Asia Pac J Manag (2014) 31:665–685
DOI 10.1007/s10490-013-9361-9

To be different, or to be the same? The interactive effect of organizational regulatory legitimacy and entrepreneurial orientation on new venture performance

Hai Guo · Jintong Tang · Zhongfeng Su

Published online: 21 June 2013

Abstract New ventures often encounter a strategic dilemma of whether to differentiate themselves from or to conform to other businesses in the industry. The present study joins this ongoing debate by asking the following question: How will organizational regulatory legitimacy and entrepreneurial orientation (EO) interactively impact new venture performance (NVP) in the context of emerging economies? Drawing on institutional theory, we developed competing hypotheses regarding the interactive impact of organizational regulatory legitimacy and EO on NVP. Employing a dataset of 116 entrepreneurial firms in China, results indicate that although organizational regulatory legitimacy and EO improve NVP independently, their interaction is negatively linked to performance. We derive several implications from these findings in an effort to guide future research.

Keywords Institutional theory · Entrepreneurial orientation · Regulatory legitimacy · New venture performance · China

Both building legitimacy with key stakeholders and employing an entrepreneurial strategic orientation have been shown to be crucial in helping new ventures survive, compete, and succeed. Organizational legitimacy has long been recognized as an

H. Guo
School of Business, Renmin University of China, Beijing 100872, China
e-mail: guohai@rbs.org.cn

J. Tang
John Cook School of Business, Saint Louis University, St. Louis, MO 63108, USA
e-mail: jtang3@slu.edu

Z. Su (✉)
School of Business, Nanjing University, Nanjing 210093 Jiangsu, China
e-mail: suzhongfeng@gmail.com

important means to overcome a new venture's liability of newness (Delmar & Shane, 2004; Singh, Tucker, & House, 1986) and to promote new venture growth (Khaire, 2010; Rao, Chandy, & Prabhu, 2008; Zimmerman & Zeitz, 2002). Similarly, entrepreneurial orientation (EO) has been consistently regarded as a prerequisite for wealth creation of new ventures by facilitating the pursuit of entrepreneurial opportunities (Lumpkin & Dess, 1996; Stam & Elfring, 2008).

Although either EO *or* organizational legitimacy can generate beneficial effects for new ventures, the question remains whether adopting EO *and* organizational legitimacy simultaneously can inhibit or enhance new venture performance (NVP). "To be different or to be the same" represents an important question for new ventures due to a dilemma they are facing (Deephouse, 1999; Tan, Shao, & Li, 2012). On the one hand, in order to be recognized as legitimate, new ventures are encouraged *to be the same* as others by conforming to the rules and norms of the institutional environment (DiMaggio & Powell, 1983; Suchman, 1995). On the other hand, in order to avoid cutthroat competition and capture high profit, EO prompts new ventures *to be different* from others by engaging in innovative, proactive, and risk-taking activities (Miller, 1983; Wiklund & Shepherd, 2005). The present study aims to further explore this strategic dilemma by examining whether organizational legitimacy and EO are complementary or contradictory in their effects on NVP.

In the current paper, we highlight China as the research setting for the following reasons. First, only a limited number of studies on new ventures have been conducted in the context of emerging economies. As the research horizon has increasingly expanded to emerging economies such as China, it is critical to learn more about "what is going on there" (Peng, 2003). Further, as new ventures make significant contributions to China's economic growth, knowledge on Chinese new ventures can help shed light on new venture development in other emerging economies. Second, compared to developed economies, China's economy is characterized by a turbulent market environment and pervasive institutional transitions (Li, Guo, Liu, & Li, 2008; Peng, 2003). Rapidly changing environments present tremendous amounts of new business opportunities (Tang, 2010), and new ventures with strong EO are encouraged to pursue these opportunities by taking advantage of imperfect institutions (Guo, Xu, & Mark, 2012). At the same time, however, firms in China are forced to acquire legitimacy (Ahlstrom, Bruton, & Yeh, 2008), due to the institutional constraints that support market mechanisms and the government's widespread and profound influences on business operations (Peng, 2003). Hence, it is important to examine if such simultaneous adoption of EO and legitimacy by Chinese ventures is beneficial or harmful for new venture growth.

This paper makes several contributions. Theoretically, through examining the interactive effect of organizational legitimacy and EO on NVP, we go beyond existing studies that focus on either EO or legitimacy. By taking both EO and legitimacy into account, the current research enhances our understanding of critical factors for the success of new ventures. Drawing on institutional theory, we investigate whether organizational legitimacy and EO are complementary or contradictory in improving NVP, and the findings enrich our knowledge on the debatable "strategic dilemma" of whether a firm should be different or the same (Deephouse, 1999; Tan et al., 2012). Empirically, employing China as our research setting, the current research not only extends the research contexts for studying organizational legitimacy, EO, and new ventures to emerging economies, but also provides a unique and fascinating context for examining boundaries of existing claims (Bruton, Ahlstrom, & Oblój, 2008; Meyer, 2007). Practically, this study can guide new ventures and managerial practitioners to properly capture organizational legitimacy and EO in order to achieve better performance.

Theory and hypotheses

Existing literature indicates that new ventures face both pressures to differentiate and to conform (e.g., Deephouse, 1999; Tan et al., 2012). By being different, a new venture will benefit from increased bargaining power and reduced industrial competition (Porter, 1980). By being the same, a new venture can benefit from improved legitimacy and easier access to external resources (DiMaggio & Powell, 1983; Pfeffer & Salancik, 1978; Suchman, 1995).

Scholars have devoted many efforts to solve this strategic dilemma. Three disparate views exist in the extant literature. Acknowledging that a firm faces a tradeoff between conformity and differentiation, the *strategic balance view* synthesizes differentiation and conformity and suggests that new ventures should balance the pressures to be different and to be the same (Deephouse, 1999). Using longitudinal data from the US airline industry, Norman, Artz, and Martinez (2007) found an inverted U-shaped relationship between competitive non-conformity and firm performance in the regulated period, thus supporting the strategic balance argument. Similarly, McNamara, Deephouse, and Luce (2003) found that secondary firms within a strategic group—those who follow the group strategy loosely—outperform core firms within the group and solitary firms because they are able to effectively balance the benefits of strategic distinctiveness with strategic similarity. The *alternative view*, however, argues that either conforming or differentiating firms will outperform moderately differentiated or moderately conformed firms. For example, by finding a U-shaped relationship between employment-system novelty and organizational productivity in new ventures, Jennings, Jennings, and Greenwood (2009) assert that firms adopting positions of either high conformity or high novelty will outperform other firms. The *ambidextrous view*, on the contrary, suggests that capable firms enjoying both high levels of conformity and high levels of differentiation outperform others. For example, Tan et al. (2012) found that central firms in a cluster can avoid the tradeoff between institutional conformity and competitive differentiation by creating and utilizing their networks to innovate and to shape the institutional environment.

The present study joins this debate by investigating the following question: How will organizational regulatory legitimacy and EO interactively impact NVP in the context of emerging economies? Organizational legitimacy is defined as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (Suchman, 1995: 574). Hence, a new venture is legitimate when its actions meet and adhere to the expectations of the social environment (Rao et al., 2008). Particularly, organizational regulatory legitimacy refers to the consistency of venture behaviors with relevant laws, regulations, rules, standards, and expectations set forth by the governments (Zimmerman

& Zeitz, 2002). By definition, organizational regulatory legitimacy is beneficial to NVP because it enables new ventures *to be the same* as others.

By contrast, as a firm's strategic orientation, EO captures the entrepreneurial aspects of a firm's processes, practices, and decision-making activities (Lumpkin & Dess, 1996). By encouraging innovative, proactive, and risk-taking activities (Miller, 1983), EO helps a new venture generate new ideas (Brettel & Rottenberger, 2013), create new knowledge (Li, Huang, & Tsai, 2009), and launch explorative and exploitative innovations (Kollmann & Stockmann, 2012). All these activities are beneficial for NVP because they enable a new venture *to be different* from others. Although both organizational regulatory legitimacy and EO have been documented to enhance NVP, no systematically conducted studies have explored the interactive effect of EO and organizational regulatory legitimacy on NVP.

Organizational legitimacy: An institution-based perspective

Due to the liability of newness, new ventures often fail to be seen as reliable in the eyes of important stakeholders (Rao et al., 2008). Therefore, new ventures endeavor to build their legitimacy (DiMaggio & Powel, 1991). Organizational legitimacy has its roots in many perspectives, among which the institution-based perspective has been identified as the most important (Suchman, 1995).

Institutional theory is not a single theory but a broad category of different theoretical arguments, with varying underlying logics and assumptions (Xu & Meyer, 2013). For the purpose of this study, DiMaggio and Powell's (1991) "new institutionalism" perspective is adopted. According to this perspective, an organization is viewed as a part of its environment and it must conform to the rules and belief systems prevailing in the environment (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), in order to earn legitimacy (Deephouse, 1996; Suchman, 1995). Scott (1995) classifies institutions into three categories: the regulative, the normative, and the cognitive. Accordingly, organizational legitimacy can be illustrated as the social acceptance resulting from adhering to regulative, normative, or cognitive norms and expectations (Deephouse & Carter, 2005; Zimmerman & Zeitz, 2002).

The new institutional theory suggests that *institutional isomorphism* represents a key avenue to win legitimacy (Meyer & Rowan, 1977). DiMaggio and Powell (1983) identify three mechanisms through which institutional isomorphic change occurs: *coercive*, *mimetic*, and *normative*. Specifically, coercive isomorphism results from two forces: pressures from other organizations on which a focal organization is dependent and pressures from cultural expectations in the society within which organizations function. Mimetic isomorphism is viewed as a response to uncertainty. Normative isomorphism stems primarily from professionalization.

Recently, institutional theory has been widely adopted for research on strategy and entrepreneurship in emerging economies (Bruton et al., 2008; Xu & Meyer, 2013). However, as Bacharach (1989) indicates, all theories are constrained by their boundary-based assumptions. In this study, we argue that the boundary of institutional theory in emerging economies such like China is portrayed by at least two key features. First, due to the existence of pervasive institutional transitions, the formal institutional environment is far from mature with abundant "institutional voids," hence new ventures are often forced to resort to informal institutions such as social networks (Peng, 2003; Xu, Huang, & Gao, 2012). Second, the government is actively involved in the economic development, which is manifested by both government support and intervention (Tjosvold, Peng, Chen, & Su, 2008; Tzeng, Beamish, & Chen, 2011; Xu & Meyer, 2013).

These features have two important implications for the application of institutional theory in the context of China's emerging economy. First, the active role played by the Chinese government strongly motivates new ventures to build *regulatory legitimacy* through the mechanism of coercive isomorphism building (Farashahi & Hafsi, 2009). Second, institutional transitions play the role of a double-edged sword for new ventures. On the one hand, as regulatory legitimacy is attained by conforming to various policies set forth by the governments (Zimmerman & Zeitz, 2002), the existence of institutional voids may weaken the function of organizational regulatory legitimacy. Under the circumstances of underdeveloped or lacking formal institutions, a strong adherence to formal institutions may increase the opportunity cost of regulatory legitimacy. On the other hand, the existence of institutional voids and changes exposes new ventures to abundant business opportunities (Khanna & Palepu, 2010). Institutional voids often indicate imperfections in the stipulation and enforcement of laws and regulations. Once new ventures identify the voids, they can actively recognize and exploit entrepreneurial opportunities by taking advantage of these imperfections (Webb, Thanyi, Ireland, & Sirmon, 2009). Taken together, new ventures in China are indeed caught in a strategic dilemma of whether to differentiate or to conform.

Organizational regulatory legitimacy and NVP

Extant research has documented the critical role played by organizational legitimacy for new ventures (e.g., Rao et al., 2008). For example, using a sample of over 30,000 young firms, Wiklund, Baker, and Shepherd (2010) found that credit-worthiness, a central element of organizational legitimacy, can significantly reduce the liability of newness. In the current research, we refine our focus on organizational regulatory legitimacy (Scott, 1995; Zimmerman & Zeitz, 2002) in response to evidence that it is particularly essential for new ventures operating in emerging economies to acquire regulatory legitimacy due to the weak institutional framework and government-controlled resources (Wong, Fang, & Tjosvold, 2012). Drawing on existing evidence, we argue that organizational regulatory legitimacy is closely linked to improved NVP for the following reasons.

First, high regulatory legitimacy can facilitate resource acquisition. Institutional theory suggests that new ventures with high regulatory legitimacy can gain better access to external resources that are essential to firm performance because they conform to existing regulative institutional environments (Suchman, 1995). In particular, organizational regulatory legitimacy is derived from transactional relationships between the focal venture and the governments (Rao et al., 2008). Thus, it can help the venture gain access to external resources distributed by the governments (Zott & Huy, 2007).

Second, regulatory legitimacy can help a firm secure institutional support from the government in transition environments. For instance, the Chinese government has recently encouraged new ventures to engage in new energy, biotechnology, or environmental protection businesses, for the purpose of transforming China's economic structure. If a new venture corresponds to these institutional expectations actively, an indication of high regulatory legitimacy, it will be easier for the new venture to obtain institutional support from the government.

Finally, new ventures with high regulatory legitimacy can better deal with institutional uncertainties (Dacin, Goodstein, & Scott, 2002). Although the regulatory environment during institutional transitions is constantly changing, a new venture with high regulatory legitimacy will be less influenced by the turbulent environment (Guo et al., 2012; Tang, 2010). Furthermore, these firms have a unique advantage to respond quickly to business opportunities induced by institutional changes, and thus the potential to establish first-mover advantages.

Hypothesis 1 Organizational regulatory legitimacy is positively related to new venture performance.

EO and NVP

A firm's EO is characterized by three fundamental aspects: innovativeness, proactiveness, and risk taking (Miller, 1983). Proactiveness highlights "seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and brands ahead of competition, and strategically eliminating operations which are in the declining stages of life cycle" (Venkatraman, 1989: 949). Thus, EO enables new ventures to proactively act upon future needs by seeking new opportunities, which has the potential to help a new venture obtain first-mover advantages (Zahra & Covin, 1995). Innovativeness facilitates seizing opportunities through "engaging in and supporting new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes" (Lumpkin & Dess, 1996: 142). Risk-taking encourages committing resources to projects with high failure rates and unknown outcomes (Wiklund & Shepherd, 2005), such as borrowing heavily or investing in disruptive technologies (Lumpkin & Dess, 1996). Thus, risk-taking behaviors of new ventures enable firms to embark on proactive and innovative initiatives to alter the competitive landscape of the market (Covin & Slevin, 1991), especially in dynamic competitive environments (Wiklund & Shepherd, 2005). Thus, EO has long been recognized a key antecedent to high NVP (e.g., Rauch, Wiklund, & Lumpkin, 2009; Stam & Elfring, 2008).

The positive effect of EO on NVP is particularly noticeable for new ventures operating in emerging economies. In emerging economies, the formal institutions supporting free markets are evolving (Peng, 2003; Puffer, McCarthy, & Boisot, 2010). Under such circumstances, it is extremely difficult for new ventures to compete with mature firms by adopting similar business models. In the meanwhile, as markets and institutions are still under development, significant institutional voids are resulting from an inadequate institutional infrastructure (Khanna & Palepu, 2010). Institutional voids provide new ventures with various opportunities to shape new segments in the markets (Liu, 2011). Hence, in the current situation of emerging economies, it is more beneficial for new ventures to exploit new market segments through identifying and exploiting opportunities rather than competing with mature firms directly.

Hypothesis 2 Entrepreneurial orientation is positively related to new venture performance.

Interactive effect of organizational regulatory legitimacy and EO on NVP

As both organizational regulatory legitimacy and EO contribute to NVP, new ventures may strive to capture them simultaneously in order to achieve higher performance. However, as discussed above, in the context of emerging economies, the inherent logics to explicate the interactive effect of regulatory legitimacy and EO on NVP may be more complicated than what we expected.

According to the new institutional theory, organizational regulatory legitimacy can be attained through coercive isomorphism (DiMaggio & Powell, 1983). Coercive isomorphism, in turn, is driven by pressures from the governments on which a new venture is dependent. This thought is analogous to the resource dependence theory, which views organizations as constrained by those on whom they depend for resources (Pfeffer & Salancik, 1978). Resource dependence theory suggests that organizational regulatory legitimacy is derived from transactional relationships between the focal venture and the governments (Rao et al., 2008). It can help the venture to gain access to external resources distributed by the governments (Zott & Huy, 2007). Further, such transactions signal that the new venture is reliable, which can facilitate the new venture to acquire resources from other entities (Zimmerman & Zeitz, 2002). Following this line of thinking, organizational legitimacy and EO are *complementary* in enhancing NVP. The rationale for this function is explicated below.

As a resource-consuming strategic orientation, EO often requires large resource commitment (Covin & Slevin, 1991), that is, proactiveness, innovativeness, and risk-taking all “involve making large resource commitments to risky projects, untried technologies, new products or services to the market” (Tang, Tang, Marino, Zhang, & Li, 2008: 222). Thus, only with sufficient resources can EO be translated into higher performance (Covin & Slevin, 1991). High regulatory legitimacy, reckoned as a particular type of firm resource (Khaire, 2010), can help new ventures gain better access to other EO-supporting resources (Zimmerman & Zeitz, 2002). As suggested by the resource dependence theory (Pfeffer & Salancik, 1978), due to their insufficient resource endowments, new ventures depend more strongly on the external environment for resources to pursue entrepreneurial strategies. Thus, organizational regulatory legitimacy can facilitate EO implementation by gaining the new venture access to external resources.

Further, although firms with high regulatory legitimacy are better able to conform to government regulations, they may be less able to deal with turbulent environments, respond quickly to opportunities, or establish first-mover advantages as they are less sensitive to market changes. As EO enables new ventures to mobilize internal and external resources to explore and exploit opportunities induced by environmental uncertainties, high EO can help the new venture to more effectively mitigate the adverse impact of environmental uncertainties and to better take advantage of the resources in the external environment. Thus, high EO can enhance the positive effect of regulatory legitimacy by exploiting the business opportunities existing in the turbulent environment.

Hypothesis 3a The interaction of organizational regulatory legitimacy and entrepreneurial orientation is positively related to new venture performance.

The constrained boundary of institutional theory in emerging economies suggests that the functions of regulatory legitimacy and EO may be contradictory in promoting

NVP. Institutional theory takes institution as “the rules of the game in a society” and depicts what actions are appropriate and what actions are unacceptable or beyond consideration (North, 1990: 3). It views an organization as a part of its environments and concerns how an organization better secures its position by conforming to the rules and norms of the society (Meyer & Rowan, 1977). Consequently, institutional theory highlights that new ventures must comply with their institutional environments, through the isomorphism mechanism, to achieve organizational legitimacy (DiMaggio & Powell, 1991). In short, as organizational regulatory legitimacy is achieved by acting in accordance with the rules and norms of the society (Suchman, 1995), it requires new ventures to “be the same as others.”

EO utilization, however, not only encourages challenging existing rules and practices, but also has the potential to promote changes and the establishment of new paradigms that facilitate entrepreneurial activities (Garud, Jain, & Kumaraswamy, 2002). Often, new ventures with high EO tend to discover and exploit entrepreneurial opportunities by introducing new products, new services, or innovative business models (Perez-Luno, Wiklund, & Cabrera, 2011), which often requires the adoption of a differentiation strategy. Put differently, EO often encourages new ventures to “be different from others” (Puffer et al., 2010). As a result, organizational regulative legitimacy and EO may be in conflict if adopted concurrently.

The contradiction between organizational regulatory legitimacy and EO should be more remarkable in China. New ventures with strong EO are better able to recognize and seize various business opportunities embedded in China’s turbulent business and institutional environments (Li et al., 2008). In the meantime, however, as the institutional framework of China is rather weak and market mechanisms are still under development (Peng, 2003), new ventures are eager to build regulatory legitimacy, in order to gain access to various critical resources controlled by the government (Ahlstrom et al., 2008). If a new venture is committed to build regulatory legitimacy by ways such as nurturing political networks with government officials, it often has to forgo opportunities that could have been seized by taking advantage of imperfect institutions (Guo et al., 2012). Similarly, if a Chinese new venture stresses implementing an entrepreneurial strategy, it may find it crucial to grasp opportunities induced by the underdeveloped institutional framework (Webb et al., 2009), either incrementally or radically, which will often interfere with the firm’s established regulatory legitimacy.

Hypothesis 3b The interaction of organizational regulatory legitimacy and entrepreneurial orientation is negatively related to new venture performance.

Methods

Sample and data

To test the hypotheses, we used the questionnaire survey method. The survey was originally prepared in English and then translated into Chinese. The Chinese version was then back translated into English to ensure accuracy (Brislin, 1980). Several rounds of modifications were made to correct any discrepancies between different versions. A pilot test was conducted with ten executives in six firms, whose responses were excluded from the final analysis. During the pilot test, these executives were asked to check each item carefully to ascertain accurate understanding. Their comments were incorporated into the design of the final questionnaire.

We administered the survey in 2009 in two provinces in China: Shandong and Shaanxi, which represent the fast growing economic development in Eastern and Western China respectively. In the current study, we followed Li and Zhang's (2007) definition of new ventures (i.e., firms younger than 8 years old), and drew a random sample of 300 new ventures from the database maintained by the Economic Commerce Committee (ECC) of these two provinces. We then phoned at least one top management team member from each of these 300 new ventures and requested their participation in our study. Upon their agreement, we conducted structured on-site interviews, rather than mail or online surveys, to solicit responses. We deemed that with on-site interviews, it would be easier to gain honest responses in one-on-one situations while offering respondents an opportunity to ask for clarifications about survey items.

By the end of September 2009, 151 new ventures responded to the surveys. Yet, 35 of them were ineligible due to inadequate completion of the survey instruments. Thus, our final sample is composed of 116 new ventures, reflecting an effective response rate of 38.7 % (116/300). This final response rate is comparable to the ones reported in other studies conducted in China (e.g., Tang & Tang, 2012). Among these 116 new ventures, approximately 87.6 % of them employed fewer than 200 employees. The average age of these new ventures was less than six years old. In terms of firm ownerships, 11.2 % were state-owned enterprises (SOEs), 44.8 % limited companies, 37.1 % private companies, 3.5 % joint ventures, and 3.4 % collective or village firms. About 17.8 % of them reported sales revenue (in RMB Yuan) of less than 1 million, 39.6 % between 1 and 10 million, 30.7 % between 10 and 100 million, and 11.9 % more than 100 million.

t-tests were performed to check for possible non-response bias (Armstrong & Overton, 1977). We compared the responding and non-responding firms along major firm attributes such as firm size, firm age, sales, and ownership, and the results showed that all *t*-statistics were insignificant. Additionally, *t*-tests were performed to check for any significant differences between the samples collected from Shandong and Shaanxi provinces. Results revealed that the two sub-samples were highly similar in terms of basic firm characteristics.

Measures and validation

Table 1 summarizes the items employed to measure the key variables in this study and reports their validity estimates. All items were anchored on a 5-point Likert scale with 1 indicating "strongly disagree" and 5 "strongly agree."

Organizational regulatory legitimacy Based on evidence and suggestions by Suchman (1995) and Zimmerman and Zeitz (2002), we developed five items to measure organizational regulatory legitimacy: (1) what we do is authorized by the governments; (2) what we do is highly appraised by the governments; (3) what we do conforms with policies, rules and regulations; (4) what we do corresponds to the governments' thinking of possible policy adjustments; and (5) what we do often becomes industrial norms recommended by the governments. This measure reflects how a new venture's behaviors are consistent with relevant regulations, rules, and expectations set forth by the governments (Zimmerman & Zeitz, 2002).

Table 1 Measures and validation

Items	Loading
Organizational regulatory legitimacy (α = .833; *CR* = .839; *AVE* = .512; χ^2 = 33.834; *RMSEA* = .104; *CFI* = .924)	
1. What we do is authorized by the governments;	.765
2. What we do is highly appraised by the governments;	.754
3. What we do conforms with policies, rules and regulations;	.633
4. What we do corresponds to the governments' thinking of possible policy adjustments;	.757
5. What we do often becomes industrial norms recommended by the governments.	.660
Entrepreneurial orientation (α = .899; *CR* = .905; *AVE* = .615; χ^2 = 23.070; *RMSEA* = .077; *CFI* = .964)	
1. A strong emphasis on R&D, technological leadership, and innovation;	.695
2. A strong tendency to try new ways of doing things and seek unusual, novel solutions;	.772
3. A strong tendency for high-risk, high-return projects;	.758
4. A strong tendency to initiate actions that competitors respond to;	.844
5. A strong tendency to be a leader, always introducing new products, services, or technology first;	.860
6. A strong belief that bold, unconventional acts are necessary to achieve organizational objectives.	.766
New venture performance (α = .913; *CR* = .913; *AVE* = .724; χ^2 = 20.177; *RMSEA* = .091; *CFI* = .945)	
1. Sales growth;	.848
2. Market share growth;	.811
3. Profit growth;	.905
4. Return on equity.	.839

Entrepreneurial orientation As suggested by Rauch et al. (2009: 767), we viewed EO as a uni-dimensional construct and adopted Li et al.'s (2008) measure to gauge EO: (1) a strong emphasis on R&D, technological leadership, and innovation; (2) a strong tendency to try new ways of doing things and seek unusual, novel solutions; (3) a strong tendency for high-risk, high-return projects; (4) a strong tendency to initiate actions that competitors respond to; (5) a strong tendency to be a leader, always introducing new products, service, or technology first; and (6) a strong belief that bold, unconventional acts are necessary to achieve organizational objectives.

New venture performance Following Chen (2009), new venture performance was measured by a four-item scale. The respondent was asked to rate the extent to which he/she was satisfied with the firm's performance relative to their major competitors in terms of: (1) market share, (2) sales, (3) net profits, and (4) return on equity.

Control variables Six control variables were included. *Firm size* and *firm age* were controlled because previous research has shown that firm size can be highly correlated with sales growth (Baron & Tang, 2009) and older firms are likely to have greater market share and lower growth rate (Li & Zhang, 2007). Firm size was controlled by measuring the current number of employees. As the raw number of employees was skewed (skewness statistic = 3.943), the logged number of employees was used (skewness statistic = .138) as an indicator of firm size. Firm age was calculated as the number of years from founding to present. Due to their inherent high level of regulatory legitimacy, it is easier for SOEs to secure resources and establish competitive advantages than other firms in China (Ahlstrom et al., 2008). Thus, *firm ownership* was controlled with 1 representing "SOEs" and 2 "non-SOEs."

Further, we controlled *access to financial capital* because it may significantly impact NVP (Wiklund & Shepherd, 2005). It was measured with the following statement: "it is easy for my firm to secure sufficient financial support from the market." We also controlled *demand uncertainty* in the industry because its alignment with EO may help a firm better grasp market opportunities (Wiklund & Shepherd, 2005). We asked the respondents whether they agreed with the following statement: "it is very difficult to predict any demand changes in the market place." Finally, we controlled industrial *competitive intensity* by assessing the respondents' agreement with the following statement: "I hear of a new competitive move almost every day." The last three control variables were measured on a 5-point Likert scale with 1 indicating "strongly disagree" and 5 indicating "strongly agree."

The internal consistency reliability was estimated using both Cronbach's alpha and composite reliability. As Table 1 shows, the Cronbach's alpha values and composite reliability values for all constructs were well above .70 (Nunnally, 1978). Next, we conducted confirmatory factor analysis (CFA) to check for convergent and discriminant validity of the constructs with AMOS 18.0. Convergent validity is satisfied when the loading is .70 or higher (Fornell & Larcker, 1981), although the loading can be slightly lower (>.60) for new scales (Nunnally, 1978). Of the 15 items, the loadings for 12 items were above .70 and 3 were above .60. Because organizational regulatory legitimacy is a relatively new measure adopted in the Chinese context, our results demonstrated acceptable convergent validity.

Finally, we employed two tests to verify discriminant validity among the measures. We first followed the procedures recommended by Fornell and Larcker (1981) to calculate the square root of the average variance explained for each of the variables. To demonstrate discriminant validity, this value must exceed the corresponding latent variable correlations. Results in Table 2 provide clear evidence that the constructs are distinct from one another, demonstrating satisfactory discriminant validity. We then conducted chi-square difference tests. For each pair of constructs, we first allowed for correlation between them and then fixed their correlation at 1.0. Results show a significant chi-square difference for any pair of measurement models, which indicates distinctiveness of the measures. For example, comparing a model that allowed for correlation between EO and organizational regulatory legitimacy with a model that fixed their correlation at 1.0 yielded a significant change in chi-square ($\Delta\chi^2_{(\Delta d.f. = 1, n = 116)} = 20.138$, $p < .001$).

Assessing multicollinearity, outliers, and common method bias

Before proceeding to test the hypotheses, we conducted multiple analyses to assure that our test statistics were appropriate given the nature of our sample data. In order to

Table 2 Descriptive statistics and correlation matrix

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9
1. Firm size[a]	1.63	.65									
2. Firm age	5.66	2.45	.206*								
3. Firm ownership	1.21	.32	.106	.115							
4. Access to financial capital	2.83	1.03	.076	−.062	.219*						
5. Demand uncertainty	3.19	.92	−.181	.104	.016	.281**					
6. Competitive intensity	3.55	.84	−.067	.094	−.006	.242**	.527**				
7. Organizational regulatory legitimacy	3.59	.71	.001	.157	.250**	.287**	.190*	.210**	**.716**		
8. Entrepreneurial orientation	3.36	.79	.170	.119	.086	.635**	.333**	.429**	.440**	**.784**	
9. New venture performance	2.68	.87	.371**	.055	.139	.201*	−.126	.069	.169	.220*	**.851**

Diagonal elements (in bold) are the square roots of AVE values; * $p < .05$, ** $p < .01$

[a] Logarithm

minimize the threat of potential multicollinearity, all the independent variables were mean-centered (Aiken & West, 1991). In addition, variance inflation factor (VIF) tests showed that the largest VIF was less than 2.53, well below the benchmark of 5 (Neter, Kutner, & Nachtsheim, 1996). Hence, no significant multicollinearity exists. Potential outliers were examined using leverage values and DfBetas. These analyses found no leverage scores higher than .14 and no standardized DfBetas greater than an absolute value of .81. These values are well within accepted ranges (Neter et al., 1996) and suggest no outliers.

Given the design of our study, common method variance (CMV) might be an issue. Following suggestions of Chang, van Witteloostuijn, and Eden (2010), this study employed multiple statistical methods to evaluate the magnitude of CMV. First, we checked for potential CMV with Harman's one-factor test (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). To test for this potential threat to validity, we entered all the variables into an exploratory factor analysis using principal axis factoring method. We then examined the results of the unrotated factor solution to determine the number of factors. Both the scree plot and Kaiser Criterion yielded 5 factors with eigenvalues greater than one. No single factor was dominant with the first factor explaining 31 % of the variance.

Second, we employed CFA to further test the magnitude CMV (Stam & Elfring, 2008). We did this analysis by comparing a model with all items loaded onto a common method factor, a model with the items loaded onto their theoretically assigned latent variables, and a model with the items loaded onto their latent variables as well as onto an additional method factor. The three-factor model involving regulatory legitimacy, EO, and NVP showed a fairly good fit to the data ($\chi^2_{(d.f.\ =\ 88,\ n\ =\ 116)}$ = 196.285, $p < .001$, CFI = .904, NFI = .893, RMSEA = .093). Comparing the three-factor model to the one common factor model yielded a significant change in chi-square ($\Delta\chi^2_{(\Delta d.f.\ =\ 2,\ n\ =\ 116)}$ = 405.128, $p < .001$). Adding an additional method factor did not significantly improve model fit ($\Delta\chi^2_{(\Delta d.f.\ =\ 15,\ n\ =\ 116)}$ = 21.283, $p > .05$). Thus, CMV is unlikely to be a serious problem in our data.

Third, as suggested by Marsh and Bailey (1991), we further adopted a correlated uniqueness model to evaluate the magnitude of CMV. That is, we compared a model with the items loaded onto their theoretically assigned latent variables and a model that allows the error terms of constructs to be correlated (Podsakoff et al., 2003). Comparing the three-factor model to the correlated uniqueness model yielded no significant chi-square change ($\Delta\chi^2_{(\Delta d.f.\ =\ 12,\ n\ =\ 116)}$ = 17.582, $p > .05$). Overall, these results suggest CMV should not be a major factor that account for our findings.

Results

Table 3 presents the results of the hypothesis tests. In the first step, the control variables were entered. Next, we entered the independent variables. Then the two-way interaction term was added. Incremental R^2 and F-tests of statistical significance were evaluated. An interaction effect exists if the interaction term makes a significant contribution over and above the direct effects of the independent variables (Cohen & Cohen, 1983).

Table 3 Results of hierarchical regression analyses

Variables	New venture performance		
	Model 1	Model 2	Model 3
Controls			
Firm size[a]	.334***	.313***	.299***
Firm age	.135	−.135*	−.140*
Firm ownership	.048	.017	.042
Access to financial capital	.265***	.195*	.215**
Demand uncertainty	−.228**	−.277***	−.289***
Competitive intensity	.099	.098	.077
Main effects			
Organizational regulatory legitimacy (ORL)		.235***	.210**
Entrepreneurial orientation (EO)		.160*	.158*
Interactive effect			
ORL × EO			−.197**
F value	4.917***	2.878**	2.705***
R^2	.301	.373	.415
ΔR^2	.301	.072	.042
Adjusted R^2	.229	.243	.264

[a] Logarithm
* $p < .05$, ** $p < .01$, *** $p < .001$

Hypothesis 1 predicts that organizational regulatory legitimacy is positively related to NVP and Hypothesis 2 proposes that EO is positively related to NVP. Model 2 of Table 3 shows that both regulatory legitimacy and EO are significantly and positively related to NVP (β = .235, p < .001 for regulatory legitimacy; β = .160, p < .05 for EO). These two variables accounted for an additional 7 % (ΔF = 2.878, p < .01) of the variation in NVP, lending support for H1 and H2.

Hypothesis 3a predicts that the interaction of organizational regulatory legitimacy and EO is positively related to NVP while Hypothesis 3b predicts a negative effect of such interaction. Model 3 of Table 3 provides evidence for a negative effect of the interaction of regulatory legitimacy and EO on NVP (β = −.197, p < .01). The interaction term explained an additional 4 % of variance (ΔF = 2.705, p < .01). Thus, H3b is supported and H3a is not.

To facilitate interpretations, we plotted the interactive effects of organizational regulatory legitimacy and EO by following the procedures recommended by Aiken and West (1991). As shown in Fig. 1, organizational regulatory legitimacy has a stronger positive relationship with NVP when the level of EO is lower. Figure 2 further shows that, EO is more strongly related to NVP when organizational regulatory legitimacy is weaker. These results provide additional support for H3b.

Discussion

New ventures often face a strategic dilemma of "to be different, or to be the same." Organizational regulatory legitimacy contributes to NVP by enabling new ventures to be the same as others, while EO improves NVP through encouraging new ventures to

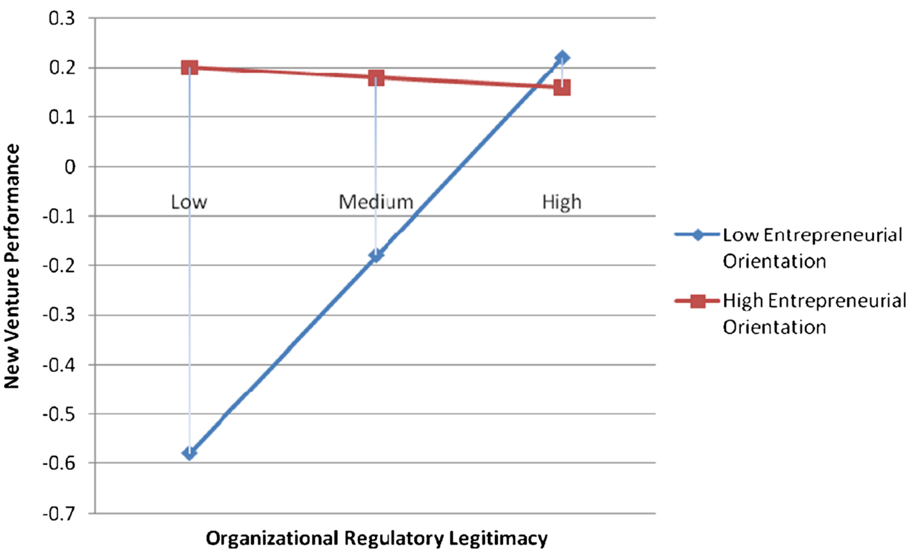

Fig. 1 The moderating effect of entrepreneurial orientation on the relationship between organizational regulatory legitimacy and new venture performance

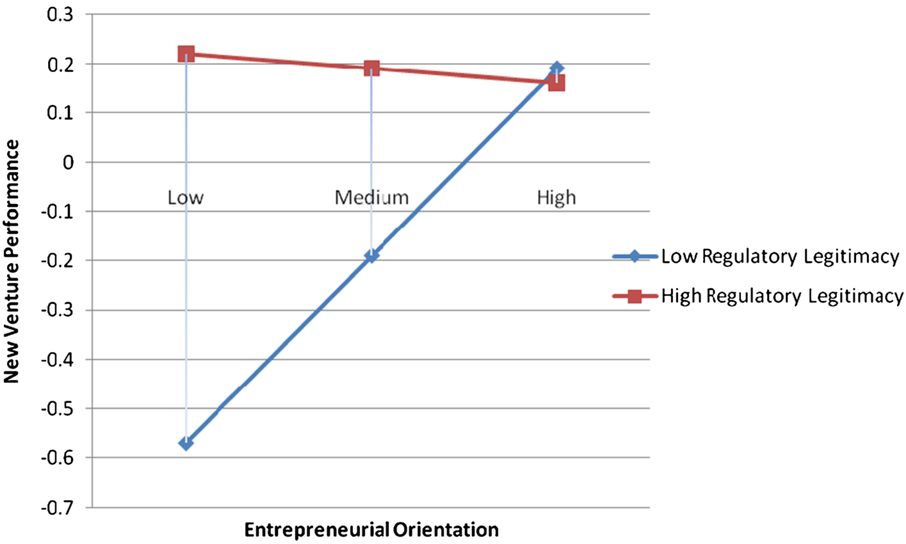

Fig. 2 The moderating effect of organizational regulatory legitimacy on the relationship between entrepreneurial orientation and new venture performance

be different. Existing literature indicates that the employment of either EO *or* organizational legitimacy generates beneficial effects for new ventures. However, the question remains whether adopting EO *and* organizational legitimacy simultaneously will inhibit or enhance NVP. Our findings suggest that although organizational regulatory legitimacy and EO contribute to NVP separately, the interaction of organizational regulatory legitimacy and EO hinders NVP.

Theoretical contributions

The findings of the present research make two major contributions. First, our results provide some fresh insights into the current debate on whether new ventures “should be different or the same” in order to improve performance. Extant literature reveals three different perspectives on this debate: (1) the strategic balance perspective, which suggests that new ventures should balance the two pressures (Deephouse, 1999; McNamara et al., 2003; Norman et al., 2007); (2) the alternative view, which proposes that new ventures should devote efforts to either conform or differentiate (Jennings et al., 2009); and (3) the ambidextrous view, which argues that capable new ventures can manage to benefit from institutional conformity and competitive differentiation simultaneously (Tan et al., 2012). This study goes beyond existing studies that focus on either organizational legitimacy or EO separately, and finds that although organizational regulatory legitimacy and EO independently contribute to NVP, their interaction has a negative impact on NVP. Deephouse (1999) indicates that, facing both pressures to differentiate and to conform, new ventures should maintain a balance between differentiation and conformity. By finding the negative interactive effect of regulatory legitimacy and EO on NVP, our study provides clear evidence for Deephouse’s (1999) strategic balance perspective.

Second, this study contributes to institutional theory by identifying boundary conditions that limit its application in the context of emerging economies. Institutional theory has been increasingly reckoned as a dominant perspective for research in emerging economies (Guo et al., 2012; Xu & Meyer, 2013). However, prior research argues that institutional theory is a broad category of different theoretical arguments rather than a single integrated theory (Xu & Meyer, 2013), and its wide-ranging implications for entrepreneurship research needs further clarification (Bruton et al., 2008). Meanwhile, some scholars suggest that the context of emerging economies provides a unique, fascinating setting for investigating boundaries of the institutional theory (Bruton et al., 2008; Meyer, 2007). Responding to this call, our paper explores the boundary conditions of institutional theory by examining the interactive effect of organizational regulatory legitimacy and EO on NVP in China's emerging economy. Specifically, this study suggests that the active involvement of the government in economic development and pervasive institutional transitions portray the boundary of institutional theory in emerging economies. Under such circumstances, new ventures are motivated to seek regulatory legitimacy and explore entrepreneurial opportunities simultaneously (Ahlstrom et al., 2008; Guo et al., 2012). Therefore, it is crucial for new ventures to balance the pressures of conformity and differentiation in order to enhance NVP.

Practical implications

The present research provides several practical implications. First, entrepreneurs or top management teams of new ventures should be well aware that both organizational regulatory legitimacy and EO are critical for firm growth. For new ventures operating in emerging economies such as China, regulatory legitimacy acquisition is particularly important because their strategic decisions are deeply constrained by relevant laws, regulations, and rules. Alternatively, new ventures can benefit from nurturing and implementing an entrepreneurial strategic orientation by engaging in innovative, proactive, and risk-taking activities.

Second, new ventures should learn to balance the utilization of regulatory legitimacy and EO in order to optimize their performance. Our research suggests that an overemphasis on regulatory legitimacy may constrain a new venture's ability to benefit from EO. By the same token, new ventures with strong EO may intervene with the utilization of organizational regulatory legitimacy. Although the employment of either EO or regulatory legitimacy does indeed generate beneficial effects for new ventures, adopting EO and regulatory legitimacy simultaneously may initiate or be associated with processes that are counterproductive. Thus, the key task for new ventures is that of managing the simultaneous capitalization of regulatory legitimacy and EO so that it does not rise to levels at which the benefits it confers are outweighed by potential detrimental effects.

Limitations and suggestions for future research

While the findings of the present research are generally consistent with theory-derived predictions, they are subject to important limitations. First, the results may suffer from common method variance and the inflated relationships it generates. The magnitude of these potential measurement artifacts were evaluated by means of statistical procedures outlined by Chang et al. (2010) and Podsakoff et al. (2003) as described earlier. And results indicate that the complex pattern of the relationships observed between organizational regulatory legitimacy, EO, and NVP is unlikely to be a result of common method variance. Nevertheless, future studies are needed to collect data from multiple sources to reduce same-source confounds.

Second, the generalizability of our findings is restricted due to the data limitations, and a useful extension would be to conduct this study in other emerging economies, or to conduct comparative studies in developed and emerging economies. For example, in both China and Russia, the void of formal institutions not only indicates the necessity of building organizational legitimacy but also affects entrepreneurship pervasively (Puffer et al., 2010). However, the institutional transitions of China and Russia are different in nature: while China advocates an incremental approach to reform, Russia's reform has been labeled as "shock therapy" (Buck, Filatotchev, Nolan, & Wright, 2000). The question then is: can we replicate the present study in Russia's transitional context?

Third, the cross-sectional data set used in this study does not allow for causal interpretations among different factors. Thus, future research should explore the complex relationships among regulatory legitimacy, EO, and NVP by conducting longitudinal or rigorous experimental studies. Further, since we have not examined the firms in our sample from their initial founding, it is possible that we have oversampled successful new ventures. As Reynolds and Curtin (2008) report, approximately one-third of entrepreneurs will disengage from startup efforts toward the goal of creating a new firm within the first 6 years. Thus, it is important to call attention to this potential survival bias of the present study. Nevertheless, we speculate that the potential threat of survival bias can be weakened by conducting longitudinal or experimental studies because more appropriate performance measures can be adopted that apply to both successful and failed new ventures.

Forth, while this study focuses on the coercive isomorphism mechanism of winning organizational legitimacy, mimetic and normative isomorphism behaviors are equally important for new ventures. For example, China and India have quite different cultures and professionalization paths, will normative isomorphism practices interact differently with EO in explaining NVP in these two contexts? Further, interorganizational imitation represents a key mimetic isomorphism mechanism. Two primary mimetic isomorphism patterns exist for Chinese firms: (1) mimetic firms in other parts of China, which have similar cultural and political characteristics; (2) mimetic firms from companies in countries that differ significantly from China. What about the effects of the two different mechanisms on NVP?

Last, as the current research found that the interaction between organizational regulatory legitimacy and EO impedes NVP, future research is needed to build on these findings to further explain or offer suggestions as to how to mitigate this negative interactive effect. For instance, organizational legitimacy is derived from different sources and new ventures may have demands for acquisition of different types of legitimacies (Suchman, 1995; Zimmerman & Zeitz, 2002). Thus, an interesting question would be "what other types of legitimacies matter in emerging economies such like China?" Another logical extension of our findings is whether other dimensions of legitimacies such as cognitive or normative legitimacy and EO are also contradictory in influencing NVP. In addition, in emerging economies such as China, SOEs and private firms may have differential motivations to build legitimacies (Ahlstrom et al., 2008). Given such circumstances, it remains an interesting question as to whether the interactive effect of organizational legitimacy and EO draws differential effects for firms with different types of ownerships.

Conclusion

The results of the present research add to current knowledge concerning the strategic dilemma of whether a new venture should be different or the same. Drawing on institutional theory, we build a theoretical model that addresses the relationships among organizational regulatory legitimacy, EO, and NVP in an emerging economy. Using survey data collected from 116 Chinese new ventures, we find that both organizational regulatory legitimacy and EO are positively linked to NVP. Further, our results indicate that the interaction of organizational regulatory legitimacy and EO is negatively related to NVP. Overall, these findings indicate that institutional theory represents a useful theoretical lens for entrepreneurship research, particularly for those studies conducted in the context of emerging economies. A key task for entrepreneurs and top management teams, then, is that of managing the balance between regulatory legitimacy and EO so that they can realize the benefits both legitimacy and EO can confer, but minimize the potential dangers associated with simultaneous employment of organizational legitimacy and EO. We encourage more scholars to devote efforts to further explore the nature of this important phenomenon.

Acknowledgments This study is supported by the National Natural Science Foundation of China (71102105; 71202107), the Humanities and Social Sciences Research Foundation from the Ministry of Education of China (11YJC630184), and the Specialized Research Fund for the Doctoral Program of Higher Education of the Ministry of Education of China (20120091120005).

References

Ahlstrom, D., Bruton, G. D., & Yeh, K. S. 2008. Private firms in China: Building legitimacy in an emerging economy. *Journal of World Business*, 43(4): 385–399.

Aiken, L. S., & West, S. G. 1991. *Multiple regression: Testing and interpreting interactions*. Newbury Park, CA: Sage.

Armstrong, J. S., & Overton, T. S. 1977. Estimating non-response bias in mail surveys. *Journal of Marketing Research*, 14(3): 396–402.

Bacharach, S. 1989. Organizational theories: Some criteria for evaluation. *Academy of Management Review*, 14(4): 496–515.

Baron, R. A., & Tang, J. 2009. Entrepreneurs' social skills and new venture performance: Mediating mechanisms and cultural generality. *Journal of Management*, 35(2): 282–306.

Brettel, M. B., & Rottenberger, J. D. 2013. Examining the link between entrepreneurial orientation and learning processes in small and medium-sized enterprises. *Journal of Small Business Management*. doi:10.1111/jsbm.12002.

Brislin, R. W. 1980. Translation and content analysis of oral and written materials. In H. Triandis & J. Berry (Eds.). *Handbook of cross-cultural psychology*: 389–444. Boston: Allyn and Bacon.

Bruton, G. D., Ahlstrom, D., & Obłój, K. 2008. Entrepreneurship in emerging economies: Where are we today and where should the research go in the future. *Entrepreneurship: Theory & Practice*, 32(1): 1–14.

Buck, T., Filatotchev, I., Nolan, P., & Wright, M. 2000. Different paths to economic reform in Russia and China: Causes and consequences. *Journal of World Business*, 35(4): 379–400.

Chang, S.-J., van Witteloostuijn, A., & Eden, L. 2010. From the editors: Common method variance in international business research. *Journal of International Business Studies*, 41: 178–184.

Chen, C. 2009. Technology commercialization, incubator and venture capital, and new venture performance. *Journal of Business Research*, 62(1): 93–103.

Cohen, J., & Cohen, P. 1983. *Applied multiple regression/correlation analysis for the behavioral sciences*, 2nd ed. Hillsdale, NJ: Erlbaum.

Covin, J. G., & Slevin, D. P. 1991. A conceptual model of entrepreneurship as firm behavior. *Entrepreneurship: Theory & Practice*, 16(1): 7–25.

Dacin, M. T., Goodstein, J., & Scott, W. R. 2002. Institutional theory and institutional change: Introduction to the special research forum. *Academy of Management Journal*, 45(1): 45–56.

Deephouse, D. L. 1996. Does isomorphism legitimate? *Academy of Management Journal*, 39: 1024–1039.

Deephouse, D. L. 1999. To be different, or to be the same? It's a question (and theory) of strategic balance. *Strategic Management Journal*, 20(2): 147–166.

Deephouse, D. L., & Carter, S. M. 2005. An examination of differences between organizational legitimacy and organizational reputation. *Journal of Management Studies*, 42(2): 329–360.

Delmar, F., & Shane, S. 2004. Legitimating first: Organizing activities and the survival of new ventures. *Journal of Business Venturing*, 19(3): 385–410.

DiMaggio, P. J., & Powell, W. W. 1983. The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(2): 147–160.

DiMaggio, P. J., & Powell, W. W. 1991. Introduction. In W. W. Powell & P. J. DiMaggio (Eds.). *The new institutionalism in organizational analysis*: 1–38. Chicago: University of Chicago Press.

Farashahi, M., & Hafsi, T. 2009. Strategy of firms in an unstable institutional environment. *Asia Pacific Journal of Management*, 26(4): 643–666.

Fornell, C., & Larcker, D. F. 1981. Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research*, 18(1): 39–50.

Garud, R., Jain, S., & Kumaraswamy, A. 2002. Institutional entrepreneurship in the sponsorship of common technological standards: The case of Sun Microsystems and Java. *Academy of Management Journal*, 45(1): 196–214.

Guo, H., Xu, E., & Mark, J. 2012. Managerial political ties and firm performance during institutional transitions: An analysis of mediating mechanisms. *Journal of Business Research*. doi:10.1016/j.jbusres.2012.11.009.

Jennings, J. E., Jennings, P. D., & Greenwood, R. 2009. Novelty and new firm performance: The case of employment systems in knowledge-intensive service firms. *Journal of Business Venturing*, 24(4): 338–359.

Khaire, M. 2010. Young and no money? never mind: The material impact of social resources on new venture growth. *Organization Science*, 21(1): 168–185.

Khanna, T., & Palepu, K. G. 2010. *Winning in emerging markets: A roadmap for strategy and execution*. Boston: Harvard Business School Press.

Kollmann, T., & Stockmann, C. 2012. Filling the entrepreneurial orientation–performance gap: The mediating effects of exploratory and exploitative innovations. *Entrepreneurship: Theory & Practice*. doi:10.1111/j.1540-6520.2012.00530.x.

Li, H., & Zhang, Y. 2007. The role of managers' political networking and functional experience in new venture performance: Evidence from China's transition economy. *Strategic Management Journal*, 28(8): 791–804.

Li, Y., Guo, H., Liu, Y., & Li, M. 2008. Incentive mechanisms, entrepreneurial orientation, and technology commercialization: Evidence from China's transitional economy. *Journal of Product Innovation Management*, 25(1): 63–78.

Li, Y. H., Huang, J. W., & Tsai, M. T. 2009. Entrepreneurial orientation and firm performance: The role of knowledge creation process. *Industrial Marketing Management*, 38(4): 440–449.

Liu, Y. 2011. High-tech ventures' innovation and influences of institutional voids: A comparative study of two high-tech parks in China. *Journal of Chinese Entrepreneurship*, 3(2): 112–133.

Lumpkin, G. T., & Dess, G. G. 1996. Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review*, 21(1): 135–172.

Marsh, H. W., & Bailey, M. 1991. Confirmatory factor analysis of multitrait-multimethod data: A comparison of alternative models. *Applied Psychological Measurement*, 15(1): 47–70.

McNamara, G. M., Deephouse, D. L., & Luce, R. 2003. Competitive positioning within and across a strategic group structure: The performance of core, secondary, and solitary firms. *Strategic Management Journal*, 23(2): 161–181.

Meyer, J. W., & Rowan, B. 1977. Institutional organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, 83(2): 340–363.

Meyer, K. E. 2007. Asian contexts and the search of general theory in management research: A rejoinder. *Asia Pacific Journal of Management*, 24(4): 524–537.

Miller, D. 1983. The correlates of entrepreneurship in three types of firms. *Management Science*, 29(7): 770–791.

Neter, J., Kutner, M., & Nachtsheim, C. 1996. *Applied linear statistical models*, 4th ed. Chicago: Irwin.

Norman, P. M., Artz, K. W., & Martinez, R. J. 2007. Does it pay to be different? competitive non-conformity under different regulatory regimes. *Journal of Business Research*, 60(11): 1135–1143.

North, D. 1990. *Institutions, institutional change, and economic performance*. Cambridge: Harvard University Press.

Nunnally, J. C. 1978. *Psychometric theory*, 2nd ed. New York: McGraw-Hill.

Peng, M. W. 2003. Institutional transitions and strategic choices. *Academy of Management Review*, 28(2): 275–296.

Perez-Luno, A., Wiklund, J., & Cabrera, R. V. 2011. The dual nature of innovative activity: How entrepreneurial orientation influences innovation generation and adoption. *Journal of Business Venturing*, 26(5): 555–571.

Pfeffer, J., & Salancik, G. R. 1978. *The external control of organizations: A resource dependence perspective*. New York: Harper & Row.

Podsakoff, P. M., MacKenzie, S. B., Lee, J. Y., & Podsakoff, N. P. 2003. Common method biases in behavioral research: A critical review of the literature and recommended remedies. *Journal of Applied Psychology*, 88(5): 879–903.

Porter, M. E. 1980. *Competitive strategy*. New York: Free Press.

Puffer, S. M., McCarthy, D. J., & Boisot, M. 2010. Entrepreneurship in Russia and China: The impact of formal institutional voids. *Entrepreneurship: Theory & Practice*, 34(3): 441–467.

Rao, R. S., Chandy, R. K., & Prabhu, J. C. 2008. The fruits of legitimacy: Why some new ventures gain more from innovation than others. *Journal of Marketing*, 72(4): 58–75.

Rauch, A. J., Wiklund, J., Lumpkin, G. T., & Frese, M. 2009. Entrepreneurial orientation and business performance: An assessment of past research and suggestions for the future. *Entrepreneurship: Theory & Practice*, 33(3): 761–787.

Reynolds, P. D., & Curtin, R. T. 2008. Business creation in the United States: Entry, startup activities, and the launch of new ventures. In K. J. Tobias (Ed.). *The small business economy: A report to the president*: 165–240. Washington, DC: US Small Business Administration (SBA) Office of Advocacy.

Scott, W. R. 1995. *Institutions and organizations*. Thousand Oaks, CA: Sage.

Singh, J. V., Tucker, D. J., & House, R. J. 1986. Organizational legitimacy and the liability of newness. *Administrative Science Quarterly*, 31(2): 171–193.

Stam, W., & Elfring, T. 2008. Entrepreneurial orientation and new venture performance: The moderating role of intra- and extra-industry social capital. *Academy of Management Journal*, 51(1): 97–111.

Suchman, M. C. 1995. Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3): 571–610.

Tan, J., Shao, Y., & Li, W. 2012. To be different, or to be the same? An exploratory study of isomorphism in the cluster. *Journal of Business Venturing*, 28(1): 83–97.

Tang, J. 2010. How entrepreneurs discover opportunities in China: An institutional view. *Asia Pacific Journal of Management*, 27(3): 461–479.

Tang, J., Tang, A., Marino, L., Zhang, Y., & Li, Q. 2008. Exploring an inverted U-shape relationship between entrepreneurial orientation and performance in Chinese new ventures. *Entrepreneurship: Theory & Practice*, 32(1): 219–239.

Tang, Z., & Tang, J. 2012. Entrepreneurial orientation and SME performance in China's changing environment: The moderating effects of strategies. *Asia Pacific Journal of Management*, 29(2): 409–431.

Tjosvold, D., Peng, A. C., Chen, Y. F., & Su, F. 2008. Business and government interdependence in China: Cooperative goals to develop business and industry. *Asia Pacific Journal of Management*, 25(2): 225–249.

Tzeng, C., Beamish, P. W., & Chen, S. 2011. Institutions and entrepreneurship development: High-technology indigenous firms in China and Taiwan. *Asia Pacific Journal of Management*, 28(3): 453–481.

Venkatraman, N. 1989. Strategic orientation of business enterprises: The construct, dimensionality, and measurement. *Management Science*, 35(8): 942–962.

Webb, J. W., Thanyi, L., Ireland, D. R., & Sirmon, D. G. 2009. You say illegal, I say legitimate: Entrepreneurship in the informal economy. *Academy of Management Review*, 34(3): 492–510.

Wiklund, J., Baker, T., & Shepherd, D. A. 2010. The age-effect of financial indicators as buffers against the liability of newness. *Journal of Business Venturing*, 25(4): 423–437.
Wiklund, J., & Shepherd, D. 2005. Entrepreneurial orientation and small business performance: A configurational approach. *Journal of Business Venturing*, 20(1): 71–89.
Wong, A., Fang, S. S., & Tjosvold, D. 2012. Developing business trust in government through resource exchange in China. *Asia Pacific Journal of Management*, 29(4): 1027–1043.
Xu, D., & Meyer, K. 2013. Linking theory and context: 'Strategy research in emerging economies' after Wright et al. (2005). *Journal of Management Studies*. doi:10.1111/j.1467-6486.2012.01051.x.
Xu, K., Huang, K., & Gao, S. 2012. The effect of institutional ties on knowledge acquisition in uncertain environments. *Asia Pacific Journal of Management*, 29(2): 387–408.
Zahra, S. A., & Covin, J. G. 1995. Contextual influences on the corporate entrepreneurship performance relationship: A longitudinal analysis. *Journal of Business Venturing*, 10(3): 43–58.
Zimmerman, M. A., & Zeitz, G. J. 2002. Beyond survival: Achieving new venture growth by building legitimacy. *Academy of Management Review*, 27(3): 414–431.
Zott, C., & Huy, Q. N. 2007. How entrepreneurs use symbolic management to acquire resources. *Administrative Science Quarterly*, 52(1): 70–105.

Hai Guo (PhD, Xi'an Jiaotong University) is an assistant professor of entrepreneurship at the School of Business, Renmin University of China. His research interests include strategic entrepreneurship, institutional entrepreneurship, and business model innovation. He has previously published his research in journals such as the *Journal of Product Innovation Management*, *Journal of Business Research*, *Asia Pacific Journal of Management*, *Management and Organization Review*, and *Journal of Organizational Change Management*.

Jintong Tang (PhD, The University of Alabama) is an associate professor of entrepreneurship and management at Saint Louis University, St. Louis, MO. Her research interests include entrepreneurs' alertness, affect, social skills, entrepreneurial orientation, and social performance of Chinese SMEs. She has published in a variety of entrepreneurship and management journals such as *Entrepreneurship Theory and Practice, Journal of Business Venturing, Strategic Entrepreneurship Journal, Journal of Management, British Journal of Management*, etc. She is a Coleman Fellow, Innovative Teaching Fellow, and VOICES Faculty Fellow in Ethics at Saint Louis University.

Zhongfeng Su (PhD, Xi'an Jiaotong University) is an associate professor of entrepreneurship at the School of Business, Nanjing University. His research interests include strategic management, entrepreneurship, and innovation management. He has previously published his research in journals such as the *Asia Pacific Journal of Management*, *International Journal of Production Research*, *Journal of Small Business Management*, *Management and Organization Review*, *Small Business Economies*, and *Technovation*.