

**Combative or Conservative: Organizational Positivity Climate and Firms'
Competitive Behavior**

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Summary: Competition is the core issue in the field of strategy. Firms take competitive actions to gain profits and occupy competitive positions in the marketplace. For unfolding the mechanism of competitive actions taken by firms, there is a need to trace the theoretical development back to the behavioral theory of the firm. By introducing the concept of organizational positivity climate in the field of psychology, this study intends to understand the relationship between individual behaviors and its reflections on firms' competitive actions. Based on competitive dynamics paradigm and the introduce of organizational positive psychology, this research proposes that firms with different level of positivity climate would have impacts on their attitudes on competitive actions and responses respectively. By the research methods of both in-depth interview and questionnaires, this study may contribute to both academics and practices on firms' strategy.

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Combative or Conservative: Organizational Positivity Climate and Firms' Competitive Behavior

Competition is the core issue in the field of strategy. Firms take competitive actions to gain profits and occupy competitive positions in the marketplace. Also, competition plays an important role of generating economic efficiency by optimally allocating scarce resource, urging innovation, and improving transaction efficiency between exchange parties (Lado, Boyd & Hanlon, 1997; Schumpeter, 1934; Williamson, 1985). To understand the mechanisms which drive firms to initiate competitive actions help us to anticipate the impacts of such actions or to predict the potential actions which would like to take by a specific firm. As proposed by Chen (1996), the competitive dynamics paradigm has built a framework for competitor analysis and has approached the aim of the prediction of firms' behaviors. According to his view, the comparison of market and resource profile between the focal firm and its rivals can be the predictors to predict attack and response actions effectively. However, will two firms with the same resource and market profiles lead to the same action-response consequences?

In essence, there is a need to trace the theoretical development back to the behavioral mechanism of the firm. As questioned by Hambrick and Mason (1984), "why do organizations act as they do", is the fundamental issue to explain the actions which were taken by different firms. The actions which initiated by firms were viewed as reflections of the values and cognitive bases of actors in the organization. Individuals in organizations influence the way how firms deal with their environment and are considered to be a critical antecedent of firms' competitive behavior (Chen, Lin & Michel, 2010; Hambrick & Mason, 1984; March & Simon, 1958; Mahoney, 2005). Cyert and March (1963) also argue that one method to understand organizational decision making is to supplement the micro-level study, like the development of goals, the formation of expectations, and the implementation of choices. For the purpose of unfolding the mechanism which drives firms to initiate competitive actions, this paper would like to approach the practice by exploring the psychological status of individuals in the firm.

Though the viewpoint of upper echelons or top management team perspective has put the focus on the role of decision makers in the organizations, the emphasis on observable managerial characteristics such as gender, educational background, age, or tenure, etc. cannot capture the real mindset while people making decisions. Hambrick and Mason (1984) also recognized that demographic indicators may contain more noise than purer psychological measures. This paper expects to shed light on the exploration of psychological status which determine the tendency of competitive behaviors which a firm would initiate. We introduce the concept of positive psychology to conduct the research.

Since 1998, the positive psychological movement urges psychological and organizational scholars to adopt a more positive perspective to explore research questions. Luthans (2002) conceptualizes the positive psychological capital with four dimensions: (1)*self-efficacy*, a personal subjective perception about one's own ability to complete a specific task (Bandura, 1997); (2)*hope*, a positive motivation status built up from past successful experience, with willpower, path, and goal attainment intertwining to form this dimension (Snyder et al., 1996); (3)*optimism*, an inner stable attitude for handling tasks positively (Seligman, 1998); and (4)*resilience*, the ability to positively handle difficulties in serious situations or during uncertainty. This ability enables individuals to recover from difficulties (Luthans, 2002; Masten & Reed, 2002). The four dimensions have a positive impact on individuals' behavior and performance, including their action preference. Individuals with high self-efficacy would like to take high-risk and challenging task (Bandura, 1997), and they can bounce back from unexpected events and failure with high resilience (Luthans, 2002). In addition, hope has been used to describe individuals' willpower (goal-directed energy) and waypower (planning to meet goals) that they attempt to achieve the goal. Since individuals with hope might engage in the high-risk process and figure out pathways to solve high-risk tasks (Sweetman, Luthans, Avey, & Luthans, 2011), hope can have considerable impact on problem solving preference (Amabile, 1996). Furthermore, self-fulfilling prophecy (Peterson & Chang, 2002) wherein positive outcome expectancies lead optimists to believe they can control the entire procedure (Carver & Scheier, 2002) and accomplish the difficult task.

Beyond the four separated sub-dimension of positive individuals' behaviors, Luthans, Avolio, Avey, and Norman (2007) verifies that the aggregated construct of the sub-dimensions can predict performance. Moreover, the aggregated construct has synergy to influence individuals' behavior and preference (Stajkovic, 2006). The term "*organizational climate*" which is defined as member's subjective perceptions about the work environment (Schneider, 1990), represents the collective patterns of behavior of a firm. While viewing the competitive behaviors as a high-risk and challenging task, how will firms with different psychological status act to deal with their environment? Will the level of positivity climate in the firm determine the attitudes toward competition? We propose that firms with different level of positivity climate would have impacts on their tendency toward competition, which might shape firms to be combative or conservative.

As most members within the organization perceive things with similar lens, the organization shares collective values and may act in accordance with their willpower. The collective patterns of behavior shape firms' atmosphere and their attitudes toward strategic actions. Based on competitive dynamics paradigm and the introduce of organizational positive psychology, this research proposes that firms with different level of positivity climate would

influence their attitudes on competitive action and response respectively. The positivity climate makes firms tend to take high-risk and challenging task and would evaluate the payoffs of the actions with positive attitude. Therefore, firms with positivity climate may initiate competitive actions to their rivals for gaining more profits and believe that they can complete the task based on self-efficacy. They have the ability to positively handle difficulties in serious situations or during uncertainty and expect to win in each battle they had joined. On the other hand, the competitive actions which were taken by rivals may trigger tensions to the focal firm. With the positive attitude of resilience, the focal firm may retaliate in short order and initiate another competitive actions to form pressures to their rivals. The two propositions and the research framework are as follows.

Proposition 1: The more positive the organizational climate of the firm, the more competitive actions that the firm would initiate to their rivals.

Proposition 2: The more positive the organizational climate of the firm, the sooner the retaliation would respond to their rivals.

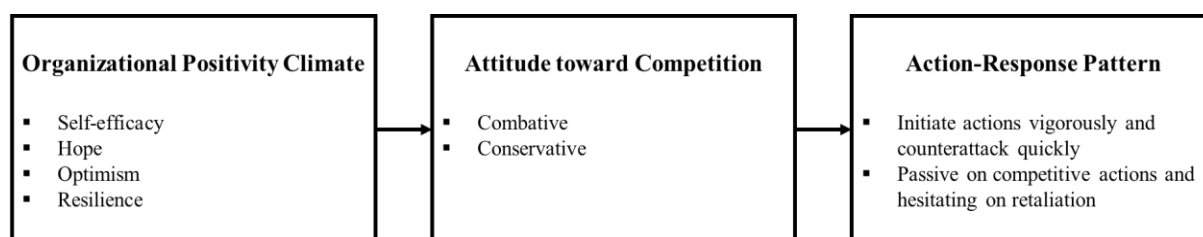


Figure 1 A Framework of Competition with Organizational Positivity Climate

This study wants to verify our proposition by both in-depth interview with top management team members and questionnaires to other members within the organization. To strengthen external validity, the present study expects to focus on service industry due to the connection between the organizational climate and firms' behaviors is more obvious than other industries. Not only the mindset of TMT members, but the attitude of first-line employees would have effects on firms' competitive behaviors, such as launching new products/services, initiating price moves, or improving service quality.

The study refers to Luthans et al.'s (2007) psychological capital questionnaire with six items for each of the following four dimensions: (1) self-efficacy, a sample item of which is "I feel confident contacting people outside the company (e.g., suppliers, customers) to discuss problems"; (2) hope, a sample item of which is "At the present time, I am energetically pursuing my work goals"; (3) optimism, a sample item of which is "When things are uncertain for me at work I usually expect the best"; and (4) resilience, a sample item of which is "I can get through

difficult times at work because I've experienced difficulty before." Because the definition of psychological capital is a state, participants should base their answers on the "current moment." Because organizational positivity climate is an organization-level concept, the study needs to aggregate individual-level data at the organizational level. The measurement of the pattern of action-response is conducted followed by Chen and Hambrick (1995), which measure the propensity of action, action execution speed, action visibility, responsiveness, response announcement speed, response execution speed, and response visibility. To examine the appropriateness of the data aggregation, the authors: (1) calculate the inter-rater agreement by calculating the $r_{wg(j)}$ values for each organization (James, Demaree, & Wolf, 1984); (2) examine the intra-group correlation coefficients by calculating ICC(1) and ICC(2) values to show that the data were good for aggregation (Bliese, 2000; James et al., 1984). For the purpose of examining the consequences of different action-response patterns, this study would assess performance of firms with multidimensional measure such as net sales, ROA, quantity of new product/service launched, and market share.

The main contribution of this research may lay on both academic and practical field. For academics, this research explores the psychological mechanism which drive firms to initiate competitive actions. It deepens the understanding of decision making process of firms and return to focus on individual behaviors. For practice, the managers of the firm have the implication to shape the congruent and cohesive atmosphere within the organization so that the firm would stride the strategic direction which the managers expect to achieve. This research may also help to unfold the psychological mechanism of other firm behaviors like cooperation or even competition.

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