Australian Journal of Business and Management Research
New South Wales Research Centre Australia (NSWRCA)

Volume. 8, Issue. 1, (53-80) ISSN (Online): 1839 - 0846

The Impact of Entrepreneurial Orientation and Profit Growth Performance of Small and Medium-Sized Enterprises and the Influence of the Environment

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Received:05 June, 2023
Final Revision: 03 May, 2024
Accepted: 15 May, 2024
e Published: 31 July 2024
10.52283/NSWRCA.AJBMR.20240801A04

Abstract

This study examines the relationship between entrepreneurial orientation (EO) and profit growth performance of small and medium-sized enterprises (SMEs) and evaluates the moderating role of environmental factors on the EO profit growth performance relationship. The research investigated the effects of EO on the growth performance of SMEs using a multidimensional model of EO to test the hypotheses' relationship between EO and SME profit growth performance from data collected from SME owners, managers, and management. Data was collected through a survey questionnaire administered via email and some social medial platforms. The data collected was analyzed using Partial Least Squares (PLS)- structural equation model (SEM) software. It was found EO positively influences SME profit growth performance and dynamic and munificence environments moderate the relationship between EO SME profit growth performance. It is suggested SME owners use these two environmental factors to facilitate improvement of the correlation between the EO SME profit growth performance.

Keywords: Entrepreneurial orientation, entrepreneurship, SME performance, environmental factors.

I. Introduction

According to the World Bank (2019), SMEs play important roles in both developed and developing economies, but their role is particularly important in developing economies. Globally SMEs are known and seen as important contributors to countries' economic growth and development, particularly in relation to job creation. The World Bank (2019) concluded that globally, SMEs represent about 90% of business and 50% of employment worldwide. It maintains that governments globally should make SME development a priority in order to enhance the capabilities of SME able to absorb 600 million jobs predicted to be needed for the growing global force by 2030. SMEs play a crucial role in New Zealand's economy, accounting for 97% of all New Zealand businesses. They employ over 697,000 people, accounting for 29.3% of the population employed in New Zealand, and they generate 28% of New Zealand's GDP (Ministry of Business, Innovation & Business, 2018; Corporate Traveller, 2019). In comparison, Australia has 2.5 million SMEs, providing 5.1 million jobs. SMEs also employ 42% of apprentices and trainees in training (Australian Small Business and Family Enterprise Ombudsman (2023).

According to Hisrich and Peters (2002) "entrepreneur" is a 13th century French word (entreprendre) meaning "to undertake" or "to do something". However, the term "entrepreneur" was introduced into the realm of political economics as a risk taker (Cantillon, 1734). In view of this, Talmage-Rostron (2024) defined entrepreneur as an

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individual or group who take on risk, venturing into business start-ups when the end result of the business is unknown. Such risk must be taken carefully. Now, entrepreneurial success, while embracing risk, requires a high level of business skill, foresight and planning.

The entrepreneur must have the capacity to embrace and manage uncertainty, make calculated decisions, engage in positive risk taking, act proactively, be able to compete and gain a competitive advantage within the industry of operation and possess the drive to innovate (Omisakin & Adegoke, 2022; Omisakin et al., 2022; Talmage-Rostron, 2024). Aggarwal and Gupta (2006) and Hisrich and Peters (2002b) also refer to these entrepreneurial characteristics as necessary for business growth and performance.

In the past three decades, the concept of entrepreneurial orientation (EO) has been extensively researched (Keh et al., 2007; Omisakin & Adegoke, 2022). Solikahan and Mohammad (2019) regard EO as a business practice which includes proactive decision making, engaging in innovative business strategies; positive risk-taking and exploiting market opportunities.

However, there are two schools of thought on EO: uni-dimensional and multi-dimensional. Miller (1983) developed the concept of uni-dimensional EO. Miller suggested that an entrepreneur with EO must have the ability to take risk, to innovate and be proactive. On the other hand, Lumpkin and Dess (1996) concluded that an entrepreneur with this orientation must have risk taking capability, create opportunities for autonomy, and practise innovation, proactiveness and competitive aggressiveness. According to Omisakin and Adegoke (2022), the capability of an entrepreneur to possess either uni-dimensional or multi-dimensional EO will enhance positive entrepreneurial business policies, practices, actions/activities, and decision-making. In view of this, this study maintains that there must be proper harmonisation of relationship building between SMEs and EO to enhance business growth and performance.

Previous studies have investigated the relationship between EO and SMEs' growth performance, and these studies have shown that EO fundamentally influences and determines the growth and positive performance of SMEs (Sajjad et al., 2023; Ok & Ahn, 2019; Alvarez-Torres et al., 2019). It has been positively argued that EO is an important strategy that an entrepreneurs can adopt into business operations, and which will lead to positive exploitation of organisational and environmental resources, leading to business growth and performance (Omisakin et al., 2016; Omisakin & Adegoke, 2022; Sajjad et al., 2023). Studies on EO and business growth in New Zealand include: EO and New Zealand family business growth (Omisakin & Adegoke, 2022), EO among migrants and small and medium enterprises (Omisakin et al., 2016), and EO and SME international performance: The mediating role of networking capability and experiential learning (Karami and Tang, 2019), the Impact of EO on Export Performance of New Zealand's SMEs: The Mediating Effect of Networking Capability (Ibeabuchi et al., 2020). However, there has been no research on the effects of EO on SMEs' performance and how environmental factors have affected such performance in New Zealand. This research found this as gap in the literature. Therefore, "The Impact of Entrepreneurial Orientation and Profit Growth Performance of Small and Medium-Sized Enterprises and the Influence of the Environment" was conceptualised to reduce the gap in the literature and contribute to knowledge. This research is interesting and relevant to the New Zealand SME sector as it scientifically examines the relationship between EO and SME growth performance as well as how environmental factors impact the relationship between EO and SMEs. This research provides to the SME sector the following results from its findings: theoretical implications; implications for SME businesses; and practical implications for entrepreneurs, business owners, and business managers.

To achieve the study's objectives, this research developed two main research questions: How does EO influence the profit performance of SMEs; How do environmental factors moderate the relationship between EO and the profit performance of SMEs. The research tested hypotheses on the relationship between EO and SME profit growth performance using samples of SME owners and/or managers to examine the moderating role of munificent and dynamic environments on the relationship between EO dimensions and profit performance of their businesses. The research developed and tested the hypotheses that dynamic and munificent environments will moderate the relationship between EO and profit growth performance and focused on the relationship between EO and SME performance by examining how five EO dimensions autonomy, risk-taking, competitive aggressiveness, proactiveness, and innovativeness relate. The researchers also examined how two environmental factors impact on the relationship between EO and SME profit growth and the effect of environments on EO SME performance. The research further reviews, analyses, and discusses appropriate and related previous studies and applies quantitative methods and analysis to present its findings in achieving the goals set for the study. Finally, the researchers present the findings, recommendations, and conclusion.

II. Literature Review and Development of Hypotheses

Defining Small and Medium-Sized Enterprises

The definition of SME varies from country to country. However, there are some characteristics set by countries to define their small and medium enterprises. Therefore, what is a small enterprise in one country may be regarded as a medium enterprise in another as definition of SMEs are relative to the size of the domestic economy (Organisation for Economic Co-operation and Development [OECD], 2017). For example, NZ defines SMEs as businesses that employ between 0 and 50 employees (Ministry of Business, Innovation & Employment, 2018). European Commission (2020) defines SMEs as enterprises employing 250 or fewer employees with an annual turnover not exceeding 50 million euros. Similarly, businesses that employ fewer than 200 people are categorised as SMEs in Australia (Australian Government, 2023). However, in the United States (US) and Canada SMEs are businesses that have fewer than 500 employees (U.S Small Business Administration, 2016; Government of Canada, 2019). This study posits that economic size and level of economic activities constitute the major determinant of the statistical definition of SMEs per country.

Research has indicated that the socio-economic importance of SMEs is not only to entrepreneurs in providing income but also to the government and society by providing income revenue, economic growth/development, and employment of a multitude of people (Omisakin, 2017).

This accounts for the reasons why responsible governments often identify SMEs as a weapon used to reduce unemployment rates (Isik, 2005; Kaya, 2005). Despite the accolade given to the SME sector, it is still largely associated with failure, making people working in this sector highly vulnerable to losing their jobs when they least expect it (Cox & Vos, 2005). This study argues that this could lead to dwindling income revenue to the government as well as dwindling economic growth and development.

From this perspective, entrepreneurship researchers did some analysis on the failure rate of SMEs in NZ and Australia, intending to find out what was behind the failure. According to Cox & Vos (2005), the average failure rate of small businesses in NZ ranges from 0.5 to 9.6%. However, Mason (2017) claimed that 53% of SMEs in NZ failed within the first three years and two-thirds of the businesses failed due to financial challenges and poor management. Omisakin et al. (2016) found three out of the seventeen immigrants' businesses that participated in his study closed operations within one year. This is not peculiar to NZ alone; according to Charleston (2016), 97% of businesses in Australia are small and 60% ran for less than three years after take-off. According to Fatoki (2012) for entrepreneurs to overcome challenges and avoid rapid closure of their businesses they need to adopt the entrepreneurial strategy-making process referred to as EO.

Concept of Entrepreneurship

Entrepreneurs are usually regarded as risk-takers that engage in business activities despite the uncertainties to realise a profit from the venture (Vereshchagina & Hopenhayn, 2009). Entrepreneurship is the process of innovating and improving production capacity (Drucker, 1985). Morris et al. (2008) saw entrepreneurship as a process of wealth creation, business creation, continuous business innovation, an agent of change, and employment creation. However, this study argues that entrepreneurship is created through the processing of an exceptional package of resources and taking advantage of an opportunity.

There is no one accepted entrepreneurship theory and this is attributed to the inability of scholars to adopt a unique definition (Ireland et al., 2005). Some literature suggests that entrepreneurship emphasises individual characteristics, organisational attributes, and organisational and individual practice and process. An entrepreneurship definition should be characterised by (i) the behaviour and activity involving the entrepreneur, (ii) the function and role of the entrepreneur in the entrepreneurial process, and (iii) the traits and qualities of the entrepreneur (Kaufmann & Dant, 1998). However, Schindehutte et al. (2000) classified entrepreneurs into micro and macro entrepreneurs: Micro-entrepreneurs are entrepreneurs who run mainly family businesses, a sole trading business operating free from career pressure. Macro-entrepreneurs are those that see their involvement in a business as a means of actualising success in life. For this reason, they put in everything required for the business to flourish.

Entrepreneurial Orientation and SME Performance

An entrepreneur's objective is to make adequate profit from an investment, and this translates into business performance growth (New Zealand Institute of Economic Research, 2023). Performance is highly emphasised in

today's business world. According to Lin et al. (2008), a business is performing when it achieves it goals in the areas of sales, profit, and market share. However, many criteria are used to determine a business's growth performance. Business performance is mostly measured using either or both financial and non-financial indicators (Krumwiede et al., 2013). However, measuring performance may involve using available primary data, as collected from the business organisation being evaluated, in conjunction with the secondary data available from the public.

According to Gonzalez-Benito and Gonzalez-Benito (2005), business performance could be measured objectively and subjectively. According to the authors, the objective performance includes quantified indicators such as financial indicators from the organisation and subjective performance involving judgemental assessment (covering both the financial and non-financial indicators).

A variety of financial indicators have been used to evaluate business growth performance. While financial indicators are a good measure of business performance they do not provide enough information to determine the total performance level of a business (Aggarwal & Gupta, 2006). Therefore, Aggarwal and Gupta (2006) and Murphy et al. (1996) suggest the use of financial and non-financial measures to define an accurate level of business performance. In view of this, this study adopted both financial and non-financial approaches to determine the level of SME profit performance.

Entrepreneurial Orientation

According to Mitchell et al. (2002) economics, social psychology, and strategic management contributed to the theoretical development of EO, while Schumpeter (1934) and Gartner (1985) viewed EO from an economic perspective. They argued that when an entrepreneur has a sound economic orientation towards running a business, there is a tendency for the business run by such an entrepreneur to perform well because the entrepreneur will be able to identify economic factors that will contribute to the entrepreneurial success.

Monaughan (2000) focused on social psychology as a discipline that has contributed to the development of EO theory. The author argued that individual traits regarding positive risk-taking and positive competitive aggressiveness enhance EO, leading to business success.

Mitchell et al. (2002) suggested the need for strategic management knowledge for would-be entrepreneurs to manage businesses to success. The authors suggest it will help entrepreneurs decide appropriate strategic organisational goals, objectives and decisions to implement and attain the goals and objectives for the SME to move forward. This study maintains that these three schools of thought are important for understanding entrepreneurial behaviour in managing business when there is a need to be innovative, proactive, to take a risk, be competitive, and give autonomy to members of staff to allow them to improve business performance.

Theoretically, EO is viewed from two perspectives: unidimensional and multidimensional (Miller, 1983; Lumpkin & Dess, 1996). Miller (1983) conceptualised three dimensions (innovation, risk-taking, and proactiveness) as unidimensional, and held that for a business to be entrepreneurial it must possess these three dimensions. According to Lumpkin and Dess (1996), unidimensional does not possess enough coverage to meet the EO expectation for an entrepreneurial business. The authors then conceptualised a multidimensional construct comprising five dimensions: autonomy, innovativeness, risk-taking, proactiveness, and competitive aggressiveness. According to Miller (1983) and Covin & Slevin (1989; 1991) businesses with EO will possess a positive managerial philosophy and decision-making practices. Covin and Slevin argue that an entrepreneurial business will exhibit the act of innovativeness, proactivity, and risk-taking. While Covin et al. (2006) argue that EO relates to business growth, Casillas &Moreno (2010) believe that those entrepreneurial businesses with high innovative strategy will realise sales growth. Baker and Sinkula (2009) found that EO relates only to business profit performance. It has been suggested by many entrepreneurship authors that EO positively relates to business profit growth (Coulthard, 2007; Adrian et al., 2005).

However, Rauch et al. (2009) concluded that the degree of relationship between EO and business profit growth would depend on internal and external realities facing a business. Covin & Slevin (1989) view the external reality of a business from an environmental perspective. They suggested that it is possible for businesses operating in a hostile environment to have stronger EO performance relationships. Similarly, Miles et al. (2000) found that businesses operating in a dynamic environment had stronger EO performance relationships. However, this study adopted the multidimensional approach to determine the EO of SME profit growth performance relationship. Further analysis, discussion, and examination are presented below.

The Relationship Between EO and SME Performance and Hypotheses

This section discusses and analyses the hypothetical development of the EO relationship with business profit performance. The proposed hypotheses emphasise the impacts of EO on the profit performance of SMEs, as well as the moderating roles of environmental factors on the relationship between EO and profit performance. There has not been a unanimous agreement among entrepreneurship authors that EO correlatively relates to business profit performance in all studies. Some studies argue that EO has little, partial or no impact on or relationship with SME performance (Oktavio et al., 2019; Vega-Vázquez et al., 2016; Anwar et al., 2022; Sidek et al., 2019). However, a substantial number of studies on the relationship between EO and SME performance concluded that EO makes a major contribution to SMEs' performance and success (Cuevas-Vargas et al., 2019; Ince et al., 2023; Rafiki et al., 2023; Šlogar et al., 2023). Similarly, Linton and Kask (2017) and Maroofi (2017) found a positive relationship between EO and SME performance. Amin (2015) examined a sample of 250 businesses from food and beverages and 200 SMEs from the electronic industry using unidimensional EO (risk-taking, proactivity and innovation) as independent variables to SME performance as the dependent variable. Amin found that these three variables significantly impacted SMEs' performance in a positive way. The empirical analysis and discussion above mostly support with few opposing the argument that there is relationship between EO and SME growth performance. This study focuses on multi-dimensional EO with five independent variables (risk-taking, proactivity, innovation, autonomy and competitive aggressiveness). The study presents one hypothesis for each of the variables' findings. Testing the stated hypotheses is expected to have either a positive, negative, or insignificant relationship between EO and SME performance. However, empirical analysis and discussion took place to support each stated hypothesis before testing as presented below.

Risk-Taking

Kallmuenzer and Peters (2018) suggested that risk-taking occurs when businesses undertake business related initiatives or activities when the end results of such initiatives and activities are not certain from the inception. Mostly unsuccessful risk taking has a negative impact on business performance (Belás et al., 2018). Risk-taking is synonymous with entrepreneurship and is regarded as one of the entrepreneurial traits. It is argued that to realise higher growth and performance of their businesses, entrepreneurs must take risks. However, with adequate EO knowledge, the entrepreneur will mostly engage in calculative risk (Sahasranamam & Raman, 2018), although an aggressive business tends to pursue opportunities through risk-taking (Avlonitis & Salavou, 2007). However, Miller (1983) concluded that non-entrepreneurial businesses will shy away from taking on risk, will not be innovative and be less competitive and such businesses will only imitate their competitors.

Risk-taking largely occurs when a manager or entrepreneur willingly undertakes a risky business venture (Rauch et al., 2009). Baird &Thomas (1985) suggested that heavy borrowing by a business could be risky and erode profitability and exert pressure on its financials leading to a lack of confidence from the stakeholders and management. According to Lumpkin & Dess (2001), risk-taking involves an entrepreneur's business identifying opportunities and engaging in business activities regardless of the outcome, although risk-taking levels differ per entrepreneur. Some entrepreneurs have a higher propensity and willingness to take on business risk, and they finance ventures or projects when the outcome is not fully established (Miller & Friesen, 1978). Other entrepreneurs are typically risk-averse (Wiklund & Shepherd, 2003). Positive risk-taking by entrepreneurs can eventually lead to business achievement (Peng, 2015). According to Miller (1983), entrepreneurial businesses with risk-taking orientation will capitalise on available environmental opportunities to realise higher returns on investment undertaken by risk. Lumpkin & Dess (1996) suggest businesses with risk-taking orientations willingly invest in ventures to improve business growth and financial status.

According to Hoskisson et al. (2016), risk-taking is a premeditated act by business management, and this dimension influences SME growth performance. Corroborating this Wang & Yen (2012) found risk-taking to have a positive correlation with SME profit performance in Taiwan. Similarly, Asad et al., (2016) and Hutahayan, (2019) found risk-taking positively related to SME performance. Given the empirical findings, this study proposes that risk-taking will influence SME profit performance. It is hypothesised that;

H1: Risk-taking will positively relate to SME profit performance.

Competitive Aggressiveness

Lumpkin &Dess (1996) considered competitive aggressiveness an important element of EO. Businesses with a competitive aggressive orientation would have the ability to challenge competitors and improve their position in the market, leading to increased earnings (Muhonen, 2017). Often businesses that are competitively aggressive

are unconventional in their business dealings (Muhonen, 2017). Recent academic studies argue that to attain a clearer relationship between businesses and their performance, entrepreneurs and business managers must have the capabilities and abilities to manifest competitive aggressiveness. It is seen as the key dimension from multi-dimensional EO that businesses in the same industry compete among themselves. It is a required strategy for a new business entering to the industry to compete with existing organisations (Aldabbas & Oberholzer, 2023; Al-Mamary & Alshallaqi, 2022; Blok, 2018; Shajrawi & Aburub, 2022; Thomran, Alshallaqi, Al-Mamary, & Abdulrab, 2022). This research submits that competitive businesses require constant work to improve their strategies or create new markets to meet the new business and organisational reality. In some cases, this requires an aggressively competitive business to involve itself in head-to-head confrontation with unconventional competitive tactics. Aggressive businesses willing to take over market leadership and/or access rival-based markets may need to reduce their product's price (Rauch et al., 2009). Similarly, businesses with a competitive aggressive orientation often continuously improve the quality of their products and support themselves with aggressive marketing strategies to reduce the market share of their competitor or to stifle their competitor out of the market (Yannopoulos, 2011). According to Portter &Miller (1985) when businesses become aggressively competitive aiming to become a market leader they will start by doing business differently among their peers, such as building competencies to be more competitive in the sector and improving their market stance, ultimately leading to acquiring a substantial share of the market.

Competitively aggressive businesses spend more on marketing, product service, and quality improvement than their competitors, aiming to increase profitability (Asika & Konya, 2020). According to Adrian et al. (2005), competitive aggressiveness has a positive relationship with business performance. Similarly, Abidemi et al., (2020) and Usoroh (2021) found a positive relationship between competitive aggressiveness and SME performance. Given the empirical analysis and findings, it is hypothesised that:

H2: Competitive aggressiveness will positively relate to SME profit performance.

Autonomy

Lumpkin et al. (2009) describe autonomy as an entrepreneur's readiness to allow their employees freedom to develop and implement innovative ideas within the organisation. This will help individuals and/or teams to bring innovative ideas or vision to implementation for the progress of the organisation (Lumpkin & Dess 1996). According to Lumpkin & Dess autonomy in a business is dependent on size, management style, and ownership structure.

There are two types of autonomy: autocratic and generic (Hart, 1992 & Shrivastava & Grant, 1985). Autocratic refers to a management decision-making style where the entrepreneur or business leader solely takes strategic and risky actions in the business enterprise (Hart, 1992). This practice is common in businesses managed by owners or with a few individuals in the enterprise. In this situation, the control, vision, and management of the business reside with the personality of the owner (Shrivastava & Grant, 1985). Generic mode involves the decentralisation of roles, rules, and controls on the expected actions of employees (Shrivastava & Grant, 1985). Generic mode enhances ideas generated from lower-level employees to pass through to management for consideration. This mostly functions well in large businesses because authority and responsibilities are often delegated, allowing employees to make contributions to the organisational decision-making process.

Empirical studies have concluded that there is a significant correlation between autonomy and SME business growth and performance (Ibrahim &Abu, 2020; Al-Mamary and Alshallaqi, 2022; Diaz & Snesini, 2020; Kruja, 2020. Abidemi et al. (2020) suggested that for businesses to attain expected growth and improved performance, management of such businesses must leverage on a competitively aggressive and autonomous strategy. This means that such management must enhance autonomy for the workforce in decision making and opportunities to come up with innovative ideas and be autonomous in the marketplace. Similarly, Casillas & Moreno (2010) submitted that for a business to be innovative it must embed autonomy in the organisational setting. Lumpkin et al. (2009) considered autonomy one of the major constructs of EO. However, Alam et al. (2022) found no relationship between EO, autonomy and SME performance. This study argues that autonomy involves entrepreneurial and/or the managerial ability to make decisions and proceed with the actions to follow up the decisions independently without restrictions from management. Accordingly, Sawang et al. (2020) concluded businesses that devolve autonomy to managers and other lower-level staff will become more flexible in their operations leading to higher productivity. However, management should ensure control and formalise implementation to ensure satisfactory results are achieved and unwanted outcomes are eliminated. This analogy confirms that a business that allows employees autonomy motivates them to develop and implement innovative ideas to enhance higher business performance. According to Coulthard (2007), businesses cannot be

entrepreneurial by failing to give autonomy to their employees because it has a decisive impact on business profit performance (Adrian et al., 2005). Abidemi et al., (2020) found a positive relationship between autonomy and SME performance. Ibrahim and Abu (2020) in their examination of the multi-dimensional EO relationship with SME business performance found autonomy to have a significant relationship with SME performance. Given the empirical analysis and findings it is hypothesised that:

H3: Autonomy will positively relate to SME profit performance.

Proactiveness

Kallmuenzer & Peters (2018) regarded proactiveness as the inherent ability of a business organisation to predict the immediate and future needs of its consumers and proactively make available the needed products and or services in a timely way. According to Rauch et al. (2009), proactiveness is a progressive innovative activity of businesses which could consist of seeking to take first-mover advantage, making efforts to shape the market by introducing a new product, or modernising production processes ahead of rivals. Corroborating this argument, Isichei et al. (2020) regarded proactiveness an internal success factor that businesses must uphold in order to be able to realise first-mover advantage in the industry as well as the market Similarly, Venkatraman (1989) suggested proactiveness as the process of seeking new opportunities by a business in the environment. However, Linton and Kask (2017) concluded that combined use of proactiveness with innovativeness as a business strategy will enhance SME business growth and performance. This study posits that this will only be attained when businesses can anticipate future demands and market opportunities, become involved in emerging markets, and introduce new products earlier than their competitors. However, Kropp et al. (2008) argued that only businesses with proactive orientation will identify and evaluate new environmental opportunities and monitor market trends. From the viewpoint the above analysis, this study suggests that a proactive business needs to act in anticipation of future problems and opportunities for change. Over and above this, a proactive business must be aware of and react to market indicators promptly (Hughes & Morgan, 2007). Similarly, Asemokha et al. (2019) submitted that proactiveness is a necessity for businesses to attain growth and performance. This is further corroborated by Cantaleano et al. (2018) as they suggested proactive enterprises as market leaders. Chin et al. (2016) found a positive correlation between proactiveness and business profit performance. Similarly, Asad et al., (2016) and Octavia et al. (2020) found proactivity positively related to SME performance. The basis of this study's argument is that proactiveness will positively impact SME performance. From the empirical analysis and discussion on proactivity, this study assumes that proactiveness will strongly influence business performance. Therefore, this study hypothesised that:

H4: Proactiveness will positively relate to SME profit performance.

Innovativeness

When a business embraces and engages in new ideas, builds capabilities to implement, and implements innovative changes in every facet of the business endeavours, such a business is said to engage in innovativeness (Rauch et al., 2009). Calisir and Guzelsov (2013) found innovation a mediator between business processes and performance. Similarly, the Organisation for Economic Co-operation and Development (OECD) (2015) argues that innovativeness involves applying and developing creative solutions to common business challenges in the environment. According to Coulthard (2007), entrepreneurs must engage in innovation and be innovative for their entrepreneurship and business survival. Studies have found that only when businesses innovate and continuously add value to their products and services will they be able to strengthen their position in the industry, and attain continuous growth and improve performance (Isichei et al., 2020; Kallmuenzer & Peter, 2018; Jiang et al., 2018; Benazzouz, 2019).

Businesses with innovative orientation engage in innovative practices and remain consistently innovative to ensure they constantly edge out their competitors (Odwyer & Gilmore, 2017). Innovative businesses usually ensure consistent improvement in their products and/or services, which can involve outright development of new products or processes which can result in the creation of a new market (Nisula & Kianto, 2013). Innovation involves exploiting the environment for business opportunities, engaging in business research and development and experimentation. Therefore, innovativeness is essential for SME growth performance (Asemokha et al., 2019). Businesses need to be essentially innovative to exploit environmental opportunities for the benefit of the business. Coulthard (2007) found a positive correlation between innovativeness and business profit performance. Corroborating this, Asad et al., (2016) and Herlinawati et al. (2019) concluded that innovativeness has a positive correlation with SME performance. This study assumes that innovation will enhance business performance. Given the empirical findings, it is hypothesised that:

H5: Innovativeness will positively relate to the SME profit performance.

SME profit performance and growth

SMEs' profit performance and growth are seen as gains or outcomes from the operational activities of a business organization. Profit and performance are evaluated and measured using various indicators such as sales growth, employee turnover rate, market share, customer satisfaction, return on investment, return on assets, profitability, owners' satisfaction, customers' referral rates, new product development, and return on investment (Kiyabo & Isaga, 2017). The relationship between business profitability and growth cannot be over-emphasized. It is a fact that the essence of most businesses is to make a profit. Therefore, it is accepted that portability is the best-expected business practice. Fuertes-Callen & Cuellar-Fernandez (2018) believed that the impact of profit on business growth could be a measure of business expansion, increase in market size, or rise in sales statistics. Fitzsimmons et al. (2005) suggested using a level of business profit performance to determine business growth performance. Fitzsimmons et al. (2005) argue that a business's ability to make a consistent profit will determine its capability to survive in the competitive environment, and only business growth complemented by profitability is sustainable in the long run. However, Fuertes-Callen & Cuellar-Fernandez (2018) concluded that profit alone may not ensure business growth depending on what the profit is committed to, and whether management sees growth as a priority. Similarly, Federico & Capelleras (2015) agreed that a business's profitability plays a prominent role in business growth, but the economic situation could be the determinant of the relationship between the two. Yoo & Kim (2015) concluded that changes emanating from the economic environment determine the type of relationship that would exist between profitability and growth of a business. However, every business intends to maximize profit to enhance business goals (Serrasqueiro et al., 2023). Lee (2014) found a positive relationship between a business's profit performance and growth. Okundaye et al (2019) concluded that consistent profit performance will not only lead to business growth but also enable such organizations to remain on a consistent growth path. Similarly, Serrasqueiro et al (2023) concluded that the profitability performance level will determine the growth direction of SMEs, this study assumed that business profit performance will strongly influence SME growth. Given the empirical findings, it is therefore, hypothesized that:

H6: SME profit performance will positively relate to business growth.

External Environment

The business environment can be seen from two perspectives, the microenvironment which is internal and the macro environment which is external. The microenvironment is controllable by the entrepreneur and or the business management, but on the other hand neither management nor the entrepreneur has control of the macro environment (Ogunmuyiwa, 2023). However, for businesses to grow and attain expected performance outcomes, there must be a continuous heathy relationship between the business and its environment. This relationship is dependent on the capability of the entrepreneur and or management of the business (Abubakar & Junaidu, 2019). Often these elements exert positive and negative impacts on businesses' operational performance. Given this, entrepreneurship scholars have researched how environmental factors moderate EO business growth performance correlation. Several studies have confirmed that environmental factors impact the relationship between EO and SME performance (Arsalan et al., 2020; Eze et al., 2019 & Tahir, 2019). Wiklund & Shepherd (2005) found environmental factors moderating the EO business performance relationship. Unfriendly business environments are correlated with a high level of business risk, uncertainty, and negative impact on business performance (Rosenbusch et al., 2013). According to Wiklund & Shepherd (2005), environmental factors moderate the relationship between EO and business profit performance. However, businesses with innovative, proactive, and risk-taking orientations will benefit from hostile environments for improved performance (Martins & Rialp, 2013).

Supportive business environments are environments with factors that play a positive role in the development and nurturing of entrepreneurship and entrepreneurial activities (Aldrich, 2008). Such environments provide positive business rules and regulations and tax incentives for infant businesses and business infrastructures and help to create new ventures and grow old ventures (Ayyagari et al., 2008). However, Angbazo & Iyimoga (2020) found that a non-supportive hostile environment had a significantly negative impact on SME performance. Onwe et al. (2020) in their findings suggested that entrepreneurs and business managers must identify needed factors and strengthen them to help improve their EO and ensure their survival in hostile business environments.

Closely related to the above analysis is environmental munificence (EM), where there is either an abundance or scarcity of resources available in the market being competed for by businesses (Aldrich, 2008) The presence of absence of EM enhances or limits opportunities for businesses to access the resources for use in their pursuit of

business dreams and/or performance. EM relates to abundant resources, facilitates proactive-performance relationships, and enablement of businesses to build strategic advantage (Onwe et al., 2022). Davis (2007) and Santos & Eisenhardt (2009) found EM as a source of opportunity for businesses accessing resources to attain sustainable business profit growth performance. However, studies have concluded that businesses that operate in a munificent environment with significant support would experience more positive effects on their performance than businesses operating in a hostile environment that lacks needed resources and operates with stress (Gupta & Batra, 2015; Tajeddini & Mueller, 2018). This study assumes the availability of opportunities in a munificent environment enhances a business's ability to attain strategic initiatives, and being in such an environment will positively impact EO and business growth performance of such a business. Contrary to this, Rosenbusch et al. (2013) held that because of the unpredictable nature of dynamic environments, a business's management often finds it difficult to predict future events. According to Corbo (2012) dynamic environments constitute a rapidly changing business environment relative to resource availability. Despite the unpredictability of dynamic environments, it is still considered an important impact on the relationship between EO and business performance (Zahra, 1991). According to Wiklund & Shepherd (2005) and Lumpkin & Dess (2001), dynamic environments mediate proactiveness and business growth performance. Yin, et al. (2020) found that a dynamic environment impacts the EO business performance. According to Ogunmuyiwa and Adetayo (2023) business environments are critical variables in determining SME growth and performance. Similarly, Onwe et al. (2020) concluded that a hostile environment is a crucial factor that will help entrepreneurs and business managers determine how best to make EO relate with their businesses to achieve growth and performance. The analysis above has established from previous research that dynamic EM impacts EO business performance relationships. Since the focus of this research among others includes evaluating the impact of Dynamic and Munificent environments on the relationship between EO dimensions and SME profit performance, this research further develops hypotheses on these two environments as presented below.

Dynamic environments, the relationship between EO and the SME profit

External environments constitute the physical surroundings of a business. These surroundings play a prominent part in the relationship between EO and business profit performance (Ogunmuyiwa & Adebayo, 2023; Anderson, 2011). The ability and capability of a business to make the best use of its EO leading to best profit performance is contingent on the environment in which it operates. Such an environment constitutes the business's source of business information and resources and could also serve as source where business opportunities can be explored and developed. According to Hernández-Perlines & Cisneros (2018), the intermediating role of the environment on the relationship between EO and business performance could be complex because of the factors involved. Most studies that evaluate the impact of the environment on the relationship between EO and business performance anchor their evaluative analysis on their perceived important dimensions relative to the business environment (Zeimers et al. 2019). However, entrepreneurship authors have identified different dimensions to environmental analysis. Rosenbusch et al. (2013) identified four business environments: munificent, dynamic, hostile, and complex. Analyzing the impact of environmental factors on the relationship between EO and business performance, this study adopted Rosenbusch et al.'s (2013) environmental dimensions (dynamic environments and munificent environments).

Environmental dynamism is synonymous with uncertainty and unpredictability in the availability of business needed resources in the environment (Miller & Friesen 1983). The uncertainty and unpredictability of a dynamic environment are manifested through unpredictable changes in the environment. Such changes could include customer demand, competitive behavior and market resources (Dess & Beard 1984). Uncertainty and unpredictability constitute a negative impact on a business's ability to forge ahead towards planned performance. However, dynamic environmental changes could provide the entrepreneur with an EO dimension with the ability to identify and grasp the opportunities and dynamics necessary for the entrepreneur to flourish in a dynamic environment (Octasylva, et al., 2023). In an ever-changing environment, entrepreneurs and SME managers/management need dynamic capabilities to be able to manage the business to achieve expected. performance. Possession of these capabilities will enable such managers to access available key market opportunities. However, these opportunities and needed resources must be searched for by businesses in a dynamic environment due to competitive rivalry among the players in the sector (Chien & Tsai, 2021). Rodríguez-Peña (2021) assessed the impact of EO on corporate venturing businesses' financial performance operating in the dynamic environment. The study found that the capabilities of the businesses to tap into the opportunities in their dynamic environment resulted in positive performance. This study argues that a dynamic environment could moderate the relationship between EO and business performance because of its negative stance on business profit performance. Given the empirical findings, it is therefore hypothesized that:

H7: Dynamic environments will moderate the relationship between EO and SME profit (main hypothesis on dynamic environment). However, five sub hypotheses were created to evaluate how dynamic environment could impact the relationship between each of five dimensions of EO and SME profit performance as indicated on the model of hypotheses

Munificent environments, the relationship between EO and SME profit performance

Henryques (2021) refer to environmental munificence as environment with abundance or scarcity of resource that businesses needed to function towards attaining their stated objectives. According to Dess et al. (2005) environmental munificence is the level of availability of resources needed by the business to perform in its operational environment. In the munificence environment resources are expected to be sufficiently available, enabling businesses to attain their operational goals. However, Davis (2007) argues that the level of munificence is dependent on the firm's ability to access and acquire resources from the environment as and when needed, and this ability impacts business performance. The study argues that a munificence environment is expected to enable management of the business to make futuristic decisions on strategies to adopt and how best to improve its profit growth performance, especially when such an environment has abundant resources to help promote and attain positive business performance. However, Kreiser & Davis (2010) found that EO positively related to business profit performance in the context of the munificence environment. Also, Awang et al. (2009) found environmental munificence to be significantly related to business performance as well as EO dimensions. Similarly, Henryques (2021) and Collins and Reutzel (2017) found a munificence environment to moderate the relationship between EO and SME performance. Given the empirical findings, it is therefore hypothesized that:

H8: Munificent environments will moderate the relationship between EO and SME profit performance **(**main hypothesis on dynamic environment**).**This research also created five sub hypotheses to test how munificent environment could impact the relationship between the five EO dimensions and SME profit performance, these are included in the model of hypotheses.

Model of Hypotheses

The study hypothesised that EO will positively influence SME profit performance. Five hypotheses were presented on EO business profit performance, two on the environmental impact of EO on profit performance and two hypotheses were presented on the moderating role of environmental factors on the relationship between EO and SME profit performance.

The hypothetical model for the study is presented in Figure 1.

The five EO dimensions and two environmental factors are regarded as independent variables while the SME's profit is regarded as a dependent variable. Hence, the hypotheses are stated below:
H1: Risk-taking will positively relate the SME profit performance.
H2: Competitive aggressiveness will positively relate the SME profit performance.
H3: Autonomy will positively relate the SME profit performance.
H4: Proactiveness will positively relate the SME profit performance.
H5: Innovativeness will positively relate the SME profit performance.
H6: SME profit performance will positively relate to the SME growth.
H7: Dynamic environments will moderate the relationship between EO and the SME profit performance.
H7a: Dynamic environments will moderate the relationship between proactiveness and SME profit performance.
H7b: Dynamic environments will moderate the relationship between innovativeness and SME profit performance.
H7c: Dynamic environments will moderate the relationship between risk-taking and SME profit performance.
H7d: Dynamic environments will moderate the relationship between autonomy and SME profit performance.
H7e: Dynamic environments will moderate the relationship between competitive aggressiveness and SME profit performance.
H8: Munificent environments will moderate the relationship between EO and SME profit performance.
H8a: Munificent environments will moderate the relationship between proactiveness and SME profit performance.
H8b: Munificent environments will moderate the relationship between innovativeness and the SME profit performance.
H8c: Munificent environments will moderate the relationship between risk-taking and SME profit performance.
H8d: Munificent environments will moderate the relationship between autonomy and SME profit performance.
H9e: Munificent environments will moderate the relationship between competitive aggressiveness and SME profit performance.

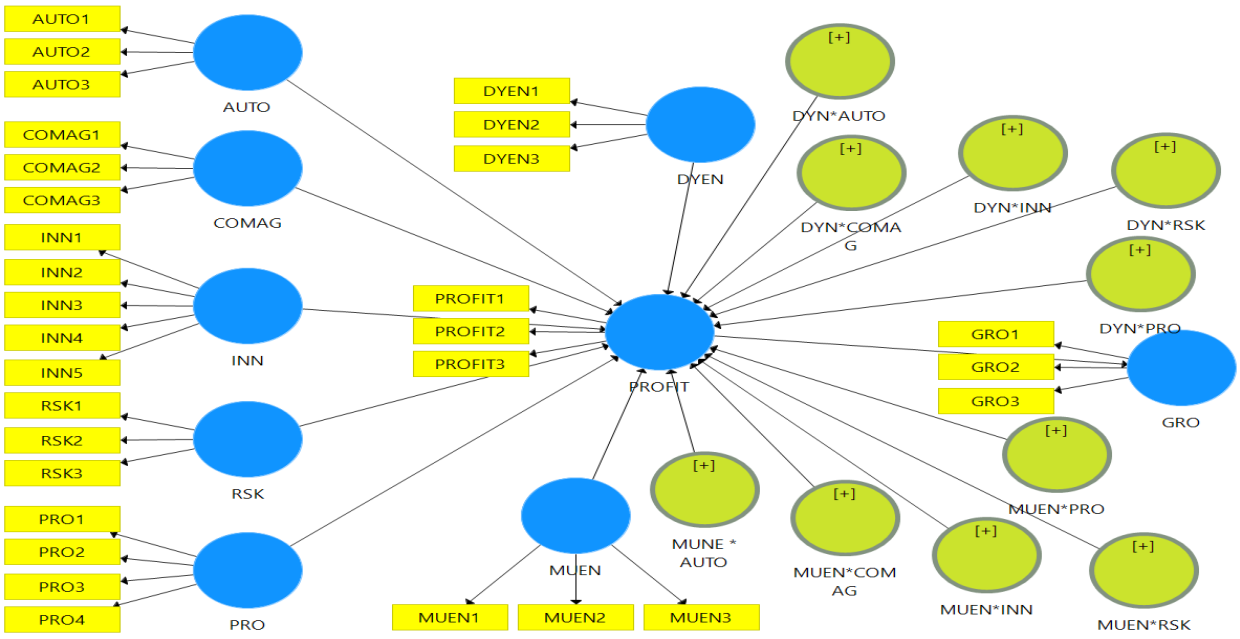

Figure 1: Research Hypothetical Framework

III. Method

This study adopted quantitative research method for its data collection and analysis. The researchers observed a natural setting of the phenomenon of the EO SMEs connection and moderating impact of the environment on the connection between EO and SME performance. The hypotheses proposed were tested.

Data and Sample

Participants were from three cities of North Island regions of NZ: Auckland, Hamilton, and Wellington in NZ. 600 survey questionnaires were sent to SME owners, managers and management. A total of 550 survey questionnaires were returned, representing a 92% response rate. 50 survey questionnaires were incomplete and discarded, leaving 500 survey questionnaires available for use. The questions on EO dimensions and SME's profit performance were designed to measure the relationship of independent variables of EO and the dependent variable of SME's profit performance. The survey questionnaire was also designed to measure if business profit could enhance business growth and participants' thoughts on the moderating effects of environmental factors on their SME's profit performance.

Measurement of Variables

The focus was on the multidimensional school of thought of EO. Therefore, five EO dimensions: proactiveness, innovativeness, risk-taking, autonomy, and competitive aggressiveness were adopted as independent variables. An 18 item five-point Likert scale was employed to determine the relationship among the five constructs of EO and SME profit performance. The 18 items included three items to measure autonomy, three items to assess competitive aggressiveness, five items to measure innovativeness, three items were used to assess risk-taking, and proactiveness was measured with four items. A three-item five-point Likert scale was adopted to measure each participant's SME profit performance. These items were consistent return on sales, gross profit margin, and net profit margin over the years. Measuring the moderating effects of environmental factors on the relationship between EO SME profit performance, a three-item five-point Likert scale was adopted for each from Zahra (1991) and Castrogiovanni (1991) scale to examine the moderating role of dynamic and munificent environments on the relationship between EO and SME performance. Also adopted was Lumpkin & Dess's (2001) scale to measure proactiveness and competitive aggressiveness, Li et al.'s (2008) scale to examine risk-taking and innovativeness and Lumpkin et al.'s (2009) scale to measure autonomy. For descriptive-analytical purposes, Table 1 represents the descriptive statistics of the indicators used.

Table 1: Descriptive Statistics for Measurement Items

Indicator variables	N	Missing	Mean	Median	Standard Deviation	Excess Kurtosis	Skewness
AUTO1	500	0	4.13	4	0.643	2.423	-0.896
AUTO2	500	0	4.384	5	0.793	1.013	-1.209
AUTO3	500	0	4.326	4	0.732	0.352	-0.841
COMAG1	500	0	4.174	4	0.888	-0.094	-0.83
COMAG2	500	0	4.072	4	0.72	0.837	-0.592
COMAG3	500	0	4.178	4	0.965	-0.39	-0.872
INN1	500	0	4.586	5	0.647	1.369	-1.434
INN2	500	0	4.598	5	0.6	0.439	-1.216
INN3	500	0	4.224	4	0.631	-0.627	-0.218
INN4	500	0	4.376	5	0.731	0.545	-0.965
INN5	500	0	4.524	5	0.63	-0.111	-0.979
RSK1	500	0	4.082	4	0.938	-0.118	-0.806
RSK2	500	0	3.906	4	0.859	-0.504	-0.313
RSK3	500	0	4.1	4	0.84	-0.278	-0.637
PRO1	500	0	3.994	4	0.92	-0.552	-0.576
PRO2	500	0	4.112	4	0.836	-0.776	-0.44
PRO3	500	0	4.116	4	0.794	0.039	-0.667
PRO4	500	0	4.248	4	0.72	0.077	-0.669
PROFIT1	500	0	4.004	4	0.827	-0.131	-0.582
PROFIT2	500	0	3.898	4	0.931	-0.643	-0.406
PROFIT3	500	0	3.814	4	0.907	-0.645	-0.269
GRO1	500	0	4.032	4	0.855	-0.379	-0.562
GRO2	500	0	3.93	4	0.934	-0.061	-0.686
GRO3	500	0	4.006	4	0.943	-0.367	-0.657
DYEN1	500	0	3.882	4	0.94	-0.344	-0.559
DYEN2	500	0	4.05	4	0.645	1.203	-0.406
DYEN3	500	0	4.292	4	0.843	1.691	-1.218
MUEN1	500	0	3.96	4	0.866	-0.48	-0.478
MUEN2	500	0	3.996	4	0.856	-0.247	-0.588
MUEN3	500	0	4.186	4	0.797	-0.113	-0.703

Table 2: Demographic Profile of Participants

Variable	Gender	Frequency	Percentage %
Gender	Male	300	60
	Female	200	40
Age	20-29	50	10
	30-39	150	30
	40-49	130	26
	50-59	100	20
	60 above	70	14

The study adopted PLS for analysis using Smart PLS 3.0 software. Also adopted for further analysis were SEM two-stage analytical measures by testing the measurement model for validity and reliability of the measures, followed by examining the structural model (Hair et al., 2013). The Bootstrapping method applying 5,000 resamples to examine the significance of path coefficients and loadings was one of the analytical tools used (Hair et al., 2013). The SEM was used to test the normality of the data. Descriptive statistics measurement items (Table 1) present the number of items for the study, missing values, mean, median, standard deviation, excess kurtosis, and skewness. To Kline (2011) this data violates normality. PLS is mostly used in management and marketing-related studies to model constructs facing the non-normality condition because of sample size and its deep-rooted technique has been widely used by researchers to estimate path coefficients in structural models (Hair et al., 2013).

Table 3: Validity and Reliability for Constructs

Constructs	Items	Loadings	CR	AVE
Autonomy	AUTO1	0.61	0.81	0.59
	AUTO2	0.83		
	AUTO3	0.84		
Competitive Aggressive	COMAG1	0.82	0.79	0.56
	COMAG2	0.52		
	COMAG3	0.87		
Dynamic Environment	DYEN1	0.76	0.79	0.56
	DYEN2	0.80		
	DYEN3	0.68		
Business Growth	GRO1	0.85	0.86	0.67
	GRO2	0.76		
	GRO3	0.83		
Innovativeness	INN1	0.83	0.85	0.54
	INN2	0.72		
	INN3	0.59		
	INN4	0.63		
	INN5	0.85		
Munificence Environment	MUEN1	0.76	0.86	0.67
	MUEN2	0.88		
	MUEN3	0.82		
Proactiveness	PRO1	0.72	0.83	0.56
	PRO2	0.82		
	PRO3	0.74		
	PRO4	0.70		
Profit	PROFIT1	0.82	0.86	0.68
	PROFIT2	0.85		
	PROFIT3	0.81		
Risk	RSK1	0.78	0.72	0.47
	RSK2	0.72		
	RSK3	0.52		

Table 4: Discriminant Variability

Constructs	1	2	3	4	5	6	7	8	9
Autonomy	0.77								
Competitive aggressiveness	0.74	0.75							
Dynamic environment	0.54	0.56	0.75						
Business growth	0.42	0.48	0.50	0.82					
Innovativeness	0.63	0.54	0.38	0.36	0.73				
Munificent environment	0.28	0.37	0.42	0.44	0.24	0.82			
Proactiveness	0.41	0.53	0.53	0.49	0.45	0.28	0.79		
Profit	0.44	0.51	0.52	0.69	0.27	0.35	0.41	0.82	
Risk-taking	0.37	0.38	0.19	0.40	0.52	0.12	0.39	0.27	0.68

Legends: Value of diagonal is the square root of the AVE while diagonals are correlations.

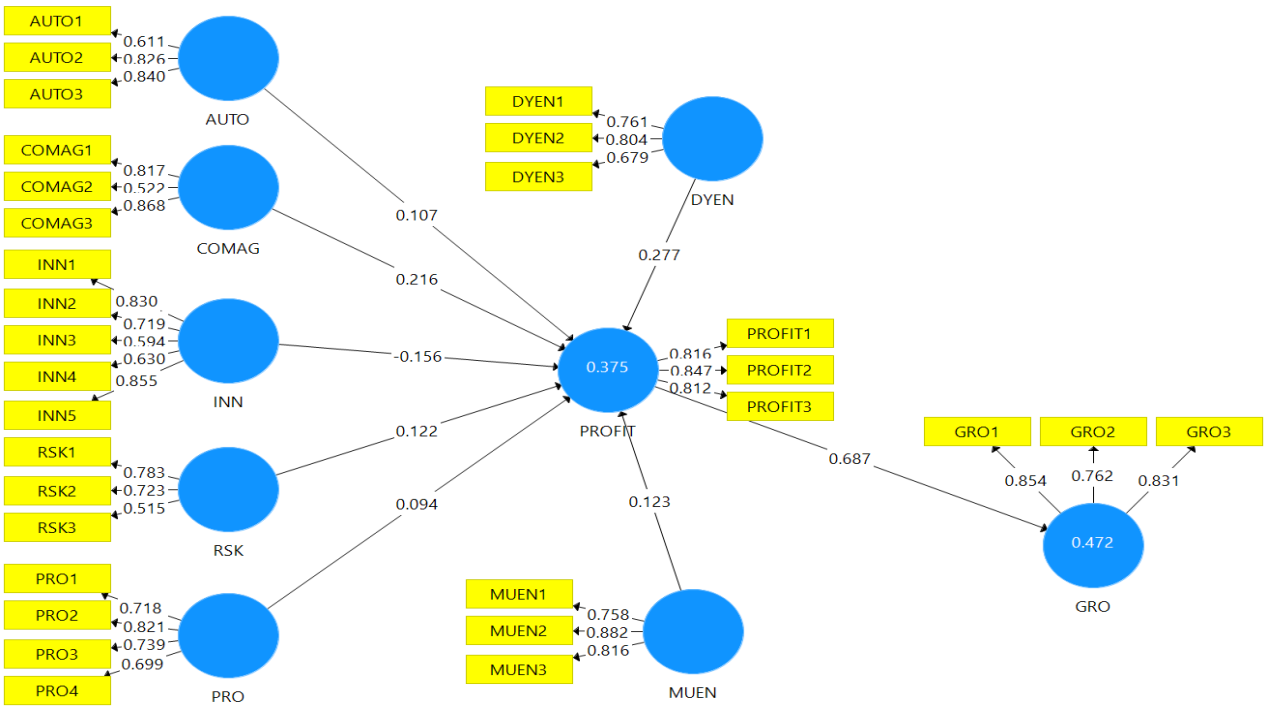

Figure 2: PLS-SEM Result Without Moderating

Measurements Model

Convergent validity was tested by assessing factor loadings, Composite Reliability (CR), and Average Variance Extracted (AVE). As shown in Table 3 and Figure 2 the factor loading met the recommended value of 0.6 except COMAG 2 (Chin et al., 2008). The CR was assessed to determine the degree to which construct indicators indicate that the latent construct values met with the recommended value of 0.7. Similarly, the AVE met the recommended value of 0.5 (Hair et al., 2013). The discriminant validity was assessed to determine the extent to which the measures were not reflecting other variables. This is referred to as a low correlation between the measure of interest and the measures of the other constructs. To attain adequate discriminant validity, the square root of the AVE (diagonal values) of each construct must be larger than the corresponding correlation coefficient (Ali et al., 2016; Hasan et al., 2015). This is shown in Table 4.

Structural Model

According to Hair et al. (2013), to evaluate the structural model R^2, the beta coefficient (β), and the corresponding t-values using a bootstrapping procedure with a 5,000 resample should be considered and also report predictive relevance (Q^2) and the effect sizes (f^2).

The coefficient of determination R^2 for the research endogenous latent variable is 0.531 (see Figure 3). This indicates that five dimensions of EO (proactiveness, innovativeness, risk-taking, autonomy, and competitive aggressiveness**)** with an external environment (dynamic environment or munificent environment) together describe 53.1% of the overall variance of the SME's profit performance. According to Cohen (1988), as an R^2 value of 0.531 is higher than 0.26, the model is substantial. The model indicates that the five EO dimensions and two external environments sequentially provided the following path coefficient: autonomy has a 0.033 effect, competitive environment 0.223, innovativeness -0.109, risk-taking 0.154, proactiveness 0.103, dynamic environments 0.402, and munificent environments 0.160. The results indicated that each independent variable positively affects SME profit performance, except innovativeness.

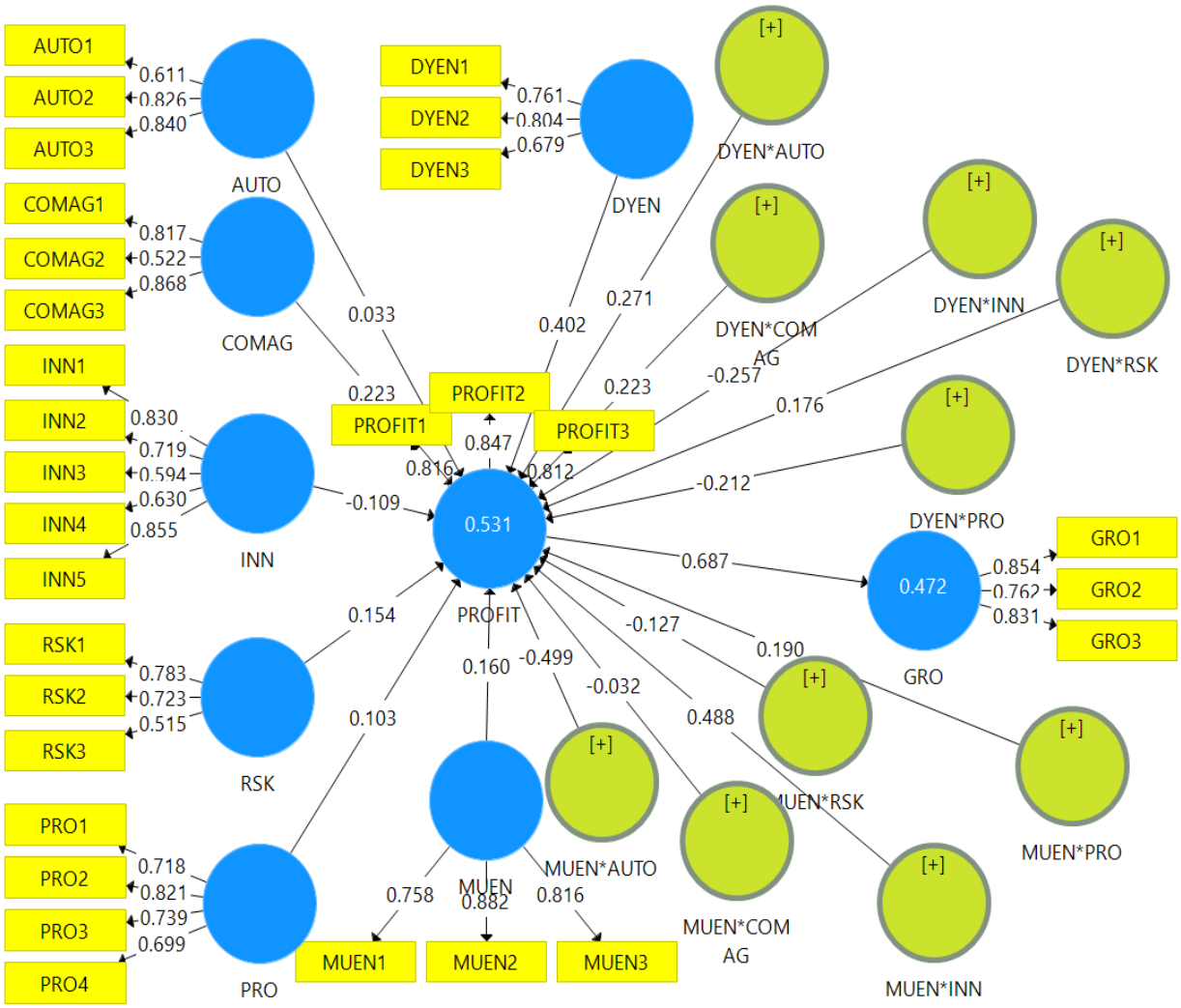

Figure 3: PLS-SEM Result with Moderating

Table 5: Structural Estimate Hypothesis Testing and Findings

Hypotheses	Number	Beta	T-Value	Decision	f^2
RSK -> PROFIT	H1	0.15	3.59	Supported	0.03
COMAG -> PROFIT	H2	0.22	3.29	Supported	0.03
AUTO -> PROFIT	H3	0.03	0.37	Not supported	0
PRO -> PROFIT	H4	0.1	2.70	Supported	0.01
INN -> PROFIT	H5	-0.1	2.04	Supported	0.01
PROFIT -> GRO	H6	0.69	27.84	Supported	0.89
DYEN -> PROFIT	H7	0.4	5.99	Supported	0.15
DYEN*PRO ->PROFIT	H7A	-0.21	3.58	Supported	0.04
DYEN*INN -> PROFIT	H7B	-0.24	4.12	Supported	0.04
DYEN*RSK -> PROFIT	H7C	0.17	2.84	Supported	0.03
DYEN*AUTO -> PROFIT	H7D	0.26	2.67	Supported	0.03
DYEN*COMAG->PROFIT	H7E	0.23	2.31	Supported	0.02
MUEN -> PROFIT	H8	0.16	3.24	Supported	0.04
MUEN*PRO -> PROFIT	H8A	0.18	3.7	Supported	0.04
MUEN*INN -> PROFIT	H8B	0.47	5.87	Supported	0.09
MUEN*RSK -> PROFIT	H8C	-0.11	2.44	Supported	0.02

MUEN * AUTO->PROFIT	H8D	-0.49	4.62	Supported	0.09
MUEN*COMAG->PROFIT	H8E	-0.04	0.28	Not supported	0

Note. Critical *t*-values *1.96 (*p*-value < 0.05), **2.58 (*p*-value < 0.01). Any *t*-value greater than 1.96 or 2.58 is significant.

Table 5 represents findings from data analysed based on the hypothesis tested. Tested hypotheses with positive findings are represented by "supported" while those findings that are negative are represented by "not supported" on the table. As seen on the table, only two hypotheses tested are not supported.

Bootstrapping was used for structural (Table 5 and Figure 4) path significance to check the path coefficient of the inner model significance using a two-tailed t-test with a significance level of 5% or 1%. The research found the hypothesised path on the relationship between competitive aggressiveness and SME profit performance is statistically significant with a significance level of 1% (*t*-value = 3.29; *p*-value < 0.01), innovativeness and SME profit performance are statistically significant with a significance level of 1% (*t*-value = 2.04; *p*-value < 0.01), risk-taking and SME profit performance are statistically significant with a significance level of 1% (*t*-value = 3.59; *p*-value < 0.01), proactiveness and SME profit performance are statistically significant with a significance level of 1% (*t*-value = 2.70; *p*-value < 0.01). This implies that all hypotheses that postulate the EO dimension were positive and have a significant relationship with SME profit performance and were all supported, except autonomy. The hypothesised relationship between SME profit performance and growth was found to be statistically significant with a significance level of 1% (*t*-value = 27.84; *p*-value < 0.01). The hypothesised path relationship between a munificent environment and a dynamic environment and SME profit performance were statistically significant with a significance level of 1% (*t*-value = 3.24; *p*-value < 0.01) for munificent environments and with a significance level of 1% (*t*-value = 5.99; *p*-value < 0.01) for dynamic environments.

The tests of the moderating effects of environmental factors on the relationship between EO dimensions and SME profit performance are displayed in Table 5. The interaction between the construct's munificent environment * autonomy (*t*-value =4.62; *p*-value < 0.05), munificent environment * innovativeness (T-value = 5.87; p-value < 0.05), munificent environment * risk-taking (*t*-value = 2.44; *p*-value < 0.05), munificent environment * proactiveness (*t*-value = 3.7; *p*-value < 0.05). Therefore, a munificent environment has a significant moderating effect on SME profit performance with a significance level of 5%. However, in the interaction construct munificent environment * competitive aggressiveness was not a significant (*t*- value of 0.28) moderating effect on SME profit performance. This is interpreted as a capability of munificent environments to moderate the relationship between autonomy, innovativeness, risk-taking, proactiveness, and SME profit performance significantly. However, the result also indicated that a munificent environment does not have a significant moderating effect on the relationship between EO and SME profit performance. Also, Autonomy does not have positive relationship with profit AUTO -> PROFIT with the *t*- value of 0.03.

Similarly, Table 5 shows the interaction between the constructs of dynamic environment * autonomy (*t*-value = 2.67; *p*-value < 0.05), dynamic environment * competitive aggressiveness (*t*-value = 2.31; *p*-value < 0.05), dynamic environment * innovativeness (T-value = 4.12; p-value < 0.05), dynamic environment * risk-taking (*t*-value = 2.84; *p*-value < 0.05), dynamic environment * proactiveness (*t*-value = 3.58; *p*-value < 0.05). The results indicate dynamic environments do significantly moderate the relationship between autonomy, competitive aggressiveness, innovativeness, risk-taking, proactiveness, and SME profit performance. Therefore, dynamic environments have a significant moderating effect on SME profit performance with a significance level of 5%. However, findings on table 5 using Structural Estimation Model Testing are similarly replicated on fig. 4 using Structural Path Significance in Bootstrapping as presented.

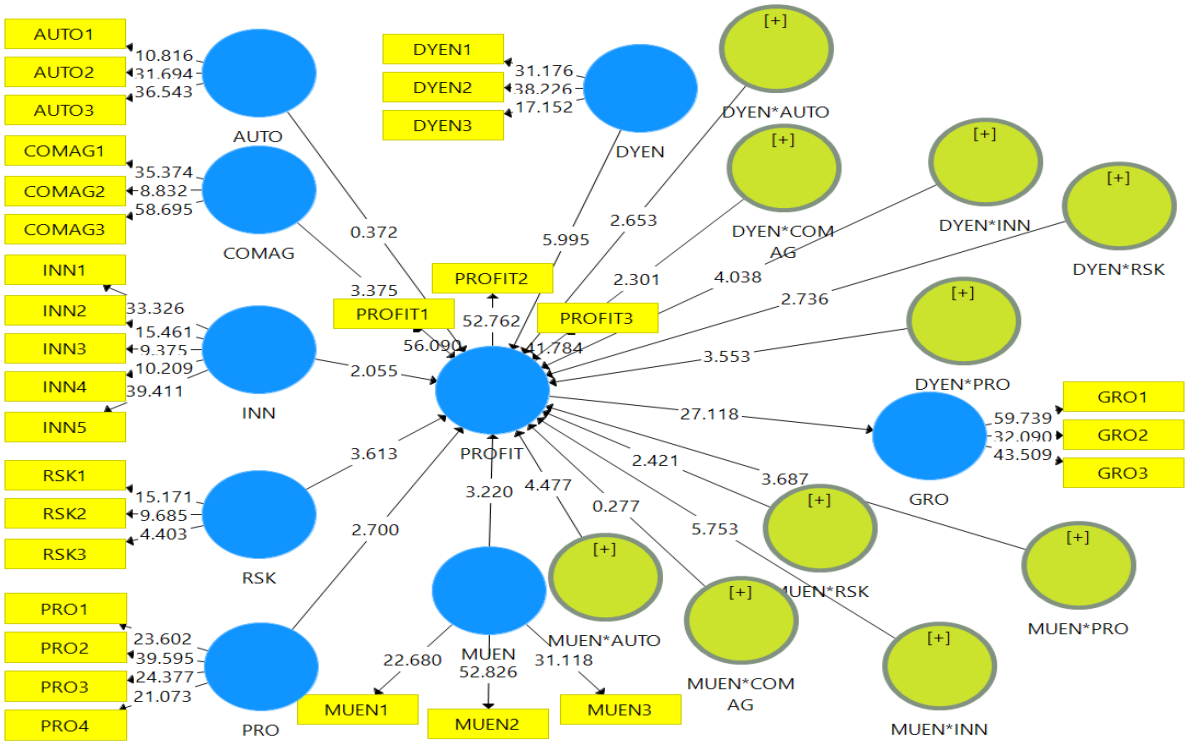

Figure 4: Structural Path Significance in Bootstrapping

The test of the effect sizes (f^2 through p-value as shown in Table 5) indicated significant relationships only between some constructs with no indication of the size of the effect. This may make interpreting data and results challenging. Resolving this required examining and reporting substantive and statistically significant changes in the R^2 value (Hair et al., 2013). However, to measure the effect size of the data the research adopted Cohen's (1988) guidelines: 0.02 for small effects, 0.15 for medium effects, and 0.35 for large effects. Table 5 indicated that all supported relationships have small or more than small effects except innovative -> profit, proactive -> profit. According to Chin et al. (2008), predictive sample reuse technique (Q^2) can effectively show predictive relevance relative to the size of R^2 and f^2. Using the blindfolding process, Q^2 will explain how data can be reconstructed empirically with the model and PLS parameters. Cross-validated redundancy and communality procedures were used to obtain Q^2 following the rules that when Q^2 is greater than 0 the model has predictive relevance; if Q^2 is less than 0, the model lacks predictive relevance. Testing the Q^2 of the endogenous variables for cross-validated redundancy and communality procedures of this study's result indicate 0.31 for growth and 0.33 for profit (Table 6); 0.33 for growth and 0.35 for profit (Table 7). The result indicated that all samples used have predictive relevance.

Table 6: Construct Cross-Validated Redundancy

Hypotheses	SSO	SSE	Q^2 (=1-SSE/SSO)
AUTO	1500	1500	
COMAG	1500	1500	
DYEN	1500	1500	
DYN*AUTO	500	500	
DYN*COMAG	500	500	
DYN*INN	500	500	
DYN*PRO	500	500	
DYN*RSK	500	500	
GRO	1500	1036.65	0.31

INN	2500	2500	
MUEN	1500	1500	
MUEN*COMAG	500	500	
MUEN*INN	500	500	
MUEN*PRO	500	500	
MUEN*RSK	500	500	
MUNE * AUTO	500	500	
PRO	2000	2000	
PROFIT	1500	997.62	0.33
RSK	1500	1004.58	

Table 7: Construct Cross-Validated Communality

Hypotheses	SSO	SSE	Q^2 (=1-SSE/SSO)
AUTO	1500	1193.15	0.21
COMAG	1500	1211.47	0.19
DYEN	1500	1276.09	0.15
DYN*AUTO	500		1
DYN*COMAG	500		1
DYN*INN	500		1
DYN*PRO	500		1
DYN*RSK	500		1
GRO	1500	1000.28	0.33
INN	2500	1720.01	0.31
MUEN	1500	979.63	0.35
MUEN*COMAG	500		1
MUEN*INN	500		1
MUEN*PRO	500		1
MUEN*RSK	500		1
MUNE * AUTO	500		1
PRO	2000	1470.52	0.27
PROFIT	1500	971.15	0.35
RSK	1500	1500.00	-0.00

VI. Discussion of the Study

This study examined the relationship between and impact of EO on the profit growth performance of SMEs and the influence of the environment. Data collected was analysed using Partial Least Squares (PLS)- structural equation model (SEM) software.

Findings from data collected and analysed indicated that there is positive and significant relationship between EO and SMEs' growth performance. Results indicated that four out of five EO dimensions of multi-dimensional EO positively related to SMEs' growth performance. However, autonomy was not positively related to growth performance. This research concludes that EO promotes SME growth performance. Consequently, this research argues that taking business risks, engaging in proactive behaviour, innovative behaviour and being competitively aggressive must be part of the fundamental EO behaviour. An entrepreneur/manager or management of a businesses should engage in EO to attain successful business growth performance. This finding is consistent with previous studies (Asad et al., 2020; Herlinawati et al., 2019; Hutahayan, 2019; Octavia et al., 2020; Palmera et al., 2019). Therefore, these four EO dimensions are found to be valuable variables that help New Zealand SMEs

in attaining positive growth and performance. This study also examined the relationship between SME profit performance and growth. Findings indicated that they are significantly related. This finding is similar to Serrasqueiro et al. (2023) and Okundaye et al. (2019). The impacts of munificence and dynamic environments in New Zealand on the relationship between EO and SME growth performance was examined. Findings indicated that a munificent environment has a significant moderating effect on EO SME profit performance. This finding is synonymous with Henryques (2021) and Collins and Reutzel's (2017) finding. A contrasting finding was obtained on the relationship construct of munificent environment and competitive aggressiveness. However, findings indicate dynamic environments do significantly moderate the relationship in all EO dimensions and SME profit performance. This finding is the same as those of Rodríguez-Peña (2021) and Chien & Tsai (2021). In furthering the significance of this study, the implications it presents are listed below:

IV. Conclusion

The study examined the relationship between five EO constructs and SME profit performance and established a positive relationship between EO and SME profit performance. The model indicated that SMEs with greater EO will realise improved profit performance. Use of model estimation and PLS-SEM algorithm, RBV, and contingency theory by combining mediating and moderating variables help improve the quality of the study. The model established that EO is critical and fundamental for enhancing optimal profit performance and that environmental factors moderate, mediate, and influence EO SME profit performance. The study concluded that SMEs with greater EO knowledge and application experience better profit performance, and that dynamic and munificent environments positively moderate the EO profit performance of SMEs.

This study has reduced the gap in the literature relative to the NZ SME sector by extending the understanding of the impact of EO on the profit growth performance of SMEs, particularly the moderating role of the dynamic and munificent environment EO profit growth relationship. As established earlier, many studies have established this fact relative to other countries (Chin et al., 2016; Adrian et al., 2005; Baliaeva, 2019; Yin, et al., 2020). However, no such research has been done in NZ relative to the SME sector context. Therefore, this study has expanded the exposure of the relationship between EO and the performance of SMEs and the moderating role of environmental factors on the linkage.

Theoretical Implications

The relationship between five EO dimensions and SME profit performance within SME enterprises was studied. Empirical data indicated that EO has direct and indirect positive impacts on SME profit performance. The analytical findings support the argument of Pratono and Mahmood (2015) and Shehu & Mahmood (2014) that EO plays a critical role in profit performance. This study suggests that SMEs that adopt and practise more EO in the management of their businesses will realise more positive EO SME profit performance. However, while the study found proactiveness, innovativeness, risk-taking, and competitive aggressiveness positively impact on SME profit performance, the contrary is the case of the autonomy dimension as it does not have a positive effect on SME profit performance. This supports the findings of Alam et al. (2022) where the autonomy dimension was found to be unrelated to business profit performance and growth. The moderating role of the environmental factors (dynamic and munificent environments) on the EO and SME profit performance connection was examined. Both dynamic and munificent environments were found to promote positive relationships between EO and SME profit performance. This is supported by the findings of (Henryques, 2021; Collins and Reutzel, 2017; Chien & Tsai 2021; and Rodriguez- Pena 2021) that the munificence and dynamism of environments have a positive moderating impact on EO and performance. However, results indicated that munificent environments have no positive moderating effects on the relationship between the competitive aggressiveness dimension and SME profit performance. Results suggested this could be due to the misinterpretation of the survey questionnaire on the competitive aggressiveness dimension by participants. Nevertheless, participant responses as tested determined the result found. This study a) found EO a necessary strategy for entrepreneurship, b) found EO constitutes a key component for SMEs to accomplish high-profit performance, c) confirmed that an entrepreneurial SME will have the capabilities of understanding and managing, and d) found that the application of the five EO dimensions enhances the profitability and growth of SMEs. Owners, managers, and management of SMEs that are entrepreneurial and accommodate EO practices can set goals, priorities and create channels through attaining profitability and growth (Asad et al., 2020; Octavia et al., 2020; Palmera et al., 2019). The study also suggests that munificent and dynamic environments have a significant contribution to the positive relationship between EO dimensions and SME profit performance (Okeyo, 2014).

SME Business Implications

This study analysed an unexplored connection between EO and SME profit performance in the NZ SME sector, the first of its kind in NZ. It also examined the effects on the relationship due to the moderating roles of environmental factors. Adopting the multidimensional theory of EO and examining the relationship of the same with SME profit growth performance provided an understanding and direction for entrepreneurial SME businesses to realise positive EO profit performance while realising the best environmental factors to grow the relationship better. The study confirms that both the dynamic and munificent environment variables exercise a positive influence on the relationship between EO and SME profit performance. Specifically, dynamic, and munificent environments positively change the direction of the relationship between EO and SME profit performance. Therefore, in dynamic and/or munificent environments entrepreneurial SMEs can be more autonomous, take more calculated risks, be more proactive, and be more innovative. It is expected that SMEs should make the best decision relative to management and operations at this time and in this environment. However, SMEs should take a second look at the relationship between competitive aggressiveness and profit performance within a munificent environment. The key contribution of this study from the NZ perspective is that munificent environments change the course of the encouraging the correlation between EO and SME profit performance. Therefore, SME owners, managers, and management should be guided on how they engage in competitive aggressiveness and make wise decisions that will not negatively impact the SME's profit position in a munificent environment.

This research argues that EO is a necessity for SMEs to attain their goals and objectives and successfully realise desired profit as well as growth. Supported by the results with the acquisition of EO dimension knowledge and practices SME's profit will be consistent which will subsequently lead to growth over the year (Okangi, 2019).

Practical Implications for Entrepreneurs, Business Owners, and Managers

By implication, this study demonstrated that EO dimensions and SME profit performance are positively related. It also established that munificent and dynamic environments positively moderate the relationship between EO dimensions and SME profit performance. Proactiveness, innovativeness, risk-taking, and competitive aggressiveness are all positively related to SME profit performance supportive hypotheses stated (H1, H2, H4, and H5); only autonomy (H3) failed to support the stated hypothesis. Dynamic and munificent environments positively relate to SME profit performance (H6). Dynamic environments positively moderate between five EO dimensions and SME profit performance (H8a to H8e). The same applies to munificent environments except they do not positively moderate the relationship between competitive aggressiveness and SME profit performance (H9e). Therefore, almost all hypotheses stated in relation to the two environmental factors and five EO dimensions are supported except for munificence*competitive and aggressiveness -> profit. While the study predicted that entrepreneurial SMEs operating in dynamic and munificent environments will be profitable and will grow, SME owners and managers need to be cautious of their competitive aggressiveness activities in munificent environments as these will not positively moderate the relationship between competitive aggressiveness and profit performance.

Limitations and suggestions for future research

There were a few limitations associated with this study: participants were all from SMEs which did not include businesses with more than 50 employees defined as large businesses by the Ministry of Business, Innovation & Employment (2016). The area from which the primary data was obtained was limited to Auckland, Hamilton, and Wellington in NZ. It was very difficult sourcing participants as they seemed not to value research outputs. For instance, it was frustrating when some SME owners and or managers claimed they were not interested in accepting the questionnaire. Also, collecting data from SME owners, managers, and management without taking into consideration other important stakeholders, like employees, constitutes a limitation to realising insightful findings. Data for the study was collected from the three North Island regions of Auckland, Hamilton, and Wellington, NZ. The three regions have more than one-quarter of NZ's SMEs. According to the Ministry of Economic Development (2011), the largest SMEs are found in Auckland with 147,578, Canterbury 58,891, Waikato 47,717, and Wellington 46,874. The researcher felt that the national coverage was not adequate as the research did not have participants from Canterbury, South Island, NZ. Therefore, the researcher suggest future studies include more areas and better geographical distribution. The researcher also suggest the inclusion of other stakeholders, such as employees, as participants as they may have a greater insight into their roles to facilitate the SME EO profit performance relationship and realise better results.

Free Authors Competing Interest, Ethical Consent Authors Contribution

This research was conducted in the absence of any commercial or financial relationships among authors and I do not have any potential conflict of interest with the submission of this manuscript, I undertake that the manuscript of this research was started and completed by me (Olufemi Muibi Omisakin):

- Olufemi Muibi Omisakin conceptualised and designed the Article.
- Olufemi Muibi Omisakin wrote the introduction and literature section.
- Olufemi Muibi Omisakin worked on data collection.
- Olufemi Muibi Omisakin organized the database and performed the statistical analysis and interpreted the results.
- Olufemi Muibi Omisakin did manuscript revision, read, and approved the submitted version
- I undertake that the contents of this manuscript have not been copyrighted or published previously.
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- I undertake that the contents of this manuscript will not be copyrighted, submitted, or published elsewhere, while acceptance by the AJBMR is under consideration.
- I undertake that there are no directly related manuscripts or abstracts, published or unpublished, by any authors of this paper

Acknowledgment

I acknowledge the contribution of Dr Nurudeen Adegoke for his assistance in the statistical analysis of this project.

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