless, it is important for subsequent research to use multiple informants and to obtain objective data to validate our results.

Although our measures of entrepreneurial strategy making adapted from the literature (Dess et al., 1997) have an established history, the scale could be refined. Prior research has noted that entrepreneurial strategy making is a multidimensional construct that includes innovation, risk taking, proactiveness and aggressiveness (Lumpkin & Dess, 1996). In another study, Lumpkin and Dess (1996) have empirically demonstrated that proactiveness and aggressiveness have differential effects on firm performance and thus represent distinctly different avenues to entrepreneurial success. However, our study empirically shows that these dimensions can be combined. Indeed, the factor analysis results in the study by Dess et al. (1997) also show that entrepreneurial strategy making is unidimensional. Clearly, more research should be done to refine and validate the multidimensional nature of this important construct.

The study's cross-sectional design is also a limitation. Our cross-sectional data do not allow for causal interpretations among the variables. We acknowledge that

entrepreneurial strategy making is not stable but rather changes over time. Hence, our results do not capture the dynamics of how change in the TMTs may affect the evolution of entrepreneurial strategy making (Boeker & Wiltbank, 2005). Future research could investigate the dynamic relationship between TMT attributes and entrepreneurial strategy making by using longitudinal data.

Finally, the sample is limited to new technology ventures in China's transition economy. Thus, the results may not be generalizable to other firms and other economies, and especially to other transition economies. This suggests that more research of this kind in other firms and countries is needed to help draw firm conclusions.

## Conclusion

In summary, with a sample of new ventures in China's technology industries, this study examines the conditions under which TMT cognitive conflict and affective conflict are associated with entrepreneurial strategy making in new ventures. We found that cognitive conflict among TMT members had a positive relationship with entrepreneurial strategy making, and we demonstrated that this positive relationship was moderated by dysfunctional competition and team deftness. The findings of a linear relationship and the moderating effects suggest that to better understand TMT dynamics in a non-Western environment it is important to take into account team differences embedded within the cultural and institutional environments. We hope that our study will facilitate further discussion on the role of TMTs in strategic decision-making of new ventures, particularly in the context of transition economies or emerging markets.

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