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# How to become an excellent entrepreneur: The moderating effect of risk propensity on alertness to business ideas and entrepreneurial capabilities

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## ABSTRACT

Under the fierce pressure of the dynamic environments that characterize the emerging economies, an entrepreneur must develop capabilities such as autonomy, innovativeness, risk-taking, and proactiveness to survive the competition. This study examines how alertness to business ideas helps build entrepreneurial capabilities and its contingencies in China's emerging economy. The empirical result indicates that the effect of alertness to business ideas on innovativeness, risk-taking, and proactiveness are both positive and significant. The effectiveness of alertness to business ideas on entrepreneurial capabilities is contingent on different levels of risk propensity. In particular, the alertness to business ideas leads to a significantly higher level of autonomy, innovativeness, and proactiveness with higher level of risk propensity.

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## 1. Introduction

The concept of alertness to business ideas as one of the most prominent influential factors of entrepreneurial capabilities is still underdeveloped. Besides, risk propensity can exert influence on the value and performance of human capital (Kirzner, 1997; Markman and Baron, 2003; Busenitz and Barney, 1997; Jiao et al., 2013). When an entrepreneur's alertness to business ideas is vague or low, his entrepreneurial capabilities contribute to low entrepreneurial performance (Kaish and Gilad, 1991; Gaglio and Katz, 2001). In fact, entrepreneurs have been found to have different degrees of alertness to business ideas, which could be inherited or acquired (Alvarez and Busenitz, 2001; Shane and Venkataraman, 2000; Iyer, 2016). Little empirical research has been done on the effect of alertness to business ideas on entrepreneurial capabilities.

More recently, researchers have noticed that risk propensity may affect the result of an entrepreneur's entrepreneurial performance (Sitkin and Pablo, 1992; Forlani and Mullins, 2000; Stewart and Roth, 2001). Although informative, this stream of research fails to answer these important questions: how does alertness to business ideas affect entrepreneurial capabilities? What is the role of an entrepreneur's risk propensity in the relationship of alertness to business ideas and entrepreneurial capabilities? We seek to answer these questions by examining how alertness to business ideas affect entrepreneurial capabilities,

which are composed of four factors, such as autonomy, innovation, risk-taking, and proactiveness. Moreover, we examine the moderating effect of risk propensity on alertness to business ideas and entrepreneurial capabilities.

In particular, we hypothesize that alertness to business ideas can positively affect entrepreneurial capabilities. When an entrepreneur has a high degree of alertness to business ideas, he/she also has a high degree of entrepreneurial capabilities. In contrast, when an entrepreneur has a low degree of alertness to business ideas, he/she is not sensitive to entrepreneurial opportunities, and has a low degree of entrepreneurial capabilities. Furthermore, we hypothesize that an entrepreneur's risk propensity plays a moderating role on the relationship of alertness to business ideas and entrepreneurial capabilities. We provide empirical support for the above hypotheses using data from a large sample survey in China. We adopt a quantitative research method based on questionnaire surveys on different kinds of enterprises in China.

In all, our study explores how alertness to business ideas affects entrepreneurial capabilities, which are composed of four factors, namely autonomy, innovation, risk-taking, and proactiveness. Moreover, we examine the moderating effect of risk propensity on alertness to business ideas and entrepreneurial capabilities. In doing so, we intend to make two contributions. Primarily, as one of the first studies in this area, this paper will lead to a set of theoretically grounded propositions on how entrepreneurs capitalize on alertness to business ideas, specifically in the Chinese context. These findings, therefore, provide important direct and practical implications for firms operating in other emerging

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economies. Second, the study will help to enhance our understanding of the role of risk propensity in excellent entrepreneurs. When entrepreneurs have a high-risk propensity, the effect of alertness to business ideas on autonomy, innovativeness, and proactiveness is relatively high.

## 2. Theoretical background and hypotheses development

### 2.1. The effect of entrepreneurial alertness on entrepreneurial capabilities

Entrepreneurial alertness can be defined as a knowledge framework, which people use to make an assessment, judgment or decision, on opportunity assessment, risk creation, and growth (Mitchell et al., 2002). It indicates that entrepreneurial alertness is related to collecting, handling, and using information (Allinson and Chell, 2000; Allinson and Hayes, 1996). As per Mitchell et al. (2002), entrepreneurial alertness can help us to know how entrepreneurs think and do things, and provide a theoretically restrictive and measurable assessment of their uniqueness. Entrepreneurs are more likely to exploit opportunities when they possess more knowledge of customer demand for the new product, necessary advanced technologies, greater managerial capability, and greater stakeholder support (Choi and Shepherd, 2004).

Entrepreneurial alertness can affect an entrepreneur's capabilities, such as proactiveness, innovativeness, risk-taking, and autonomy. Some scholars analyze entrepreneurial alertness from a cognitive perspective, and they perceive entrepreneurial alertness as a group of information-handling skills that promote opportunity recognition (Gaglio and Katz, 2001). Grant (2000) observe that entrepreneurial proactiveness is the result of a rational process. Entrepreneurs scan the environment to find opportunities, and then they actively promote their views to start their projects by adopting a proactive approach (Grant, 2000). Tang (2016) finds that entrepreneurial alertness has a mediation effect between personal turbulence and innovation capability.

In the entrepreneurial process, entrepreneurial alertness is the focal point, followed by other things. When entrepreneurs have entrepreneurial alertness, they can seize entrepreneurial opportunities. Entrepreneurial opportunity refers to the following circumstances: catering to market demand by creatively combing through goods, services, raw materials, and organizational method (Casson, 1982; Schumpeter, 1934). It is evident that only entrepreneurial alertness can help an entrepreneur to recognize an entrepreneurial opportunity, whereas other people may not be able to do so. After entrepreneurs seize an opportunity, they carry out entrepreneurial activities, and the entrepreneur's capabilities are formed through these activities.

There is previous research that examines entrepreneurial alertness from an organizational behavior perspective (Busenitz, 1996; Kaish and Gilad, 1991). They elaborate that the difference between entrepreneurs and non-entrepreneurs is the behavior of information seeking. In different phases of opportunity recognition, there are different types of entrepreneurial alertness, including information accumulation, information transformation and information selection.

Therefore, we can see that entrepreneurial alertness is a necessary factor in the process of an entrepreneur's capabilities formation. We propose a hypothesis as follows:

**H1.** Entrepreneurial alertness to business ideas will have a positive effect on entrepreneurial capabilities.

### 2.2. The moderating effect of risk propensity

Risk propensity refers to the probability of outcome, the possibility of correlation results, and the variation function of subjective value distribution (Stewart and Roth, 2001). In other words, risk propensity means the cognitive probability of obtaining profit, which is required

to succeed in hypothetical scenarios, while the other scenarios provide less profit, and even a worse outcome (Brockhaus, 1980).

There is cumulative research to show that risk propensity can be classified into three types: low, middle, and high. Some researchers point out that an entrepreneur has a relatively high-risk propensity compared with a manager (Busenitz, 1999). Psychologists try to examine the entrepreneur's risk propensity, and they consider that an individual who tries to set up an enterprise has the propensity to grasp opportunities, and he/she would not be opposed to the idea of exposing himself/herself to an environment with an uncertain outcome (Collins & Moore, 1970). However, some researchers point out that some entrepreneurs risk propensity is middle (Mancuso, 1975; Meyer et al., 1961), whereas some successful entrepreneurs pursue low risk to extend his/her career life.

There are other studies, which show that when entrepreneurs have different risk propensity, it could lead to different entrepreneurial decisions (Hadida and Paris, 2014). An entrepreneur with a high-risk propensity may choose a high-risk industry. Besides, a visionary investor should consider whether the entrepreneur's risk propensity matches his own risk propensity (Forlani and Mullins, 2000; Jiao et al., 2015; Saridakis et al., 2016).

In short, in the process of an entrepreneur's capabilities formation, he/she must first possess an entrepreneurial alertness to business ideas, and in the next step, his risk propensity would have an effect on the process (Politis, 2005; Shepherd, Douglas and Shanley, 2000). Thus, we propose a hypothesis in the following:

**H2.** Entrepreneurial alertness to business ideas will have a higher effect on entrepreneurial capabilities of an entrepreneur with a higher level of risk propensity (Fig. 1).

## 3. Method

### 3.1. Data

We conducted a survey over four months in China. First, we conducted a field survey. The analysis unit was the firm, and the surveyed firms were active in the following industries: high technology (21.2%), traditional manufacturing (20.6%), construction and real estate (3.6%), service (42.4%), and others (12.1%). In addition, the sample comes from the Yangtze River Delta region (50.9%), the Beijing-Tianjin-Tangshan region (1.2%), the Pearl River Delta region (0.6%), central and western China (45.5%), and northeastern China (1.8%).

The survey questionnaire covered alertness to business ideas, risk propensity, and entrepreneurial capabilities among other things. The primary informants from the respondents were generally the chief executive officers (CEO), chairmen of the board of directors, or presidents of companies. Subsequently, the questionnaires were mailed to some other respondents, and they were contacted again to confirm whether they had received the questionnaires, and were asked to return the survey promptly (Sivadas and Dwyer, 2000).

To check for possible biases in the responses, we compared the early respondents with the late respondents (Armstrong and Overton, 1977). The last 25% to submit their responses were considered late and were

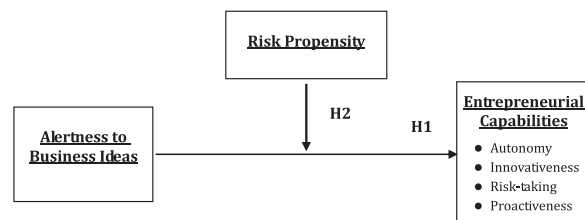


Fig. 1. Conceptual model and hypothesized relationships.

deemed to be representative of business firms that ultimately did not respond to the surveys. Thereafter, we conducted a response bias test by comparing the means across all the independent and dependent variables for the two groups; however, we could not detect any significant differences, as determined by the t-tests at the 5% significance level. Therefore, there was no response bias in the study.

### 3.2. Measurement

First, we used the explorative factor analysis to test the validity of the questionnaires. Generally, explorative factor analysis employs Principle Component Methods in SPSS 18.0 software. The results of measurement items and validity assessment are in Table 1.

#### 3.2.1. Alertness to business ideas

The measurement of alertness to business ideas was adopted from Busenitz (1996), Kaish and Gilad (1991), and Ko and Butler (2003). Reliability for this construct, namely alertness to business ideas, was 0.840 and the principal component analysis of items associated with this scale showed a single factor with an eigenvalue of 3.557, which accounted for 59.285% of the variance. The factor loadings on this component ranged from 0.583 to 0.853.

#### 3.2.2. Risk propensity

The measurement of risk propensity was adopted from Sitkin and Pablo (1992). Similarly, reliability for this construct, namely risk propensity, was 0.868 and a principal component analysis of items associated with this scale showed a single factor with an eigenvalue of 3.749,

which accounted for 74.98% of the variance. The factor loadings on this component ranged from 0.796 to 0.924.

#### 3.2.3. Entrepreneurial capabilities

This study's measurement for entrepreneurial capabilities is adapted from Buttner and Rosen (1988), Acede and Florin (2007), and Marcati et al. (2008), which was divided into autonomy, innovativeness, risk-taking, and proactiveness. In addition, the reliability of the four components of autonomy, innovativeness, risk-taking, and proactiveness was measured using coefficient alpha by 0.783, 0.832, 0.865, and 0.794 respectively. The principal component analysis revealed four factors with the eigenvalues of 4.724, 2.202, 1.677, and 1.377 respectively, accounting for 71.281% of the variance and having factor loadings ranging from 0.693 to 0.905.

### 3.3. Construct validation

This study also uses confirmatory factor analysis with AMOS 18.0 to assess the convergent and discriminant validity of the focal constructs (i.e., alertness to business ideas, risk propensity, and entrepreneurial capabilities). In order to make the focal construct valid, we delete the measurement items ("I was born to sense the potential opportunity," and "I can deal with the uncertainties.") Subsequently, the one-factor confirmatory measurement model of alertness to business ideas and risk propensity, results in a satisfactory fit, as seen in Table 2. Similarly, in order to make the focal construct valid, we delete the measurement item ("In any occasion, I am an important factor to change the situation.") The four-factor confirmatory measurement model of entrepreneurial capabilities that includes autonomy, innovativeness, risk-taking, and proactiveness also results in a satisfactory fit in Table 2.

Furthermore, all factor loadings for each construct are significant ( $p < 0.001$ ), and the composite reliability of all focal constructs exceeds the 0.60 benchmark (Bagozzi and Yi, 1988; Fornell and Larcker, 1981), which indicates good convergent validity of the scales.

### 3.4. Common method bias

Due to the collection of all measures from the same source, this study uses Harman's one-factor test to examine the potential problem of common method variance. Significant common method variance would result if one general factor accounts for majority of the covariance in the variables (Podsakoff and Organ, 1986). Therefore, Harman's one-factor test serves to assess the potential of the common method bias in the data (Podsakoff and Organ, 1986). The first factor in a factor analysis of the dependent and independent variables does not account for most of the variance. Therefore, the common method bias is unlikely to be a concern.

## 4. Analysis and results

In theory, we hypothesize that risk propensity plays a moderating role between alertness to business ideas and entrepreneurial capabilities. In order to test this effect, we employ hierarchical moderated regression method for testing the hypotheses, which introduces the interaction term between the independent variable and moderator in order to compare the change among different models (Jaccard, Turrisi, and Wan, 1990). To reduce multicollinearity between the main and interaction terms, this study first mean centers each scale that constitutes an interaction term, then multiplies the relevant mean-centered scales to obtain the interaction term (Aiken and West, 1991; Jaccard et al., 1990).

A blockwise hierarchical approach assesses the R-square change of each model. The blockwise procedure results in four models, labeled Models 1–12 (see Table 3). Model 1 includes only the control variables as independent variables. Model 2 also includes the risk

**Table 1**  
Measurement items and validity assessment.

	Standardized factor loading
Alertness to business ideas ( $\alpha = 0.840$ )	
I always have Ideas for new business	0.693
I am able to distinguish between profit opportunities and less profitable opportunities	0.583
While going about day-to-day activities, I still to explore new business ideas	0.853
I always keep a close eye on spotting new business ideas when looking at information	0.820
I have special sensitivity toward new business ideas	0.845
Risk propensity ( $\alpha = 0.868$ )	
I have the ability to deal with risk	0.898
I have the ability to evaluate risk	0.924
I love taking risks	0.796
I would like to catch the opportunity	0.802
Entrepreneurial capabilities	
Autonomy ( $\alpha = 0.783$ )	
I tend to do anything to rely on myself	0.850
I am independent	0.849
I have a high degree of self-control	0.693
Innovativeness ( $\alpha = 0.832$ )	
In general, I am among the last in my business sector to adopt an innovation within my organization	0.732
Compared to my competitors, I own few innovations	0.795
In general, I am the last in my business sector to know the content of the latest innovations	0.820
Risk-taking ( $\alpha = 0.865$ )	
I would like to run the business with risks	0.823
In the decision-making process, I always tend to high risk projects in order to get high returns	0.905
I believe that in the process of operation adventure action is necessary in order to achieve the company's goal	0.879
I always take the positive attitude so as to seize the opportunity to bring the huge potential profit	0.748
Proactiveness ( $\alpha = 0.794$ )	
I'm always looking for things to improve my life	0.747
I think realizing my idea is the most exciting thing to do	0.719
I'm always looking for ways to do things better	0.817

**Table 2**  
Confirmatory factor analysis of focal constructs.

Measurement model		$\chi^2/df$	RMSEA	GFI	AGFI	NFI	IFI	CFI
Alertness to business ideas	One-factor basic model	2.235	0.123	0.926	0.826	0.912	0.949	0.948
	One-factor revised model	1.221	0.052	0.971	0.914	0.964	0.993	0.993
Risk propensity	One-factor basic model	3.256	0.166	0.932	0.796	0.921	0.944	0.943
	One-factor revised model	1.025	0.017	0.988	0.938	0.982	1.000	1.000
Entrepreneurial capabilities	Four-factor basic model	1.440	0.073	0.867	0.803	0.833	0.942	0.940
	Four-factor revised model	1.300	0.060	0.890	0.830	0.862	0.964	0.963

Note: RMSEA: root mean squared error of approximation; GFI: goodness-of-fit index; AGFI: adjusted goodness-of-fit index; NFI: normed fit index; IFI: incremental fit index; CFI: comparative fit index.

propensity construct, and Model 3 further comprises the interaction between alertness to business ideas and risk propensity. The Models 4–6, Models 7–9, and Models 10–12 follow the same procedure. This approach reduces the possible multicollinearity produced by correlations among interaction terms that contain the same constructs (Sharma et al., 1981).

As Table 3 shows, the main effects of alertness to business ideas on innovativeness, risk-taking and proactiveness are both positive and significant ( $b = 0.280, p < 0.01$ ;  $b = 0.182, p < 0.05$ ;  $b = 0.408, p < 0.001$ , respectively), in support of H1 partially. It proves that entrepreneurial alertness to business ideas significantly affects entrepreneurial capabilities, including innovativeness, risk-taking, and proactiveness. Entrepreneurial alertness to business ideas is a knowledge framework that can help an entrepreneur to cope with useful information. When an entrepreneur has additional useful information, he/she will possess entrepreneurial capabilities, including innovativeness capability, risk-taking capability, and proactiveness capability. (1) Innovativeness capability: When an entrepreneur gets useful information, he/she may have innovative ideas or take innovative actions. (2) Risk-taking capability: When an entrepreneur has additional useful information, he/she can avoid some risks by using this knowledge; so he/she can do business with limited risk. (3) Proactiveness capability: When an entrepreneur gets additional useful information, he/she can easily find new business opportunities compared with other people who do not have this knowledge.

H2 pertains to the moderating role of risk propensity between alertness to business ideas and entrepreneurial capabilities. As Model 3 indicates, the effect of interaction term between alertness to business ideas and risk propensity on autonomy is significantly positive ( $b = 0.223, p < 0.01$ ), in support of H2. In addition, the effect of interaction term between alertness to business ideas and risk propensity on

innovativeness and proactiveness is significantly positive ( $b = 0.171, p < 0.05$ ;  $b = 0.115, p < 0.01$ , respectively), in support of H2. However, the interaction term between alertness to business ideas and risk propensity shows no significant effect on risk-taking.

We split the total sample into subgroups based on the median of the hypothesized moderator variable, risk propensity (Aiken and West, 1991). As illustrated in Fig. 2, the relationship between alertness to business ideas and autonomy is stronger (has a steeper positive slope) at higher levels of risk propensity. In Table 3, the coefficient of autonomy on alertness to business ideas is 0.123, i.e., for each unit increase in alertness to business ideas, autonomy increases by 0.123. However, at higher levels of risk propensity (above the median), this slope increases to 0.485 ( $\beta = 0.485, p < 0.05$ ). Thus, the effect of alertness to business ideas on autonomy increases at a higher level of risk propensity. At low levels of risk propensity (below the median), the slope of the regression of autonomy on alertness to business ideas falls to  $-0.421$  ( $\beta = -0.421, t = -1.394$ ). This supports our assertion that at higher levels of risk propensity, alertness to business ideas has a stronger impact on autonomy. This interaction effect is plotted in Fig. 2.

Similarly, the coefficient of innovativeness on alertness to business ideas is 0.280, i.e., for each unit increase in alertness to business ideas, innovativeness increases by 0.280. However, at higher levels of risk propensity (above the median), this slope increases to 0.487 ( $\beta = 0.487, p < 0.05$ ). Thus, the effect of alertness to business ideas on innovativeness increases at a higher level of risk propensity. At low levels of risk propensity (below the median), the slope of the regression of innovativeness on alertness to business ideas falls to  $-0.450$  ( $\beta = -0.450, t = -1.512$ ). This supports our assertion that at higher levels of risk propensity, alertness to business ideas has a stronger impact on innovativeness. This interaction effect is plotted in Fig. 3.

**Table 3**  
Results of regression analyses predicting entrepreneurial capabilities.

	Autonomy			Innovativeness			Risk-taking			Proactiveness		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
Age	0.234**	0.167*	0.153*	0.044	-0.023	-0.033	-0.018	-0.154*	-0.158*	0.192*	0.069	0.062
Education	-0.140+	-0.167*	-0.124	0.166+	0.132	0.165*	0.034	-0.018	-0.007	0.219**	0.161*	0.183**
Political connection	-0.015	-0.032	-0.035	0.000	-0.004	-0.007	0.114	0.074	0.073	0.047	0.030	0.028
Size	0.137	0.130	0.120	0.063	0.064	0.057	0.077	0.060	0.057	0.006	0.002	-0.002
Lifecycle	-0.026	0.018	0.013	-0.154+	-0.165*	-0.169*	0.006	-0.008	-0.010	-0.039	-0.058	-0.061
Industry	0.080	-0.038	-0.046	-0.092	-0.035	-0.041	-0.099	-0.019	-0.021	-0.243**	-0.148*	-0.152*
Alertness		0.123	0.098		0.280**	0.261*		0.182*	0.176+		0.408***	0.395***
Risk propensity		0.185+	0.187+		0.048	0.050		0.431*	0.432***		0.182*	0.183*
Alertness * risk propensity			0.223**		-0.023	0.171*			0.057			0.115+
F-value	2.363*	3.567**	4.356***	1.987+	3.726**	3.992***	0.891	9.487***	8.499***	4.561***	14.076***	13.087***
R-square	0.082	0.155	0.202	0.070	0.160	0.188	-0.033	0.327	0.330	0.148	0.419	0.432
Adjusted R-square	0.048	0.111	0.156	0.035	0.117	0.141	0.004	0.293	0.292	0.115	0.389	0.399
R-square change	0.082	0.072	0.119	0.070	0.090	0.118	0.033	0.295	0.298	0.148	0.272	0.284

Note: Standardized beta coefficients are reported.

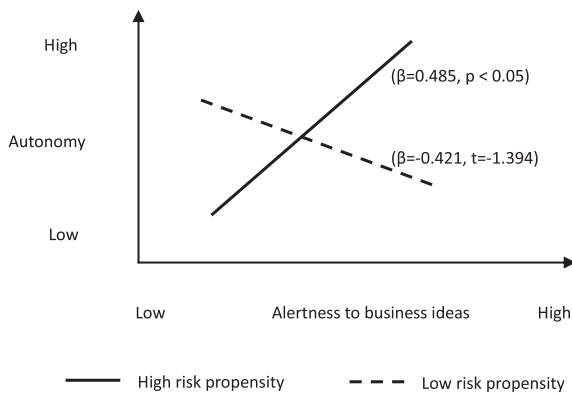
+  $p < 0.10$ .

\*  $p < 0.05$ .

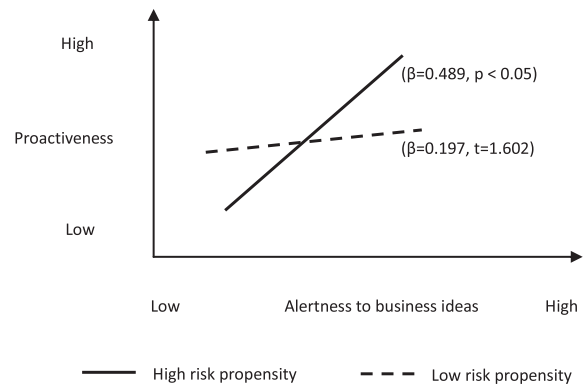
\*\*  $p < 0.01$ .

\*\*\*  $p < 0.001$ .





**Fig. 2.** The interaction between alertness to business ideas and risk propensity on autonomy.



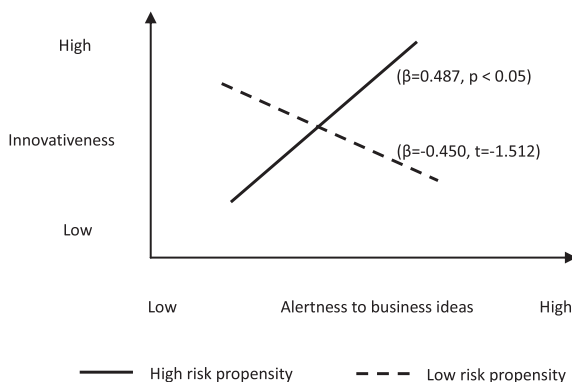
**Fig. 4.** The interaction between alertness to business ideas and risk propensity on proactiveness.

Finally, the coefficient of proactiveness on alertness to business ideas is 0.408, i.e., for each unit increase in alertness to business ideas, proactiveness increases by 0.408. However, at higher levels of risk propensity (above the median), this slope increases to 0.489 ( $\beta = 0.489, p < 0.05$ ). Thus, the effect of alertness to business ideas on proactiveness increases at a higher level of risk propensity. At low levels of risk propensity (below the median), the slope of the regression of proactiveness on alertness to business ideas falls to 0.197 ( $\beta = 0.197, t = 0.602$ ). This supports our assertion that at higher levels of risk propensity, alertness to business ideas has a stronger impact on proactiveness. This interaction effect is plotted in Fig. 4.

In conclusion, risk propensity has a moderating effect on alertness to business ideas and entrepreneurial capabilities. When people have high-risk propensity, the effect of alertness to business ideas on entrepreneurial capabilities are relatively high; whereas, when people have low risk propensity, the effect of alertness to business ideas on entrepreneurial capabilities are relatively low.

**5. Discussion and conclusion**

Important discoveries are reported in the current research. Given that entrepreneurship is part of an organization's competitive advantage in today's rapidly changing environment, we hope that the current research will help researchers to formally investigate the relationship between alertness to business ideas and entrepreneurial capabilities. In addition, we find that the effect of alertness to business ideas on



**Fig. 3.** The interaction between alertness to business ideas and risk propensity on innovativeness.

innovativeness, risk-taking, and proactiveness are both positive and significant, which highlights the importance of understanding customers thoroughly, and focusing on state-of-the-art technology to adapt to changing environments. Moreover, the results for the study supported our hypotheses of the interaction effect of risk propensity on alertness to business ideas and entrepreneurial capabilities. In particular, the alertness to business ideas led to a significantly higher level of entrepreneurial capabilities with higher level of risk propensity, which can help an entrepreneur attain excellence.

This study contributes to the research in this field in several ways. First, by identifying alertness to business ideas as an important driver of entrepreneurial capabilities—a key element of successful venture creation—this study fills the research gap on how to start entrepreneurial activities (Lorrain and Dussault, 1988; Low and MacMillan, 1988; Kirzner, 1997). A newly founded firm needs an excellent entrepreneur or a team that can break the existing framework. Some different processes are necessary when a new firm is established, but bureaucratic hierarchy and the existing organizational routine are imposed on the new firm's activities (Kanter, 1999). Thus, an excellent entrepreneur can break old routines, which is needed for new venture creation. Entrepreneurial alertness to business ideas is a knowledge framework that can help an entrepreneur to effectively utilize useful information. Therefore, when an entrepreneur has additional useful information, he/she will have the entrepreneurial capabilities, including innovation capability, risk-taking capability and proactiveness capability, to effectively capitalize on the opportunity.

Second, the findings on the positive interaction effect between alertness to business ideas and risk propensity on autonomy, proactiveness, and innovation is particularly noteworthy, because the result indicates that these characteristics are very important in entrepreneurship. Risk propensity has a moderating effect on alertness to business ideas and entrepreneurial capabilities. When people have a high-risk propensity, the effect of alertness to business ideas on autonomy, innovativeness, and proactiveness is relatively high; although when people have a low risk propensity, the effect of alertness to business ideas on autonomy, innovativeness, and proactiveness are relatively low.

Each person in an organization has a different purpose and diverse characteristics, and it is beneficial if everyone takes action independently. This can increase the possibility of recognizing an unforeseen opportunity later. Autonomy is the first dimension of entrepreneurial orientation, when an individual takes action to create a new business model, idea, or dream (Lumpkin and Dess, 1996; Lyon and Lumpkin, 2000). Autonomy can be applied at an individual level, group level, and organization level; besides, the individual level is a suitable starting point (Nonaka and Takeuchi, 1995).

From the perspectives of different research areas, autonomy is one of the entrepreneurial capabilities. According to the self-employment theory, Fairlie (2002) points out that autonomy is the main factor promoting entrepreneurial activity. Scholars in the field of psychology and sociology point out that autonomy is needed in individual entrepreneurial behavior, and autonomy is one of the entrepreneurial capabilities in entrepreneurial behavior (McClelland, 1975; Vecchio, 2003). In motivation theory, Kuratko, Hornsby and Naffziger (1997) point out that autonomy is relative to these contents: “to be your own boss,” “to be able to control,” “to be responsible,” and all these capabilities assist an individual to engage in entrepreneurship. Nadler, Gerstein and Shaw (1992) propose that autonomy gives employees a clear vision and strategic knowledge, upgrades their professional skills, allows information to flow freely within the organization, promotes independent decision-making, and achieves the desired objectives.

Moreover, innovativeness is a kind of capability that tries to create and experiment with new things and new skills during the producing process (Lyon and Lumpkin, 2000). Scholars also consider innovativeness as being interested in innovating or carrying out changes in the work place. The application of interest goes beyond personal willingness and establishes a new method (Utsch et al., 1999). Many researchers emphasize the entrepreneurs' innovating capabilities (Schumpeter, 1934). Schumpeter (1934) considers an entrepreneur as a radical market innovator, and points out that innovation includes new product, new production or organization method, new investment resource, or new market structure. Similar to Schumpeter's opinion, Drucker (1985) emphasizes that innovation is a special capability of an entrepreneur, by which he/she can find new business opportunities or offer a different service.

The third contribution pertains to the new research context, that is, the emerging economy of China. China offers a rich context to test the drivers of entrepreneurial capabilities because its complex, fast changing nature makes alertness to business ideas critical for firms to survive and prosper in this market (Acede and Florin, 2007). As the world's largest emerging economy, China shares many characteristics with other emerging economies (Peng, 2003). Findings based on the Chinese context, therefore, provide important direct and practical implications for firms operating in other emerging economies. For example, managers should understand that there are many emergent business opportunities, and they must recognize customer demand is highly uncertain, and their actions could risk the process of achieving customer loyalty.

This study also contains several limitations. First, this study uses a single-informant approach; therefore, common method bias is a concern. Further investigation should use archival data or other sources of information to examine alertness to business ideas and entrepreneurial capabilities more accurately. Moreover, the Chinese market provides the study context because its fast changing nature makes dynamic capabilities more prominent for firms operating there. However, this nature also presents a potential limitation to the generalization of the results for other emerging or developed economies. Therefore, researchers should consider these potential limitations and improve upon them in future research.

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### Appendix A. Survey instrument and Measurement items

Below we list some characteristics about your innovativeness. Please circle the number next to each statement indicating the level of your disagreement or agreement (where 1 = Strongly disagree; 3 = Neutral; 5 = Strongly agree; and numbers between 1 and 5 represent the varying degrees).

Questions	Source
Alertness to business ideas	
I always have Ideas for new business	Busenitz (1996), Kaish and Gilad (1991) and Ko and Butler (2003)
I am able to distinguish between profit opportunities and less profitable opportunities	
While going about day-to-day activities, I still to explore new business ideas	
I always keep a close eye on spotting new business ideas when looking at information	
I have special sensitivity toward new business ideas	
Risk propensity	
I have the ability to deal with risk	Sitkin and Pablo (1992)
I have the ability to evaluate risk	
I love taking risks	
I would like to catch the opportunity	
Entrepreneurial capabilities	
Autonomy	Buttner and Rosen (1988), Acede and Florin (2007) and Marcati et al (2008)
I tend to do anything to rely on myself	
I am independent	
I have a high degree of self-control	
Innovativeness	
In general, I am among the last in my business sector to adopt an innovation within my organization	
Compared to my competitors, I own few innovations	
In general, I am the last in my business sector to know the content of the latest innovations	
Risk-taking	
I would like to run the business with risks	
In the decision-making process, I always tend to high risk projects in order to get high returns	
I believe that in the process of operation adventure action is necessary in order to achieve the company's goal	
I always take the positive attitude so as to seize the opportunity to bring the huge potential profit	
Proactiveness	
I'm always looking for things to improve my life	
I think realizing my idea is the most exciting thing to do	
I'm always looking for ways to do things better	

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