Effects of constructive politics and market turbulence on entrepreneurial orientation–performance relationship: A moderated mediation model

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Effects of Constructive Politics and Market Turbulence on Entrepreneurial Orientation–Performance Relationship: A Moderated Mediation Model

Abstract

The study examines the interaction effects of constructive politics and market turbulence on the entrepreneurial orientation–performance relationship. The proposed structural model tests the mediating role of constructive politics between the entrepreneurial orientation and performance constructs and the moderation effect of market turbulence on this mediating relationship. Data were collected from 145 small and medium-sized enterprises (SMEs) in the United Arab Emirates. The results suggest that entrepreneurial orientation indirectly affects performance through constructive politics. Furthermore, the results indicate that the relationship between constructive politics and the firm's performance was stronger during low market turbulence. Findings suggest that entrepreneurial-oriented SMEs should embrace constructive politics where influence and power can be channeled to enhance financial performance, especially in market stability.

Keywords: constructive politics, entrepreneurial orientation, performance, market turbulence

1. Introduction

Prior studies have established links between entrepreneurial orientation and firm performance (see Rosenbusch, Rauch & Bausch, 2013; Jiang et al., 2018; Wales et al., 2019; Wales, Covin & Monsen, 2020). For example, Tajeddini, Martin and Ali (2020) found that entrepreneurial orientation positively influences short-term financial return and long-term business growth. There is also a vast body of studies investigating the possible moderating effect on entrepreneurial

orientation and firm performance. For example, Lumpkin and Dess (2001) and Tajeddini and Mueller (2018) revealed that environmental conditions influence the outcomes of entrepreneurial orientation on performance. In addition to the external factor, studies also found that family governance (Lee & Chu 2017), national culture (Markin et al., 2018), social capital (Stam & Elfring, 2008), and resource orchestration capabilities (Wales et al., 2013b) are some of the internal factors that explain the influence of entrepreneurial orientation on firm performance.

A review conducted by Wales et al. (2013a) and Covin and Wales (2019) highlighted that mediating variables have received much less attention than moderator variables in the entrepreneurial orientation literature. They further called for more future research to establish causal relationships between entrepreneurial orientation and firm' outcomes. Covin and Wales (2019; 11) suggest that a firm with strong entrepreneurial orientation requires complementary internal behavioral factors that promotes stability, focus, and control to ensure superior outcomes, and they called for more research to examine these missing components. Some studies (see Wang, 2008; Wales et al., 2013b; Gupta et al., 2020) propose that the entrepreneurial orientation–performance association could be mediated by organizational factors such as organizational learning because entrepreneurial orientation in itself does not guarantee sustained superior performance; instead, it has an impact through its causal effects on internal organizational factors. Therefore, it is important to unearth how entrepreneurial orientation achieves its desired outcomes.

Entrepreneurial firms engage "in product market innovation, undertake somewhat risky ventures, and are first to come up with 'proactive' innovations, beating competitors to the 'punch'" (Miller 1983, p.770). As such, support and agreement within the organization are needed to carry out the risky decisions. Entrepreneurial firms would be inclined to engage in constructive political behavior "to acquire, maintain and replenish power that will be used to promote personal and

collective ‘interests’” (Kapoutsis & Thanos 2018, p.589) to support its risk-taking, innovation, and proactive stance. One such interest would be supporting the firm’s entrepreneurial orientation and outcome. Elbanna (2018) found constructive politics to play an important role in strategic decision-making, facilitating goals and performance. The intra-organizational power maneuvers adopted by organizational members to support their organizational goals would lead to better entrepreneurial performance (Pfeffer, 2010; Gosis & Kortezi, 2011; Rousseau, 2018). Therefore, constructive politics could be the mechanism that translates a firm’s entrepreneurial orientation to the performance outcome.

Motivated by prior research, this study seeks to contribute to the literature by examining the mediating and moderating influence in the entrepreneurial orientation–performance link by incorporating two elements: constructive politics and market turbulence. We proposed that constructive politics could be a mediating force to translate a firm’s entrepreneurial orientation to better outcomes by offering stability, focus, and control mechanism (Covin & Wales, 2019: 11). Hence, the first research question is: Do constructive politics mediate the relationship between entrepreneurial orientation and performance? Market turbulence has been used as a moderating variable in several studies on organizational performance (Tsai & Yang, 2014; Gupta & Batra, 2016). Given that the study includes constructive politics into the entrepreneurial orientation–performance association, market turbulence as a moderator in this association is considered.

Furthermore, prior research found that organizations behave differently when the external environment condition changes (Krause et al., 2012; Yeniaras & Unver, 2016). Thus, the second research question is posed: Does market turbulence moderate the constructive politics–performance association? Figure 1 shows the research model.

INSERT FIGURE 1 ABOUT HERE

This study contributes to the literature in several ways. First, it adds insight into the causal mechanism within entrepreneurial orientation–firm performance literature (Wales, 2016; Covin & Wales, 2019). The study highlights the usefulness of constructive politics in entrepreneurial firms to improve organizational interests from an organizational perspective. Under certain conditions, power maneuvers shown by organizational members could produce favorable outcomes for a firm's entrepreneurial orientation disposition. Second, we confirm that market turbulence significantly moderates the constructive politics–performance association. The study provides further support to the contingency perspective on organizational performance studies. Third, this study also contributes to theory because it broadens the applicability of entrepreneurial orientation in an underexplored context (Wales et al., 2013a). A sample of firms representing small and medium-sized enterprises (SMEs) in the United Arab Emirates (UAE) was used to test the conceptual model in Figure 1. More than 80% of its population consists of various expatriates having different cultural backgrounds, resulting in a diverse and dynamic business environment. Entrepreneurial orientation has received limited attention in developing and emerging market contexts such as the Middle East region. Although entrepreneurial orientation was initially conceived as a universal concept, how firms show sustained entrepreneurial behavioral patterns could vary because of institutional contexts and infrastructures (Wales et al., 2013a; Gupta & Batra, 2016).

The following section presents constructive politics in the SME context, followed by the hypothesis development. The research then presents the methods employed, followed by the analysis and results, discussion, limitation, and direction for future research sections.

2. **Theoretical Background and Hypotheses**

2.1. *Constructive politics in SMEs*

Kapoutsis and Thanos (2018) note that there has been a growing interest recently in examining the constructive aspects of politics for both employees and organizations. Constructive politics is an essential element in organizational research, significantly influencing strategic decision-making (Lampaki & Papadakis, 2018; Elbanna, 2016). It is the intentional and observable actions with the power to gain access to resources and influence the decision-making process (Fleming & Spicer, 2008; Elbanna, Thanos & Papadakis, 2014). When interests within the organization collide, managers often engage in politics by spending time and energy to reconcile the different interests (Gotis & Kortezi, 2011; Rosen et al., 2009; Zacca *et al.,* 2017). The actions include consensus and coalition building, lobbying, use of intellectual and social skills to interpret critical knowledge, gather feedback on the outcomes of various problem-solving solutions, and develop the organization's understanding of the decision context (Brouthers, Andriessen & Nicolaes, 1998; Child et al., 2010; Elbanna, 2018). Constructive politics, therefore, allow decision-makers to explore various viewpoints and ideas to ensure all aspects are thoroughly considered to produce the outcome they believe is best or is in their own best interest (Elbanna et al., 2017).

The application of constructive politics has been examined broadly in the extant literature, especially in analyzing a firm's decision-making process (Chang et al., 2009; Karatepe et al., 2012; Elbanna, 2018). However, there is a lack of research on the intersection of entrepreneurship research and constructive politics. Constructive politics aid organizations in managing resources efficiently and effectively, and it also aids promote positive dynamics in an entrepreneurial environment (Jarrett, 2017). It also ensures a proper evaluation of strategic decisions, serving the best interest of the organizations, assessing more reasonable options, and, most importantly,

improving strategic decision-making (Elbanna, 2018). As a result, SMEs tend to fill strategic market positions that large firms deem economically unviable or too risky.

Compared to larger firms, SMEs have limited technical expertise and capital (Zacca and Selen, 2011). Hence, in making strategic decisions, managers in SMEs may need to resort to "some intentional use of power and influence to serve their interests or the “organizations” (Elbanna, 2018: 618; Jarrett, 2017). This political maneuvering overshadows the rational process and affects the decision outcome. In SMEs, political maneuvering and power are essential for implementing entrepreneurial decisions because of the factors related to their relatively small size and flexibility, decentralized organizational structure, and ease of information flow. This study considers constructive politics as an organizational mechanism that encourages organizational performance outcomes (Elbanna et al., 2015).

2.2 Entrepreneurial Orientation, Constructive Politics, and Performance

Entrepreneurial orientation is considered a firm-level strategic posture or behavioral construct that shows a business's propensity to take a risk, be innovative, and be proactive (Covin & Slevin, 1989; Covin & Wales, 2019). In addition, it implies a firm's desire to pursue new entry with the potential for future benefits (Covin & Lumpkin, 2011; Wang, Thornhill & De Castro, 2017; Covin & Wales, 2019; Wales et al., 2020). Entrepreneurial orientation is usually measured as a one-dimensional construct in the shared variance of risk-taking, proactiveness, and innovativeness (Zacca et al., 2015). Risk-taking involves venturing into unknown markets to realize an uncertain outcome. Proactiveness is a forward-leaning perspective aimed at shaping the environment. Innovativeness denotes the willingness to engage in creativity and experimentation for new products, services, or process developments. These three factors are represented conceptually as

entrepreneurial orientation. The entrepreneurial orientation–prior studies well recognize performance association (De Clercq et al., 2010; Kallmuenzer, Strobl & Peters 2018; Tajeddini et al., 2020), where a firm with a high entrepreneurial orientation tends to perform better.

In the literature on strategic decision-making, constructive politics is recognized to enhance decision performance (Elbanna, 2018). Gunn and Chen (2006) suggest that constructive politics can be beneficial to the organization because they improve the effectiveness of the strategic management process and align with the organizational goals. Some studies have highlighted the need for political influence to achieve organizational goals and objectives (Holbeche, 2004; Twum-Darko & Iyamu, 2015). Gotsis and Kortezi (2011: 458) proposed that constructive politics should be embedded in "trust, networks/social capital, collaborative climate, 'win–win' situations, and organizational ethicality.'" Past empirical research suggests that constructive politics can promote improved cohesiveness within the organization and produce effective decisions for the sake of the organization, leading to enhanced performance (Anderson, 2003; Hartley et al., 2015). Holbeche (2004) proposed that constructive politics can eliminate the change barrier, allow for a broader agreement on significant projects, increase internal cohesion, and speed up decision-making. Thus, constructive politics can produce better organizational outcomes and performance.

On the basis of these prior findings, it may be inferred that entrepreneurial orientation and constructive politics positively affect a firm's performance. Nevertheless, little has been written on the role of constructive politics in organizational performance. Specifically, there is limited research on the relationship between entrepreneurial orientation, constructive politics, and performance.

Entrepreneurial firms are keen to undertake new opportunities that involve risk and uncertainties. Moreover, they urge to outpace the competition and be innovative (Zacca et al.,

2015). These attributes compel them to react quickly and ensure that the entire organization works cohesively to grasp new opportunities (Kallmuenzer et al., 2018). Hence, decision-makers may deploy intentional power or constructive politics to drive positive decision-making. This study contends that firms showing entrepreneurial behaviors would encourage interrelatedness of organization power to persuade others to support their new ventures. Such occurrence is common in SMEs, which often compete for resources in pursuing and exploiting business opportunities. Rosen et al. (2009: 27) found that managers could exert political influence "to acquire resources for their workgroups, promote initiatives that they believe will benefit the firm, and motivate employees to perform." Engaging in constructive politics is necessary to reach a consensus on the firm's strategic direction. As a result, there could be frequent discussions and negotiations involving resource allocation and strategic direction decisions in entrepreneurial-oriented SMEs.

Entrepreneurial orientation motivates constructive politics in the organization because entrepreneurial firms pursue risky and proactive ventures that sometimes may not receive full support from internal stakeholders (Amankwah-Amoah, Danso, & Adomako, 2019). Therefore, managers need to persuade and convince other stakeholders to support the entrepreneurial moves. As a result, constructive politics are actively developed to help convince and motivate the entire organization to pursue entrepreneurial ventures. The study proposes that entrepreneurial orientation is a strong driver of constructive politics in SMEs, where agile decision-making is required to reach a consensus and address the market gap. When making entrepreneurial strategic decisions, entrepreneurial-oriented SMEs are more inclined to engage in persuasion, coalition, and networking to make the best decision for favorable organizational outcomes.

Prior studies indicate that the advantages of entrepreneurial orientation can only be manifested through behavioral activities because entrepreneurial orientation itself does not automatically

translate into outcomes (Arzubiaga et al., 2018; Gupta et al., 2020). Consistent with empirical studies that found that entrepreneurial orientation drives both learning orientation (Wang, 2008) and strategic responsiveness (Green, Covin & Slevin, 2008) in affecting firm performance, the study proposes constructive politics as another possible fruitful outcome of entrepreneurial orientation. For an entrepreneurial firm to achieve its performance, it would employ constructive politics to convince and connect the interests of all, which enhances the firm's ability to gain sufficient support and resources promptly. Though prior research confirmed the link between entrepreneurial orientation and performance, we argue that constructive politics is a potential mechanism for realizing entrepreneurial orientation to enhanced performance. Therefore, the entrepreneurial orientation would lead to constructive politics, affecting organizational performance.

Hypothesis 1. The entrepreneurial orientation–constructive politics mediate performance association; entrepreneurial orientation positively affects constructive politics, which, sequentially, positively affects performance.

2.3 Market Turbulence as a Moderator

External environmental factors are a key determinant of an organization's outcomes (Gill & Biger, 2012; Gupta & Batra, 2016). Environmental factors include industry forces (Porter, 1980, 1985), competition (Audretsch, 2001), market turbulence (e.g., Kraus et al., 2012), and environmental dynamism (Mammassis & Kostopoulos, 2019; Tajeddini et al., 2020). A case can be made for associating environmental effects, strategic choices, and competitive advantages. For a firm to achieve a superior outcome, the organization and the environment in which it operates must be aligned witnessed by the often associated linkage of environmental dynamism to the

entrepreneurial orientation–performance relationship (Ruiz-Ortega et al., 2013; Gupta & Batra, 2016; Tajeddini et al., 2020). Several empirical studies reveal that environmental dynamism reinforces the entrepreneurial orientation–performance relationship (see Chaston & Sadler-Smith, 2012; Kraus et al., 2012; De Clercq et al., 2014; Tajeddini, Mueller, 2018; Dubey et al., 2020), where an exponential change in the environment creates several opportunities for entrepreneurial firms. On the contrary, some studies (Doorn et al., 2013; Pearce et al., 2009) have noted the negative effects of environmental dynamism on the entrepreneurial orientation–performance link. The unpredictability in competitors' actions, customer preferences, and technology changes may hinder entrepreneurial firms from better performance. An unstable environment raises the potential for conflicting positions as information available to make decisions becomes more ambiguous and limited (Doorn et al., 2013; Zacca et al., 2017). As a result, entrepreneurial firms may not achieve enhanced performance in a dynamic environment.

There is a tempering effect of environmental dynamism and hostility in strategic decision-making and performance (Dean & Sharfman, 1996; Elbanna & Child, 2007). The high variation rate and volatility increase decision uncertainty (Wallace et al., 2010). Hostile environments ferment unfavorable external forces that require a greater effort of response to market conditions, which could jeopardize the firm's ability to generate more profits (Zahra & Garvies, 2000). The role of the environment has also been examined in the context of strategic decision-making, particularly in terms of organizational politics (Dayan et al., 2012; Elbanna et al., 2014). However, the findings have been inconsistent. The discrepancies have been attributed to the differences in context.

This study focuses on market turbulence, which reflects the level of variation in customers' inclinations (Jaworski & Kohli, 1993). Decision-makers have incomplete market conditions; they

tend to be under pressure and consider their ventures crucial. As a result, entrepreneurial SMEs do not gather up-to-date and complete information in their attempt to attract new customers or enter a new market. Market turbulence was observed to moderate the relationship between innovativeness and performance (Tsai & Yang, 2014), learning orientation and performance (Ebrahimi et al., 2018), and decision-making speed and financial performance (Souitaris & Maestro, 2010). On the basis of these prior studies, this study contends that market turbulence could play a moderating role in the constructive politics–performance association. A turbulent environment induces uncertainty and risks in the entrepreneurial planning process. Under turbulent market conditions, in which information is limited and highly uncertain, constructive politics will not lead to a superior outcome because entrepreneurial managers with lower confidence engage less to pursue team consensus. As a result, team cohesiveness will be neglected, and there will be less opportunity for strategic decision-making orientation toward improved organizational outcomes. Thus, the relationship between constructive politics and performance is predicted to be more robust under less turbulent market conditions. With a better understanding of stable environmental market conditions, it is more likely that the interplay of organizational power will result in better performance outcomes. An uncertain market leads an entrepreneurial firm to engage less in constructive politics, thus weakening the impact of constructive politics on the decision-making process and consequently on firm performance.

Hypothesis 2. Market turbulence moderates the constructive politics–performance relationship, such that the constructive politics and the firm's performance relationship are stronger during low market turbulence.

3. Methods

3.1. Sample and data collection

Data were collected from 290 respondents from 145 SMEs with fewer than 250 employees located in the Emirates of Abu Dhabi, Dubai, and Sharjah of the UAE. Data were collected using two different surveys: one was administered to the owner of the SME, and the other survey was administered to a senior manager within the same enterprise. These surveys were different in terms of content. The survey filled in by the owner-managers included a questionnaire about constructive politics because they were thought to provide more objective and reliable data about this variable. For instance, for the constructive politics measure, the owners were deemed more able to identify one recent strategic decision they participated in before describing the decision's politics. Likewise, the survey filled in by the managers included questionnaires about entrepreneurial orientation, market turbulences, and performance because they were thought to provide more objective and reliable data on these variables (Zacca et al., 2017). If the owner was unavailable, the survey was administered to the two most senior managers of the SME. Data collection from multiple respondents is a commonly used method of avoiding single-source bias (Zacca et al., 2015).

A purposive sampling method was adopted because of the difficulty in applying a probability sampling technique, as reported within the entrepreneurial research field, especially in the UAE (Ndubisi et al., 2020; Zacca, 2015). The research team selected the survey respondents from a list of enterprises maintained by a market research firm in Dubai. The respondents were selected from a heterogeneous set of both service and manufacturing industries of non-affiliated (non-subsidiary) and non-diversified (single business unit) SMEs. Selecting respondents from non-affiliated and non-diversified SMEs increased the likelihood that the respondents would be actively involved in the strategic decision-making of the SME. Table 1 shows the respondents' characteristics. A team

of full-time, experienced employees within the market research firm personally distributed and collected the survey instruments. Respondent participation was voluntary, and the confidentiality of the respondents' information was assured. The research team personally contacted the potential respondents, and the response rate was over 70% because only a small number of the potential interviewees refused or failed to complete the survey. This success rate can be attributed to the prior relationship established between the SMEs and the market research firm and the personalized approach of administering survey instruments in the Arab world (Elbanna et al*.,* 2011; Zacca et al., 2017). After completing the surveys, the hard copies were delivered to the research team, who entered the data into Excel files. The data was stored and secured in the lead researcher's Dropbox account to ensure data integrity.

INSERT TABLE 1 ABOUT HERE

3.2 Measures

Entrepreneurial orientation. The measurement items and scales for proactiveness, risk-taking, and innovativeness were adapted from Hughes and Morgan (2007), who adapted them, in turn, from Naman and Slevin (1993) and Miller and Friesen (1983). Surveyed managers responded to a 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree), which indicates the extent to which they agreed or disagreed with each statement describing their enterprise's orientation.

Constructive Politics (CP). The measurement scales (seven-item scale) were taken from Elbanna (2013), which is an adaptation from Elbanna and Child (2007). In this survey, the owners were asked to identify one recent strategic decision they participated in. In addition, they were asked to complete sentences describing the politics of the decision, for example, "The decision-makers used their power to defend their…" and to indicate on a 5-point Likert scale from 1 (own interest) to 5 (those of the organization).

Market Turbulence (MT). The study adapted the measurement scales from Jaworski and Kohli (1993). In the survey, managers were asked to indicate the extent to which they agreed or disagreed with each statement that describes the market turbulence within their principle industry using a 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree).

Firm Performance (PERF). The growth of the enterprise is an extensively used tool to measure the primary performance outcome concerning the firm's strategic orientation toward entrepreneurship (Lumpkin & Dess, 1996; Wales et al., 2013). *Perceived* financial performance has also been widely used in entrepreneurial orientation research to indicate the success of a venture because data on objective performance growth from SMEs are unavailable in most countries, including the UAE (e.g., Zacca et al., 2015). Furthermore, "subjective measures of firm performance have been shown to correlate highly with objective performance 'data'" (Kellermanns & Eddleston, 2006: 818). Thus, we adopted subjective performance measures from Kellermanns and Eddleston (2006). In the survey, managers were asked to rate their enterprises' performance compared to competitors over the last three years using a 5-point Likert scale from 1 (much worse) to 5 (much higher).

Control variables. Firm size refers to the number of employees currently working for a firm, and firm age refers to the year in which a firm was established.

4. Analysis and Results

4.1. Data analysis

This study uses PLS-SEM employing SmartPLS v.3.3.2 software (Ringle, Wende, & Becker, 2015). This modeling technique was selected to confirm and assess the theoretical model shown in Figure 1 because, in the case of a small sample size, PLS-SEM is considered more suitable to

analyze composites and multidimensional constructs (Roldán & Sánchez-Franco, 2012). Entrepreneurial orientation was theorized as a multidimensional construct, and the sample size in this study is relatively small.

A conventional two-step approach was taken to assess the proposed model. First, the measurement model was tested; subsequently, the structural model was tested using SmartPLS (Hair et al., 2013). On the recommendation of Hair et al. (2012), the bootstrapping procedures were then applied to 5,000 resamples, and the mean value replacement option was used to treat a few missing values in our data set.

4.2. Measurement model

Three features of PLS analysis (internal reliability, discriminant validity, and convergent validity) were considered to assess the measurement model. Regarding internal consistency reliability, the common practice recognizes acceptable factor loadings if they are 0.60 or greater (Nunnally, 1978). Only one item from the performance was not acceptable from the original model because it did not meet this criterion. All the other items satisfied the requirement for internal reliability as their loadings are greater than 0.60.

INSERT TABLE 2 HERE

Regarding discriminant validity, all the multidimensional constructs met the required scores of construct reliability (>0.70) (Table 2). For instance, the scores are 0.834 and 0.928 for performance and constructive politics, respectively. Hence, based on these results, the measurement items are vigorous in terms of their internal consistency and reliability.

Concerning convergent validity, the average variance extracted (AVE) for all measurement constructs surpass the 0.5 level, proving convergent validity and internal stability (Fornell &

Larcker, 1981). Moreover, for any two constructs, the AVE scores must be greater than the square of the correlation estimate between these two constructs. As seen in Table 2, the squares of correlation estimates were lower than the variance extracted estimates, complying with this requirement. Henseler et al. (2015) suggested that the heterotrait–monotrait (HTMT) ratios should be lower than 0.85, with upper confidence bounds less than 1. As seen in Table 3, the HTMT ratios are within the required range, thus fulfilling this criterion.

In conclusion, all these results indicate that all the variables are statistically unique, and our measurement model nicely fits the data (Henseler et al., 2015).

INSERT TABLE 3 HERE

4.3 *Structural model*

The results of the structural models (Figure 2) are seen in Table 4. The significance of the total effect (c = 0.480***) of entrepreneurial orientation on performance is shown in Model 1. The effects of firm age and size were used as control variables. As seen in model 2, the direct effect of entrepreneurial orientation on performance declines when constructive politics is included, although it is still significant (c' = 0.459***). Moreover, paths α (0.144*) and b_1 (0.213*) are significant. Therefore, this reduction in the direct effect (c') and the significance of the regression coefficients α and b_1 indicates the possible indirect effect of entrepreneurial orientation on performance via constructive politics.

INSERT TABLE 4 HERE

INSERT TABLE 5 HERE

This indirect effect was tested using SmartPLS as suggested by Hayes (2009). The result reveals that the indirect effect ($\alpha \times b_1$ = 0.031*) is significant (Table 5), thus supporting H1.

Subsequently, this result proves that constructive politics partially mediates the entrepreneurial orientation–performance association because, according to Baron and Kenny's study (1986), both the direct (c′) and the indirect ($\alpha \times b_1$) effects are significant. Furthermore, the variance accounted for the (VAF) index (42.56%, Table 5), showing the size of the indirect effect ($\alpha \times b_1$) with regard to the total effect (c) is between the acceptable range of 20–80% (Hair et al. 2014). All these results lend support to the mediation effect (H1).

INSERT FIGURE 2 HERE

Finally, following Henseler et al.'s (2014) method, the standardized root mean square residual (SRMR) for the total effect and the indirect effect models were computed. The total effect (model 1) attains an SRMR score of 0.072, which is a proper fit considering the cut-off of 0.08, suggested by Hu and Bentler (1999). Nonetheless, for the indirect effect (model 2), the SRMR composite is 0.067, still preferable. These results provide additional support for the mediating impact of constructive politics on the entrepreneurial orientation–performance association. Following Chin et al. (2003), the product–indicator technique was used to test the moderation hypothesis (H2). Model 3 consists of market turbulence, and the interaction term ($MT \times CP = b_3$) is included in Model 4 (Table 4). The result lends support for H2 ($b_3 = -0.20^{**}$) (Table 4, model 5) (Figure 2). The overall effect of size for b_3 attains an f^2 value of 0.044, more than 0.02, the minimum threshold recommended by Chin et al. (2003).

The supported H2 and the significant indirect effect ($\alpha \times b1$) indicate a moderated mediation. This consequence means the dependence of the indirect effect ($\alpha \times b_1$) on the value of market turbulence (b_3). As the impact of constructive politics on performance is conditional on the value of market turbulence, so is entrepreneurial orientation's indirect impact on performance.

The conditional indirect impact has been estimated using the PROCESS macro version 3.4 (Hayes, 2013). Using the latent variable scores produced by SmartPLS 3.2, the PROCESS generates bootstrap confidence interval (CI) for the indirect impact at various values of moderating variable. As seen in Table 6, the indirect impact of entrepreneurial orientation on performance through constructive politics is consistently positive and declines as the values of market turbulence increase. A 95% CI bootstrap for the conditional indirect effect is higher than zero for the various values of market turbulence. Hence, constructive politics partially mediates entrepreneurial orientation's influence on performance, although this indirect impact decreases as the value of market turbulence increases.

In addition, the results show no significant associations between the control variables (firm age, $t = 0.106$, *ns*; firm size, $t = 0.13$, *ns*) and performance.

INSERT TABLE 6 HERE

5. Discussion

This study addressed two research questions (1) whether constructive politics mediates the entrepreneurial orientation–performance association and (2) whether association varies in strength under different market environments. On the basis of the empirical results, this study confirmed that a firm's constructive politics mediated the entrepreneurial orientation–performance association among the SMEs in the UAE. Furthermore, the empirical results showed that entrepreneurial orientation drives constructive politics, which leads to better performance. However, some scholars (Wang, 2008; Wiklund & Shepherd, 2011) suggest that entrepreneurial orientation does not necessarily result in corresponding entrepreneurial behavior. Therefore, this study advances the knowledge by confirming constructive politics as a mediator, which needs

further elaborated in entrepreneurship and organizational studies (Wales et al., 2013; Covin & Wales, 2019; Gupta et al., 2020). Furthermore, concurrent with the suggestion of Covin and Wales (2019; 12), the present empirical results show a causal adjacency between entrepreneurial orientation and its immediate outcome, that is, constructive politics and the subsequent performance. Therefore, this study offers a new angle to gain deeper insights by showing the intersection between entrepreneurial orientation and constructive politics.

The association between constructive politics and performance is insignificant given the high market turbulence, but the relationship is positive and significant when less market turbulence. Therefore, market turbulence is moderating the constructive politics–performance association. The study findings further support the contingency perspective (Kreiser et al., 2019; Gupta & Batra, 2016), where market condition influences the hypothesized relationship. In other words, for entrepreneurial firms to reap positive performance outcomes through constructive politics, the market condition must be stable and certain with clear information on market needs. Compared with the prior studies that found that environmental turbulence strengthened the entrepreneurial orientation–performance link (Chaston & Sadler-Smith, 2012; Kraus et al., 2012; Gupta & Batra, 2016), this study offers a contradictory view. It is important to note that market turbulence can influence constructive politics. Regardless of a firm's desire to pursue market opportunities, the outcome is strongly influenced by external environmental conditions.

Extant empirical studies on a causal path through which entrepreneurial orientation is realized into outcomes were mainly conducted in developed economies or larger firms (Wang, 2008; Zhao et al., 2011; Kollman & Stöckmann, 2012; Gupta et al., 2020). This study extends the application of entrepreneurial orientation in a different context. For SMEs operating in a dynamic environment such as the UAE, converting entrepreneurial orientation to financial gain requires consensus and

cooperation to direct its limited resources and capabilities. Thus, constructive politics was found to play a mediating role in such a situation. Similar to what was found in the mature economies, our findings confirm that entrepreneurial orientation is considered a key element for firms to leverage the new opportunities in a growing market. Similar to Elbanna (2018), this study highlights the role of constructive politics on the decision-making process in these entrepreneurial-oriented SMEs.

In contrast to past literature claiming that power interplay could impede organizational performance, this study showed a different perspective on constructive politics in entrepreneurial firms. Firms showing sustained behavior in innovation, risk-taking, and proactiveness are positively related to constructive politics. This is an interesting finding because it indicates that firms with strong entrepreneurial orientation should not refrain from using influence and power to achieve consensus. Entrepreneurial SMEs could achieve better outcomes by influencing, negotiating, and creating alliances among organization members. Responding to the call of Kapoutsis and Thanos (2018), this study explains the antecedents of constructive politics, where an organization's characteristics, such as entrepreneurial orientation, could encourage constructive politics.

Besides theoretical contributions, the study also offers several practical implications to entrepreneurial-oriented firms. The findings suggest that entrepreneurial orientation nurtures constructive politics, leading to better performance. However, the causal relationship is moderated by market turbulence. As such, managers in entrepreneurial SMEs must mitigate the effect of market turbulence as swiftly as possible. First, entrepreneurial ambition must be communicated and shared at all levels to ensure open-mindedness and a free flow of information in the organization (Hackman & Johnson, 2013). For example, firms that intend to venture into a new

market or a risky venture could organize a series of talks and negotiations with important stakeholders to gather strong support and trust. Second, it is important to scan the environment by conducting extensive market research thoroughly. Although it is costly for some resource-constrained SMEs, it would be an excellent practice to reap better outcomes. Because it is challenging to change industry characteristics, entrepreneurial firms could actively learn and seek out information about the environment through internal and external stakeholders to reduce the market impact (Breslin, 2019). Finally, considering the importance of constructive politics in entrepreneurial SMEs, entrepreneurial-oriented managers must be aware that constructive politics should be cultivated (Kapoutsis & Thanos, 2018). It is crucial to create a positive workforce and a work environment that encourages more teamwork and the pursuit of consensual interests. Entrepreneurial SMEs can promote trust and frequent communication by organizing team-building activities that deploy cognitive and social skills.

6. Limitations and direction for future research

This study has some theoretical and empirical limitations. First, the sample comprises SMEs in the UAE; therefore, the findings might not be valid in other contexts. Cultural, market differences, and industry characteristics could lead to different results in other contexts. Thus, a useful extension would be to conduct a similar study in one or more countries within the same region or outside. In addition, there are several SMEs in the UAE, such as Emirati-owned and free zone businesses. Owing to a limited number of respondents, we could not differentiate the business category in this context. Further research is suggested to investigate whether different categories of entrepreneurial SMEs correspond differently in the hypothesized relationships.

The study only captures constructive politics in SMEs; medium and large enterprises or family

businesses might present very different backgrounds. Past research has examined entrepreneurial orientation–performance link in such contexts and offers valuable insights (Arzubiaga et al., 2018). Future research examining the associations between entrepreneurial orientation, constructive politics, and performance should also focus on larger enterprises and family businesses.

Our conceptual model could be expanded to include other explanatory variables to further advance the vibrant research in entrepreneurial orientation. For instance, future studies could consider investigating other moderators such as environmental hostility or competitive intensity (Gupta & Batra, 2016). Moreover, there is growing interest in examining entrepreneurial orientation based on individual-level (see Koe, 2016; Goktan et al., 2015), and constructive politics can also be investigated using individual and firm characteristics. As such, we propose future studies to consider whether the personal characteristics of managers /owners and firm characteristics (e.g., firm strategy, industry structure, and industry rivalry) could influence the entrepreneurial orientation and their response to constructive politics.

The effects of constructive politics on performance may be delayed, and constructive politics may even have negative organizational consequences. Accordingly, replication of this study with longitudinal data may help improve the shortcoming of the model in question. In addition, although emerging economies share common market and institutional characteristics, cultural factors may have played distinct roles in impacting the relationship between constructive politics and performance. Finally, the performance measures used in the study are subjective. We suggest that future research incorporates secondary objective performance data to increase data reliability and verify the validity of the results based on self-reported data.

7. Conclusions

This study extends the current literature on entrepreneurial orientation and performance by introducing an important element in an organization's decision-making process: constructive politics. The study results show that the significant and positive association between entrepreneurial orientation and constructive politics leads to enhanced organizational performance. Furthermore, constructive politics–performance link is moderated by market turbulence such that the constructive politics and the firm's performance relationship are stronger during low market turbulence. Finally, because of the limited research conducted on constructive politics, the study hopes to open avenues of research and inspire more debates on its role in the entrepreneurship literature.

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Table 1

Characteristics of the Survey Sample

Education	Owners	Managers	*Respondents' Age*	Owners	Managers
High School	14.00%	1.40%	20 to 30	0%	13.70%
Bachelor	55.20%	70.30%	31 to 40	8.60%	49.60%
Master	30.80%	26.90%	41 to 50	35.30%	28.80%
PhD	0%	1.40%	More than 50	56.10%	7.90%
Years working in present company	Owners	Managers	*Total years' work experience*	Owners	Managers
0 to 5	13.50%	63.80%	0 to 10	4.30%	4.20%
6 to 10	26.00%	32.60%	11 to 20	10.40%	29.20%
11 to 15	20.20%	1.40%	21 to 30	43.50%	41.00%
16 to 20	5.80%	0.70%	31 to 40	33.90%	20.10%
More than 20	34.60%	1.40%	More than 40	7.80%	5.60%
Enterprise Age (years)			*No. of Employees*		
0 to 10	30.60%		0 to 50	9.00%	
11 to 20	33.60%		51 to 100	36.60%	
21 to 30	20.10%		101 to 150	44.80%	
More than 31	15.70%		151 to 250	9.70%	
Venture Life Cycle Phase					
Start-up	0.70%		Mature	11.80%	
Growing	86.80%		Decline	0.70%	

Table 2

Measurement model results

Construct Dimension	Loading	CR	AVE
Proactiveness	0.761	0.863	0.678
Risk Taking	0.733	0.849	0.652
Innovativeness	0.792	0.877	0.705
Constructive Politics (CP)	0.907	0.928	0.684
Market Turbulence (MT)	0.747	0.838	0.567
Performance	0.753	0.834	0.507

Notes: CR: composite reliability; AVE: average variance extracted.

Table 3

Measurement model. Discriminant validity.

Fornell-Larcker Criterion								Heterotrait-monotrait ratio (HTMT)						
	EO	CP	PERF	MT	Size	Age			EO	CP	PERF	MT	Size	Age
EO	**0.662**							EO						
CP	0.144*	**0.816**						CP	0.167					
PERF	0.478**	0.264**	**0.713**					PERF	0.593	0.316				
MT	0.478**	0.063	0.344**	**0.753**				MT	0.604	0.11	0.439			
Size	0.113*	0.058	0.037	-0.061	**n.a**			Size	0.134	0.072	0.071	0.137		
Age	-0.057	-0.128	0.043	-0.038	0.143*	**n.a**		Age	0.157	0.161	0.112	0.14	0.143	

Notes: EO: Entrepreneurial Oreintation; CP: Constructive Politics; PERF: Performance; MT: Market Turbulence. Fornel-Larcker Criterion: Diagonal elements (bold) are the square root of the variance shared between the constructs and their measures (AVE). For discriminant validity, diagonal elements should be larger than off-diagonal elements.n.a.: non-applicable. Off-diagonal elements are the correlations among constructs.

N = 145, * p < 0.05, ** p < 0.01.

Table 4

Structural model results

Relationships	Model 1	Model 2	Model 3	Model 4	f^2	Support
		R^2_{CP} = 0.021	R^2_{CP} = 0.021	R^2_{CP} = 0.021		
	R^2_{PERF} = 0.239	R^2_{PERF} = 0.279	R^2_{PERF} = 0.294	R^2_{PERF} = 0.324		
EO → PERF	(c) 0.489*** (5.913) [0.367; 0.637]	(c') 0.459*** (5.177) [0.314; 0.605]	(c') 0.384*** (3.773) [0.224; 0.556]	(c') 0.374*** (3.637) [0.202; 0.538]		
EO → CP = α		0.144* (1.947) [0.044; 0.280]	0.144* (1.986) [0.045; 0.283]	0.144* (1.945) [0.041; 0.280]		
CP → PERF = b_1		0.213** (2.789) [0.087; 0.339]	0.214** (2.844) [0.088; 0.334]	0.224** (2.922) [0.092; 0.343]		
MT → PERF = b_2			0.149^{ns} (1.571) [-0.007; 0.305]	0.104^{ns} (1.117 [-0.040; 0.261]		
MT x CP → PERF = b_3				-0.200** (2.294) [-0.315; -0.029]	0.044	Yes
Control variables						
Age	0.085^{ns} (1.247) [-0.025; 0.199]	0.106^{ns} (1.615) [-0.006; 0.212]	0.101^{ns} (1.625) [-0.003; 0.203]	0.106* (1.649) [0.002; 0.212]		
Size	0.037^{ns} (0.477) [-0.136; 0.087]	0.043^{ns} (0.641) [-0.143; 0.076]	0.024^{ns} (0.355) [-0.128; 0.092]	0.013^{ns} (0.179) [-0.1-3; 0.137]		

Notes: EO: Entrepreneurial Oreintation; CP: Constructive Politics; PERF: Performance; MT: Market Turbulence.

N = 145; t values in parentheses. Bootstrapping 95% confidence-intervals bias corrected in square brackets (based on n = 5000 subsamples).

***p < .001, **p < .01; *p < .05 (based on t(4999), one-tailed test). t(0.05, 4999) = 1.645; t(0.01, 4999) = 2.327; t(0.001, 4999) = 3.092. n.s. = not significant

Table 5

Summary of mediating effect tests

Total effects on performance (Model 1)					Direct Effects on performance (Model 2)					Indirect Effects on performance (Model 2)						
			BCCI					BCCI					BCCI			
	Path	*t*	Lower	Upper		Path	*t*	Lower	Upper		Path	*t*	Lower	Upper	Sig	VAF
EO (*c*)	0.489***	5.913	0.367	0.637	EO (*c*')	0.459***	5.177	0.314	0.605	ab_1 (via MT)	0.031*	1.697	0.008	0.066	Yes	42.56%
Control variables																
Age	0.085^{ns}	1.247	-0.025	0.199		0.106^{ns}	1.615	-0.006	0.212							
Size	0.037^{ns}	0.477	-0.136	0.087		0.043^{ns}	0.641	-0.143	0.076							

Notes: EO: Entrepreneurial Oreintation; MT: Market Turbulence. *N* = 145.

BCCI: Bias corrected confidence interval. Bootstrapping based on n = 5000 subsamples.

***p < .001, **p < .01; *p < .05 (based on t(4999), one-tailed test). t(0.05, 4999) = 1.645; t(0.01, 4999) = 2.327; t(0.001, 4999) = 3.092. n.s. = not significant

Table 6

Conditional inderect effect analyses

Conditional inderect effect of EO on PERF at values of MT as moderator

				BCCI	
Mediator	MT	Effect	Boot SE	Lower	Upper
CP	- 1.00	0.37	0.06	0.25	0.45
CP	0	0.32	0.06	0.20	0.40
CP	1.00	0.26	0.08	0.15	0.26
Note: Values for MT are the mean and plus/minus one standard deviation from mean					
CP	- 1.36	0.39	0.06	0.28	0.48
CP	- 0.65	0.35	0.06	0.25	0.44
CP	0.06	0.31	0.06	0.21	0.41
CP	0.62	0.28	0.06	0.18	0.38
CP	1.28	0.25	0.07	0.13	0.36
Note: Values for MT are 10th, 25th, 50th, 75th, and 90th percentiles					

Notes: EO: Entrepreneurial Orientation; PERF: Performance; MT: Market Turbulence; CP: Constructive Politics;

BCCI: Bias corrected confidence interval. Bootstrapping based on n = 5000 subsamples.

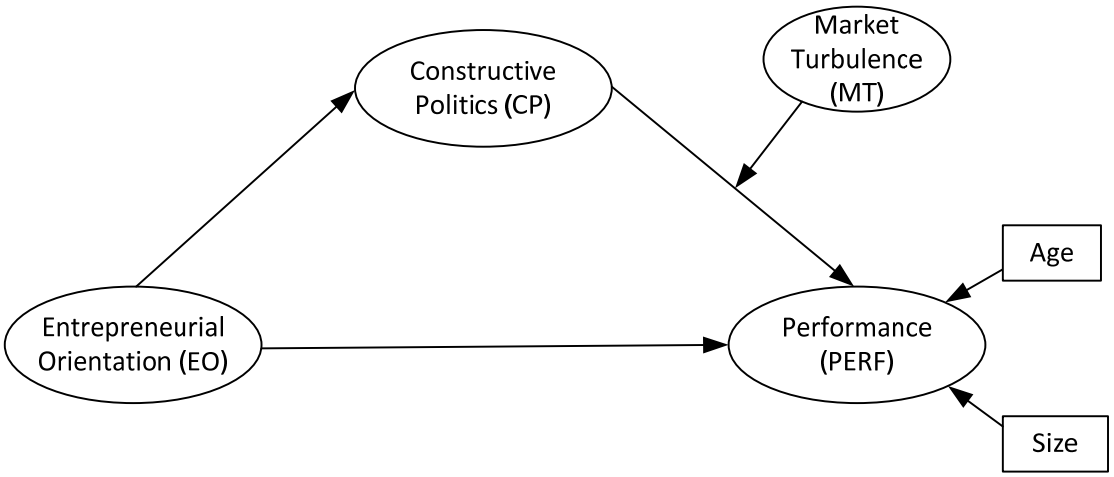
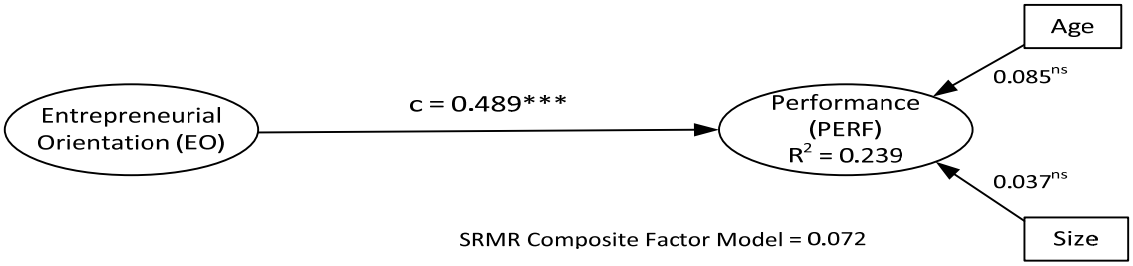
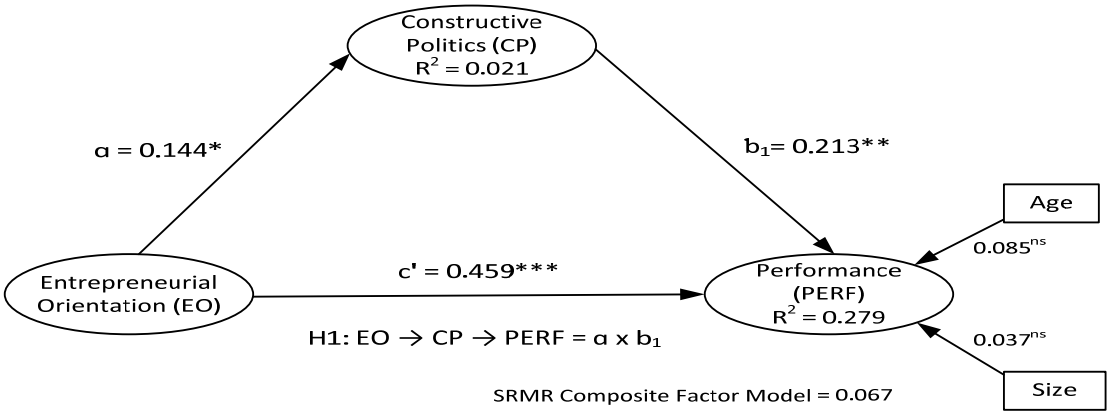


Fig. 1. Research Model

A. Model with a total effect (Model 1)



B. Model with an indirect effect (Model 2)



C. Model with a conditional indirect effect (Model 4)

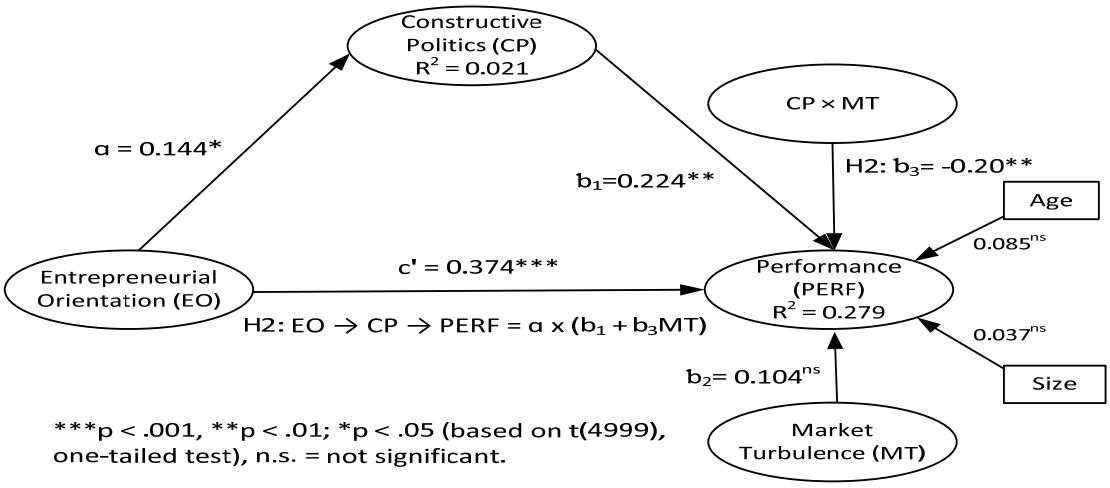


Fig. 2. Structural model results.

Appendix

The Entrepreneurial Orientation Scale

First-order factor	Statement
Proactiveness	We always try to take the initiative in every situation (e.g., against the competitors & in projects when working with others).
	We excel at identifying opportunities.
	We initiate actions to which other organizations respond.
Risk Taking	The Term "risk taking" is considered a positive attribute for people in our firm.
	People in our firm are encouraged to take calculated risks with new ideas.
	Our firm emphasizes both exploration and experimentation for opportunities.
Innovativeness	We actively introduce improvements and innovations in our firm.
	Our firm is creative in its methods of operation.
	Our firm seeks out new ways to do things.

Note : Respondents were given instructions to circle a number (ranging from1, "strongly disagree" to 5, "strongly agree") that corresponded to their agreement to each of the following statements .

The Constructive Politics Scale

The decision-makers used their power to defend their …
The decision-makers used bargaining to defend their …
The decision-makers formed alliances with each other to enhance their …
The decision-makers tended to manipulate and control crucial information, such as withholding and/or distorting information, to defend their …
The decision-makers controlled meetings related to this decision, e.g., the meeting agenda, its date and time, to defend their …
The decision-makers used upward appeal (seeking support from higher authority) to defend their …
The decision-makers used persuasion (use of logic, facts, emotional appeals) to defend their …

Note : Respondents were given instructions to circle a number (ranging from 1, "own interest" to 5, "those of the organization").

The Performance Scale

Growth in sales
Growth in market share
Growth in number of employees
Growth in profitability
Profit margin on sales
Ability to fund growth from profits

Note : Respondents were given instructions to circle a number (ranging from 1, "much worse" to 5, "much higher") that corresponded to their business performance in comparison to their competitors in the past three years.

The Market Turbulence Scale

Customer preferences changed considerably over time.
Customers tended to look for new products all the time.
New consumers tend to have product-related needs that are different from those of our existing customers.
We witnessed demand for our product and services from customers who never bought them before.

Note : Respondents were given instructions to circle a number (ranging from1, "strongly disagree" to 5, "strongly agree") that corresponded to their agreement to each of the following statements .