

Moderating Influence of Environmental Hostility and External Relational Capital on the Effect of Entrepreneurial Orientation on Performance

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Abstract : Despite the tremendous advancements and knowledge acquisition around entrepreneurship orientation (EO) research, there may still be more to learn on how environmental dynamics would permute organizational processes and determine the extent to which success would be achieved. Using the contingency theory, we test a model that proposes a moderating influence of external relational capital and environmental hostility on the EO-performance effect of 423 managers/owners of small and medium scale enterprises. The hypotheses were tested using Hayes simultaneous regression, and the results showed that all EO dimensions (risk-taking, innovation, and performance) had a main effect on performance while the moderating variables interacted well with risk-taking (more than other EO dimensions) to improve performance. However, external relational capital, more than environmental hostility, influences the EO-performance relationship. Our findings highlight the differential ways that EO dimensions interact with environmental contingencies to influence performance. Further studies can examine how competitive aggressiveness and autonomy are moderated by external relational capital and environmental hostility.

Keywords : external relational capital, entrepreneurial orientation, risk-taking, innovation, proactiveness

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