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## **Proactiveness, environmental munificence and environmental hostility and their impacts on the growth of SMEs**

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**Abstract:** This research investigates the relationship between proactiveness, environmental munificence and environmental hostility on the growth of small and medium enterprises (SMEs). The study used an online survey/questionnaire for its data collection from small and medium business owners/managers. One hundred questionnaires were sent to the would-be participants but only 60 questionnaires were returned. Therefore, the study was conducted on 60 SME firms in the Auckland central business district (CBD). The collected data was analysed using the regression method to test the relationships among the specified variables. The research findings show that proactiveness and environmental munificence influence the growth of SMEs while environmental hostility and the growth of SMEs were insignificantly related, and were therefore not supported in this analysis. The major applied contributions from this study are that business managers should be proactive in the formulation of business strategies. Secondly, the study suggests that external environments should be properly scanned so that businesses can maximise opportunities for business sustainability.

**Keywords:** entrepreneurial orientation; proactiveness; environmental hostility; environmental munificence; SME growth.

**Reference** to this paper should be made as follows: Omisakin, O.M., Arasanmi, C. and Kularatne, I. (2022) 'Proactiveness, environmental munificence and environmental hostility and their impacts on the growth of SMEs', *Int. J. Entrepreneurship and Innovation Management*, Vol. 26, Nos. 1/2, pp.43–59.

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## 1 Introduction

This study examined the relationship between proactiveness, environmental munificence (EM) and hostility and small and medium enterprise (SME) growth. To attain the set objective, we developed and tested hypotheses on the relationship between proactiveness, EM, environmental hostility (EH) and business growth using data samples collected from 60 small business owners in the business district of Auckland.

Research had been conducted on Auckland central business district (CBD) entrepreneurship and found that managers and owners of businesses are active in their entrepreneurial orientation (EO) and this has enhanced their business growth. However, there has not been any research on which EO dimension influences the business growth of Auckland CBD SMEs and how such a dimension influences their business growth. There have been no studies to explore the impact of the perceived environment on business growth.

This study examines the relational effects of business owners' and/or managers' proactiveness and environmental effects on their business growth. The study further reviews and discusses previous studies, sets hypotheses for the study, and has chosen a methodology for the study. The study presented its findings in achieving the goal set for the study. Finally, the study presents its discussion on its findings, and makes recommendations and a conclusion.

## **2 Literature review**

SMEs are fundamental to the economic growth and development of most countries. Although they may be small in size, they represent around 90% of all businesses in the national economies of the USA, Canada, New Zealand, Australia and the UK.

There is no unified description of SMEs (Storey, 1994). Practically, SMEs are described based on each country's contexts. For instance, in New Zealand small business are businesses with 0–19 employees while medium businesses are categorised as firms with 20–49 employees (Ministry of Business, Innovation and Employment, 2017). The European Union categorises SMEs as enterprises employing fewer than 250 persons with less than EUR50 million annual turnover and/or with an annual balance sheet of less than EUR43 million (European Union, 2015). The Royal Commission (2018) defines Australian small business as businesses with fewer than 20 employees, while medium businesses employ between 20 and 199 people. According to Mire (2019), Canadian small business are businesses that have between 0 and 99 employees, and medium-sized businesses are firms with 100 to 499 paid employees realising less than \$50 million Canadian dollars in revenues annually. In the US, SMEs are businesses with fewer than 500 employees (Kobe, 2012).

An entrepreneur's objective is to make an adequate profit from investment and translate this to business growth. According to Lin et al. (2008), a business is performing when it achieves its goals in the areas of sales, profit and market share. However, measuring performance may involve using available primary data as collected from the business organisations being evaluated in conjunction with secondary data available from public sources. Similarly, business performance could also be measured objectively and subjectively (Gonzalez-Benito and Gonzalez-Benito, 2005).

## **3 Concept of entrepreneurship**

Entrepreneurs are active figures in business entrepreneurship and processes. Entrepreneurs are risk bearers with some psychological capacity to coordinate business, entrepreneurial and leadership activities. For an entrepreneur to process positive entrepreneurial leadership, some entrepreneurial characteristics have been suggested to

enhance positive business growth. Accordingly, Aggarwal and Gupta (2006) suggest, among other traits, innovativeness, risk-taking, autonomy, perseverance, independence and business control as the most expected characteristics of the entrepreneur. However, Lumpkin and Dess (1996) argue that these factors alone do not make a good entrepreneur nor make a business grow as planned and/or expected. They suggest additional factors other than the entrepreneur's control and capability to determine entrepreneurial accomplishment and business growth. Lumpkin and Dess (1996) suggest that, when there is interaction between individuals for the determination of societal needs, entrepreneurs possess the ability to identify opportunities in their environment and that utilising these positively will lead to entrepreneurship success. The authors conclude that entrepreneurship characteristics must include or involve the individual capability to identify and exploit opportunities previously unidentified and unexploited.

Despite wide publication on entrepreneurship and its use in the business circle, there has not been a common or universal definition on entrepreneurship and the processes involved. In most cases, entrepreneurship authors define entrepreneurship based on the framework of their research focus. However, Morris et al. (2008) suggest that, irrespective of any author's focus, the definition of entrepreneurship should be a summary of shared popular themes in entrepreneurship literature. Such themes are wealth creation, initiative, novelty, transformation, engagement, value creation and development. Therefore, entrepreneurship is value creation through the act of bringing together needed resources to exploit an opportunity to satisfy human wants.

### *3.1 EO concept*

Lechner and Gudmundsson (2014) regard EO as strategies used or applied by entrepreneurs in entrepreneurial business decision making. Corroborating this argument, Cho and Lee (2018) and Wiklund and Shepherd (2005) consider EO as a necessity and key requirement for an entrepreneur to manage the business to success and continuous growth. Lyon et al. (2000) and Rauch et al. (2009) assert that enterprises run by business owners or managers with a higher level of EO achieve and realise improved growth, while businesses managed by owners lacking or with lower EO may not. However, Mintzberg (1973) suggests that to be entrepreneurial with a focus on EO, firms should be more proactive, always search for new opportunities and above all be more risk tolerant.

EO is viewed from two-dimensional perspectives. The first perspective argues for three dimensions of EO, which Miller (1983) refers to as the unidimensional construct. Miller (1983) identifies components of this dimension as innovation, risk-taking and proactiveness, and argues that firms should have them to be considered entrepreneurial.

This perspective was thought to be insufficient and was queried on the rationale for its dimensionality (Lumpkin and Dess, 1996). Therefore, Lumpkin and Dess (1996) increased the components of EO from three dimensions to five by adding autonomy and competitive aggressiveness. This is referred to as a multi-dimensional construct (second perspective). Though, the first perspective believes in three dimensional components and the second perspective believes in five dimensional components they both agree that the relationship between each of the components helps determine business growth. However, the two dimensions are widely used in entrepreneurial literature and in the determination of business growth research.

According to Mintzberg (1973), for firms to grow, they must proactively search for new opportunities. Mintzberg (1973) regards proactiveness as central to all expected

activities of the entrepreneur to ensure business growth. This is because if the entrepreneur is proactively proactive, he/she will be innovative, create autonomy, engage in guided risk-taking and be competitively aggressive. So much research has been done on the relationship between unidimensional and/or multi-dimensional EO and business firms (George, 2011; Rauch et al., 2009). However, there has been no research on the relationship between one component of either the unidimensional or multi-dimensional EO and business growth. In view of this, we focus on examining the correlation between proactiveness, munificent environment, hostile environment and business growth.

### *3.2 Proactiveness*

Proactiveness denotes an entrepreneurial procedure that focuses on anticipating then acting on future needs. According to Venkatraman (1989), proactiveness is looking for new opportunities that could or could not be connected with current lines of business, could be bringing entirely new products to the market before competitors and purposefully removing operational processes that are at their declining stages of the life cycle. According to Kropp et al. (2008), proactiveness involves the identification and assessment of innovative opportunities, monitoring market trends. In other words, proactive entrepreneurship firms act in anticipation of future problems, prepare for how to resolve it and meet the expected change. Coulthard (2007) and Hughes and Morgan (2007) argue that during the developing phase of a business's growth, proactiveness is critical to attain business growth and improve performance. Hughes and Morgan (2007) suggest that to be a proactive firm, you must be consistently aware and respond to market signals and prepare for any eventuality. A proactive business must seek opportunity within its environment, be onward-looking and consistently make available novel products capable of creating better customer satisfaction (Rauch et al., 2009). Businesses that do this are regarded as first movers and gain competitive advantage. It also enables such firms to create strong brand recognition with customer loyalty. While Lumpkin and Dess (1996, 2001) agree with Rauch et al. (2009), they are of the opinion that these are not sufficient. Therefore, they suggest that for a business to be strongly proactive it must possess the capability to foresee possible changes coming up in the market, and prepare how to satisfy its customers if the changes eventually come. This enhances such firms with higher brand recognition and competitive advantage to realise higher returns. The above analytical literature review supports the findings of entrepreneurship authors that proactiveness and business performance are positively related (Hughes and Morgan, 2007; Rauch et al., 2009).

### *3.3 EO and business growth*

Wiklund (1999) argues that EO enhances business growth especially for small and medium business because the smaller the business, the easier it will be for a business owner or manager to initiate appropriate EO initiatives to enhance business growth. Corroborating this argument, Wiklund and Shepherd (2005) claim that EO enhances business owners' ability to discover new opportunities within their business environment. Stewart and Roth (2001) suggest that small business owners with EO are capable of innovating and creating opportunities to grow their businesses. Similarly, Jenkins and Johnson (1997) argue that business owners with EO manage their businesses for profit and enhance their business goals. However, Carland et al. (1988) suggest that a non-

entrepreneurial small and medium business may not operate business for profit and growth. Keh et al. (2007) and Wang (2008) find that the application of the EO dimension in a business process enhances the business market growth rate and business performance. Though Wiklund and Shepherd (2005) agree that EO enhances firms' developmental growth, they argue that environmental factors control the relationship between the two either negatively or positively. Keh et al. (2007) suggest that businesses that embrace EO and the market information relationship will continue to realise growth despite the situation in the business environment. The above assertions suggest that EO is a necessity for SME growth and performance.

Despite all the narratives above, some authors have contrary views. Hughes and Morgan (2007) do not find a correlation between EO dimensions and business growth and performance. Tang and Rothenberg (2009) have diverse thoughts on the connection between EO and business performance.

A variety of financial measures have been employed in determining business performance and growth. Some measures used are income, cash stream, cash flow to debt, net profit margin, gross margin ratio, return on investment and account receivable turnover. While these measures are essential they are insufficient to determine aggregate firm growth and performance (Aggarwal and Gupta, 2006). Aggarwal and Gupta (2006) argue that to attain an ideal assessment of firms' growth and performance will require not using only the above stated measures but also being inclusive of some non-financial performance measures. However, Clark (1999) suggests using non-financial measures like market share value, sales turnover rate, fulfilment of customers' need index and customer relationship. It is obvious from the above narratives that multiple measures will be required to attain the growth position of the business. This assertion could be because, while performance assessment may be positive on one dimension, it could be contrary on another (Lumpkin and Dess, 1996). Therefore, to achieve comprehensive, reliable growth and performance assessment level, Aggarwal and Gupta (2006) suggest a combination of financial and non-financial approaches. However, Murphy et al. (1996) suggest measures such as efficiency rate, growth rate and profit rate to determine business growth and performance.

The above discussion indicates that EO impacts business growth and performance. However, determining the level of impact on perspectives of growth and performance requires a series of financial and non-financial measures. Despite a plethora of studies on the EO growth relationship, studies are limited on the specific EO dimension on business growth. Similarly, debates on the role of contextual environmental factors on business growth are at opposing ends, contradictory and inconclusive.

Therefore, we aim at bridging this significant gap by testing the influence of the proactiveness dimension of EO and environmental factors (EH and EM) on business growth. The dominant research question of this study is: how do proactiveness, EH and EM influence small and medium business growth?

Specifically, the research investigates the combined effects of proactivity, EH and EM on business growth. This study is significant because research suggests that a sound entrepreneurial strategy-making process is what is needed to overcome the challenges in a business environment (Fatoki, 2012). This study expands knowledge in this area by looking at the specific impact of proactiveness and environmental factors on business growth. The applied managerial suggestion for business managers is that proactive strategies should be encouraged for the exploitation of business opportunities in a business environment. To determine the growth level of participants' businesses, the

study designed a survey questionnaire to elicit information on return on the business growth in terms of sales, profit and net profit.

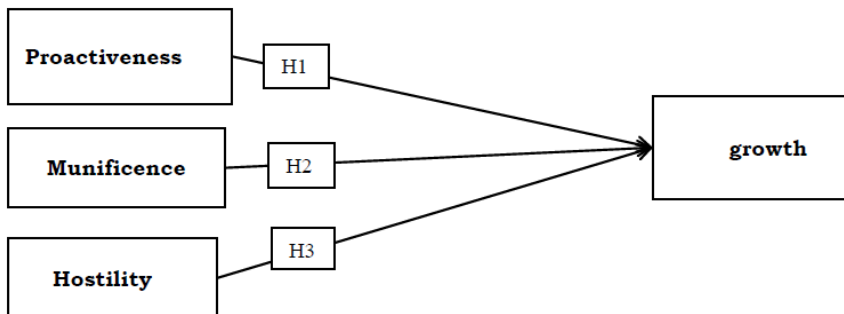
### 3.4 *Theoretical analysis and hypotheses*

EO could be referred to as a firm’s management approach towards business strategic decision-making processes (Birkinshaw, 1997). According to Wiklund and Shepherd (2003) and Rauch et al. (2009) EO are strategic practices engaged by entrepreneurs to make business decisions and judgements.

Wiklund and Shepherd (2005) suggest EO as a key determinant of enterprise success for growth and performance. While supporting this suggestion, Lumpkin and Dess (1996) consider EO a good foundation for competitive benefit. Corroborating Lumpkin and Dess (1996), Lyon et al. (2000) and Rauch et al. (2009) opine that businesses with higher EO perform better than businesses with a lower level of EO.

There is no unanimous agreement on how much EO affects or contributes to business developmental growth and performance. While some opine that EO has little or no effect on firm growth and performance (Hughes and Morgan, 2007), others have found positive relationships between EO and business growth performance (Runyan et al., 2008; Keh et al., 2007). Based on the existing literature in this area, we propose a research model that examines the relationships between proactiveness, EH, EM and business growth. This model suggests that a specific dimension of EO in terms of proactivity and the contextual environmental factors of hostility and munificence will influence business growth and performance.

**Figure 1** Conceptual model



### 3.5 *Proactiveness and SME growth*

Proactiveness reflects a firm’s reaction to opportunities in the market; this may involve catching opportunities before competitors are aware of them and watching the operational activities of competitors. Venkatraman (1989) suggests proactiveness as the process of seeking new opportunities in the environment. This is done when a firm anticipates future demand and market opportunities, becomes involved in the emerging market and introduces new products earlier than its competitors. Corroborating this, Kropp et al. (2008) argue that firms with proactive orientation would identify and evaluate new environmental opportunities and monitor market trends. A proactive firm should always seek opportunities, be progressive and continuously innovative toward introducing novel

products and services into the market and become a first mover (Rauch et al., 2009). Supporting Rauch et al. (2009), Belgacem (2015) considers such proactive enterprises as market leaders. Corroborating this, Madsen (2007) argues that because proactive enterprises usually employ innovative people and such firms' entrepreneurs are prone to taking a risk, their businesses become sustainable, leading them to become market leaders. In some cases, proactive firms seek new opportunities in areas not related to their line of operations.

Previous studies have shown some optimistic connection between proactiveness, firm growth and earnings (Kraus et al., 2012; Wang and Yen, 2012). Selected firms in Vietnam found proactiveness to have influenced their performance growth (Hughes and Morgan, 2007). Wang and Yen (2012) found proactiveness to be absolutely related to business growth. From the above findings, it is assumed that proactiveness will strongly influence firm growth. Therefore, it is hypothesised that:

Hypothesis 1 Proactiveness will positively influence firm growth.

### *3.6 External environment and SME growth*

Environmental characteristics could be described as the physical and social resources existing external of a given business organisation; these resources have potentials of impacting strategic business decisions made by businesses as Miller (1987) associates environment with elements of uncertainty and turbulence. Often these elements have both positive and negative influences on firms' operations and decisions. In view of this, entrepreneurship scholars have researched environmental effects on EO business performance relationship. Findings indicate that environmental factors moderate the mutual connection existing between EO and business performance (Zahra, 1996; Lumpkin and Dess, 2001; Wiklund and Shepherd, 2005). Lumpkin and Dess (1996) argue that environmental features affect the correlation between EO firm growth and performance. Corroborating Lumpkin and Dess (2001), Covin and Slevin (1989), Zahra (1993) and Zahra and Covin (1995) find EO firm growth to be mostly dependent on certain environmental variables.

The two most studied environmental variables in this area are EM and EH. EM is the abundance or scarcity level of availability of needed resources in the market for which rival firms are competing. How far these are available enhances or limits a business's capacity to obtain resources from the environment to realise its goal or vision. A munificent environment with abundant resources facilitates a proactive performance relationship and allows building strategic gain (Miller and Friesen, 1982). However, consistent unavailability of needed resources in a given business environment could force entrepreneurs out of proactive conducts and into concentrating on managing available limited resources (Lumpkin and Dess, 2001).

From the above findings, this study assumes that EM will strongly influence firm growth. Therefore, it is hypothesised that:

Hypothesis 2 EM will positively influence firm growth.

EH can be described as the level of threat faced by business from the perspective of vigour and competition. This is more pronounced in a hostile environment due to price and product competition among firms, regulatory limitations from government policies and agencies, insufficient labour and other material resources (Calantone et al., 1997).



Excessive negative experience of these environmental factors to a firm constitutes a threat to its viability and limit its growth and performance.

These types of environmental characteristics often have a strong impact on the interrelationship of EO business performance. EH is mostly viewed from unavailability and or scarce resources in each environment, leading to a high level of rivalry among firms aimed at available but limited resources in the environment (Covin and Slevin, 1989). A hostile environment is associated with high-level business risk and uncertainty and how they impact negatively on organisation growth and performance. However, businesses that are innovative, proactive and can take risks could take advantage of hostile environments to progress their growth and performance. Contrary to this opinion, Lumpkin and Dess (2001) see hostile environment as a precarious situation that could force businesses to abandon their proactive conduct for lack of needed resources. However, Muchiri and McMurray (2015) suggest that proactive leadership is the best contributor to EO and business growth and performance. McMurray argue that with appropriate leadership with good knowledge of EO strategies, organisations would be able to harmonise environmental factors towards attaining a positive EO business growth and performance relationship.

Research literature acknowledges the impact of environment on strategic management of businesses (Covin et al., 2000; Wiklund and Shepherd, 2005). Studies have also revealed that environmental factors control the connection between EO business growth (Zahra, 1996; Wiklund and Shepherd, 2005). Lumpkin and Dess (2001) conclude that risk taking by organisations is completely linked to munificence, as it is synonymous with a stable environment. Similarly, Wiklund and Shepherd (2003) found an EM controlling mutual correlation between EO and the business growth performance relationship. Wiklund and Shepherd (2003) found a positive correlation between proactiveness and dynamic environment improving business growth and performance. However, Covin and Slevin (1989) found small businesses with EO to be at their best when operating in unfriendly or hostile environments. Therefore, from the above analytical review of literature it seems that environmental variables impact firm growth performance being a controlling variable. From the above analysis, the study hypothesises that EH will influence SME growth:

Hypothesis 3 Environment hostility will influence firm growth.

#### **4 Research design, sampling and data collection**

This is quantitative research; it aims to determine the relationships between proactiveness, EH and munificence on business growth. To attain this aim, the study distributed surveys to potential participants. Out of 100 surveys sent, only 65 business owners returned the survey question. Five of the returned items were invalid. Therefore, information from 60 completed questionnaires was analysed. Though the sample appears small in view of the online technique used for the data collection, prior studies in this area have used a smaller sample size in their studies. For instance, Venter (2014) examined the impact of EO on business developmental growth and used 43 respondents for the study. Similarly, Bleeker (2011) used 41 completed survey responses in his analysis, while Fairoz et al. (2010) used a sample of 25 responses in their analysis. It seems that research in SME environments suffers from low responses from business

owners, and this should not discourage researchers from investigating relevant issues in this area.

#### 4.1 *Measurement of variables*

Proactiveness was measured with four items developed by Lumpkin and Dess (2001). Firm growth was measured with three items adopted from Li et al. (2008). Munificent and hostile environments were measured with three items each adopted from Rosenbusch et al. (2013). A survey questionnaire was used to collect needed information from participants online.

There were three sections to the research questionnaire. Section A of the questionnaire measured the EO (proactiveness) of the respective business owners and managers within Auckland CBD business environments. The questions were on business innovation, while others were on developing new and innovative products, meeting with the trends of time, and provision of new products and services.

Section B of the questionnaire measured captured data on proactiveness, munificence and hostility using a five-point Likert scale (1 = strongly disagree to 5 = strongly agree).

#### 4.2 *Demographic information*

Table 1 shows the distribution of the respondents based on some demographic variables such as age and gender.

**Table 1** Participants' demographic variables

<i>Variable</i>	<i>Frequency</i>	<i>Percentage%</i>
Gender	Male	36
	Female	24
Age	17 or younger	0
	18–20	4
	21–29	12
	30–39	15
	40–49	13
	50–59	15
	60 or older	1

#### 4.3 *Reliability and validity analysis*

We used Cronbach's  $\alpha$  coefficient to examine the consistency of the measurement items. For adequate internal consistency, the Cronbach's alpha of the variables should meet the benchmark of 0.7 or above (Hair et al., 2010). Similarly, the loadings of the items should also meet 0.7 value or above 0.7. The average variance extracted was above 0.5 and the alpha coefficients were suitable for the research to progress to the analysis phase. Similarly, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy tests was also significant. The KMO tests further confirm the adequacy and quality of the measurement properties. Overall, the validity and reliability of the measurement items used in this

study met acceptable rubrics of construct validity and reliability requirements as shown in Table 2.

**4.4 Testing of hypotheses**

This study adopted a regression method to test the hypothesised relationships using SPSS and software. These relationships were assessed through an analysis of the path coefficients in the regression model. Table 3 shows the path coefficients for all the hypothesised paths, the beta weight, R<sup>2</sup> and the significant t-values (t-values must be greater than > 1.96 or > 1.65 to suggest significance levels of p < 0.05 or p < 0.10). The coefficient of determination (R<sup>2</sup>) values for growth show a reliable explanatory power of 55.9%. Table 4 suggests that the regression analysis supports the hypothesised paths. All the hypothesised relationships are significant except EH. Proactiveness significantly affects SME growth (B = 0.319, p < 0.05, t=2.091). EH has no significant impact on SME growth (B = 0.268, > 0.05, t = 1.588). Lastly, the relationship between EM and growth was positive (B = 0.252, p < 0.10, t = 1.800).

**Table 2** Psychometric properties of the measurement items

<i>Measurement items</i>	<i>Factor loadings</i>	<i>Cronbach's alpha</i>	<i>Average variance extracted (AVE)</i>
PROAC2	0.942	0.891	0.763
PROAC3	0.886		
PROAC4	0.861		
PROAC1	0.800		
KMO	0.769		
HOEN1	0.851	0.759	0.682
HOEN2	0.815		
HOEN3	0.801		
KMO	0.687		
MUEN2	0.915		
MUEN3	0.888	0.804	0.723
MUEN1	0.738		
KMO	0.636		
GRO2	0.888		
GRO3	0.869		
GRO1	0.862	0.843	0.702
KMO	0.725		

**Table 3** Model summary

<i>Model</i>	<i>R</i>	<i>R square</i>	<i>Adjusted R square</i>
1	0.748a	0.559	0.531

Note: Predictors: munificence, proactiveness, hostility.

**Table 4** Regression result p

<i>Variables</i>	<i>B</i>	<i>Std. error</i>	<i>Beta</i>	<i>t. value</i>	<i>Sig.</i>
Proactiveness	0.267	0.128	0.319	2.019	0.042
Hostile environment	0.307	0.193	0.268	1.588	0.119
Munificent environment	0.282	0.157	0.252	1.800	0.078

Note: Dependent variable: growth.

## 5 Discussion

This study examined the interrelationship of proactiveness, EH, EM and firm growth among SMEs within the Auckland CBD, New Zealand. The research findings reveal that two of the hypotheses have positive relationships with SME growth while the third hypothesis was not supported in this study.

The first hypothesis tested the relationship between proactiveness and SME growth and found a positive relationship between them. This supports the idea that firms should engage in entrepreneurial strategies as suggested by EO. Research suggests that adoption of proactiveness EO dimensions by business owners affect the fortunes of the firms in terms of growth. This aligns with the findings of Clausen and Korneliussen (2012) that EO constitutes a singular source for organisational performance and growth.

The second hypothesis examined how EH impacts on SME growth. These variables were insignificantly related in path. This finding indicates that hostile environments are not conducive to business growth, even though such businesses have significant business support capabilities. The configurational approach suggests that a firm's growth may depend on different combinations of environmental conditions (Shirokova et al., 2016). The authors found negative interaction effects of EO on EH and firm performance. Based on the above, it seems that SMEs may not record respectable growth in a hostile business environment.

**Table 5** Summary of findings

<i>Hypotheses</i>	<i>Relationships</i>	<i>Result</i>	<i>Decision</i>
H1	Proactivity will influence SME performance	0.319**	Accepted
H2	Environmental hostility will influence SME performance	0.268ns	Rejected
H3	Environmental munificent will influence SME performance	0.252*	Accepted

Notes: \*\*p < 0.005 (t > 1.96). \*p < 0.010 (t > 1.65). Ns: not significant.

The last hypothesis tested the interrelationship between EM and SME growth. Findings indicated a positive relationship between munificence and SME growth. This corroborates prior arguments that businesses respond to external conditions. EM connotes abundance or scarcity of resources in the environment for which rival firms are competing. Mainstream studies aver that a firm's growth and performance is contingent upon its external environment. Firms in an environment with relatively significant resources will become more proactive and risk averse and will explore the resources to their fullest for the benefit of the business (Lumpkin and Dess, 2001).

Therefore, the model summary in Table 3 explicitly shows all independent variables explained 53.1% of the variance in SME growth. The coefficient of determination ( $R^2$ ) reported a substantial level of explanatory variance in the outcome variable (Cohen, 1988).

## **6 Contributions and conclusions**

SMEs play crucial roles in the global economy. This study addresses a significant gap in previous studies. The researchers noted a paucity of studies on specific EO dimensions like proactiveness, aggressiveness and risk-taking on firms' growth. Specifically, this study has filled a knowledge gap on how proactiveness impacts SME growth. The study also shows the key contribution of EM and hostility. Particularly, SMEs generate jobs for the unemployed around the globe. Findings indicate that success of an SME can be predicted by the level of proactiveness and EM among many other factors. The study extends and contributes to knowledge on the relationships between proactiveness, EM, EH and SME growth. Specifically, the study shows that proactiveness could be a major factor that may affect the growth of an SME. It is therefore important for business managers to adopt proactive strategies in their businesses. This finding parallels the findings of prior studies in this area (Kraus et al., 2012; Wang and Yen, 2012; Hughes and Morgan, 2007).

This study scrutinises the role of both hostile and munificent environments as contextual factors. Hostile and munificent environments are two ends of a continuum with opposing opinions from prior scholars (Martins and Rialp, 2013). There is serious debate among scholars on the dynamics of the environments and their implications for entrepreneurship performance (Wiklund and Shepherd, 2005; Lumpkin and Dess, 2001; Covin et al., 2000).

Our findings provide evidence about the relationship between proactiveness, EM and firms' growth. Consistent with other studies, this study indicates that EM rather than EH enhances entrepreneurship growth. Overall, the finding underscores the importance of proactiveness and operational environments in terms of environment munificence and hostility. In conclusion, this study highlights the importance of strategic orientation in business growth and success. It also points out the contribution of the environment in strategic choice making and implementation. The applied contribution of this study for business managers is that external environments should be scanned for opportunities in business posturing.

Theoretically, although previous studies on EO have examined how EO affects SME performance relationships (Neneh and Zyl, 2017; Fayaz and Shah, 2017), an EO-specific dimension in relation to SME growth remains largely unexplored in this area. The present study thus builds upon previous studies on EO and by extension the impact of environmental variables. Our theoretical contributions refer to the findings that proactiveness and EM significantly influence SME performance.

## **7 Limitation**

This study is a cross-sectional study as data was collected at one time. Future studies may adopt a longitudinal research design to determine the combined influence of proactivity

and contextual environmental factors on SME growth. This will allow a comparison of the data and research outcomes over a long period of time. In addition, future studies may examine other specific EO dimensions such as risk-taking and innovativeness and other environmental factors using the contingency and interaction analytic methods.

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