

**Entrepreneurial Orientation, Environmental Dynamism and Political Ties: A Study of
New Ventures in Developing Economies.**

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Abstract

Despite the growing research on the influence of entrepreneurial orientation (EO) on social networking, our understanding of its effect on political ties in developing economies is limited. Building upon resource dependence and social networking perspectives, this study examines the impact of entrepreneurial orientation on political ties and how it is contingent on environmental dynamism. We test our model on a sample of 309 new ventures operating in Egypt. The results show that EO positively impacts their political ties. In addition, the findings indicate that environmental dynamism positively moderates the relationship between EO and political ties. The study provides novel insights into the EO- political ties nexus in developing markets and the practical implications of the results are discussed.

Keywords: Africa, entrepreneurial Orientation, environmental Dynamism, political Ties, new Ventures, Egypt.

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Introduction

New ventures rely on critical resources provided by connections with external stakeholders since they lack the ability to manage the resources essential for growth and survival (Pfeffer and Salancik, 1978). Previous research suggests that successful networking strategies can be enhanced by building and maintaining strong relationships with government officials and various regulatory organisations (Jiang, Wang, and Zhou, 2023; Peng and Luo, 2000). Because of their lack of formal institutions (Zhou, 2013), political ties play an important role in entrepreneurship in developing economies (Luo et al., 2020; Wang et al., 2022). Such ties are viewed as a non-market technique for improving firm performance through participation with the government (Jean et al., 2018). Political ties refer to “Personal ties with government officials as connections with political leaders in various levels of the government, officials in industrial bureaus, and officials in regulatory and supporting organisations such as tax bureaus, state banks, and commercial administration bureaus” (Peng and Luo, 2000, p.491). Ties with government officials help new ventures access vital information and knowledge, as well as assisting them to recognise opportunities (Zhang et al., 2016). This is particularly prominent in developing markets, as having strong political ties can help new ventures to update critical information and policies associated with institutional change, allowing them to seize opportunities in the external environment (Guo et al., 2023).

Although it is important for firms to cultivate political ties in developing markets, their ability to actively establish good ties with government officials can be reinforced by their entrepreneurial orientation (Ribeiro et al., 2021). Entrepreneurial orientation (EO) is a strategic posture that provides businesses with the framework for tactical actions and decisions (Jiang et al., 2018), primarily focusing on the innovative, proactive, and risk-taking behaviours of firms (Wang et al., 2020). Miller (1983) suggests that entrepreneurial firms are those that innovate products and markets, take on risky ventures, and are the first to introduce proactive innovations into the existing market. EO plays a significant role in advancing the pursuit for political connections. To attain the aims of EO through its main dimensions, innovativeness, risk taking and proactiveness, firms must actively pursue political ties to exploit the resources associated with them (Ribeiro et al., 2021). In addition, entrepreneurially-oriented firms seek to obtain critical information on future political and economic developments, as well as on industry regulations and policies, which will enhance their abilities to create resource-seeking opportunities through cultivating political ties (Ribeiro et al., 2021). Previous studies have reported mixed findings on the relationship between EO and political ties (Jiang et al., 2018; Luu and Ngo, 2019; Yang, Dess and Robins, 2019; Zhang, O'Kane and Chen, 2020).

Recently, Titus Jr et al. (2023) found that EO was negatively related to corporate political activity. However, Ribeiro et al. (2021) demonstrated the opposite, finding that there was a positive relationship between EO and political ties. Although studies have examined this relationship in established firms, and in both developed and emerging markets (Yang, Dess and Robins, 2019), there is a lack of research on the relationship between the EO and political ties of new ventures in developing markets, which represents an insufficient picture of the relationship in the literature (Titus Jr et al., 2023). We propose that there is a different EO-political ties link in developing markets for two reasons. First, in such markets new ventures encounter specific challenges and are prone to a high rate of failure because they lack access to critical resources; they must also develop and maintain connections with external stakeholders, including government officials (Coleman, 2004).

Second, governments in developing markets usually control significant and scarce resources; guide corporate policies, strategies and business operations; and have full power over investment projects because of the lack of formal institutions that support such markets (Acquaah, 2007; Sheng et al., 2011). Research has identified that external factors can influence EO, such as hostility, heterogeneity, dynamism, munificence, industry life cycle stage and complexity (Covin and Slevin, 1991; Rosenbusch, Rauch and Bausch 2011; Wales, Gupta and Mousa, 2013). There has also been discussion of the role of the external environment in firms' acquisition of resources through connections with government officials (Gao et al., 2017). In addition, the importance of evaluating the role of the external environment in the development of EO and its effectiveness on firm performance have been emphasised (Rauch et al., 2009). Firms often face inadequate legal frameworks, significant government intervention in business operations, and frequent changes in business environments, which all lead to high levels of environmental dynamism (Boso et al., 2013; Gao et al., 2017). Recently, Zhang, O'Kane and Chen (2020) found that environmental dynamism positively moderates the relationship between political ties and EO.

The focus of the study of environmental dynamism is relates to its relationship with changes in technology, demand and the competitive environment, which make it difficult to predict the future and its impact on both the new opportunities that EO presents, and firms' overall performance (Lumpkin and Dess, 2001). Due to the lack of clarity about the mechanisms that affect the relationship between EO and political ties in the new venture context, this study aims to examine: 1) how EO impacts political ties; and 2) how environmental dynamism moderates the relationship between EO and political ties in developing markets. We propose that this link will be stronger with high levels of environmental dynamism. In order to examine these issues and validate the main theoretical arguments, we used a unique sample of 309 new ventures in the Egyptian context. Egypt, being among the primary economies in the Middle East, has gained significant attention in recent entrepreneurship studies due to its entrepreneurial endeavours and their impact on economic progress (Adel, Mahrous & Hammad, 2020; Tantawy, Elaasi and Elshawadfy, 2021).

Egypt presents an ideal context due to the prominence of political connections, with obvious institutional voids stemming from the lack of formal institutional frameworks in reinforcing small and medium-sized enterprises (SMEs) in the country (Narooz & Child, 2017). Our study makes several contributions to the strategy and entrepreneurship literature. First, it extends the field of research (Jiang et al., 2018; Luu and Ngo, 2019; Yang, Dess and Robins, 2019; Zhang, O'Kane and Chen, 2020) by discussing how EO impacts political ties in developing markets. Although previous studies have obtained mixed findings (Ribeiro et al., 2021; Titus Jr et al., 2023), we provide a theoretical rationale for the relationship between EO and political ties in the new venture context. Second, we contribute to the EO literature by examining the external environment that affects the EO-political ties relationship.

In this regard, we examine the moderating role of environmental dynamism in the relationship between EO and political ties in developing markets. When there are high levels of environmental dynamism, EO firms will focus on enhancing their ability to seize opportunities based on critical information, policies and investment plans by building and maintaining political ties (Ribeiro et al., 2021). Finally, the study contributes to literature by adopting a single-country perspective (Adomako et al., 2019) and examining in depth the circumstances faced by new ventures in developing markets. It focuses on unique data concerning new ventures operating in Egypt and analyses how their success can be enhanced by being entrepreneurial and establishing political ties.

The remainder of the paper is organised as follows. The following section offers a concise overview of previous studies on EO and political ties, together with the development of the research hypotheses. Subsequently, the methodological approach and measures employed in the research are discussed, followed by an analysis of the data and discussion of the important findings. Finally, the study concludes by explaining the theoretical and practical implications.

Theory and Hypotheses Development

Entrepreneurial orientation

Entrepreneurial orientation (EO) concerns the strategic process that firms use to find new opportunities and take entrepreneurial actions (Dess and Lumpkin, 2005). It refers to “the attribute of an organization that exists to the degree to which that organization supports and exhibits a sustained pattern of entrepreneurial behaviour reflecting incidents of proactive new entry” (Covin and Wales 2019, p. 5). According to Wiklund and Shepherd (2003), EO entails ongoing behaviours to identify and create new business, which will ultimately result in a sustainable competitive advantage. As both a strategic approach and form of corporate behaviour, it encourages businesses to engage in innovation, actively seek out opportunities, and undertake ventures with inherent risks (Covin & Lumpkin, 2011). According to Lumpkin and Dess (2001), EO dimensions frequently vary based on the organizational circumstances and the firm’s prevailing business environment. Miller (1983) identifies three critical dimensions that define EO: innovativeness, risk-taking and proactiveness, all of which have been thoroughly investigated in the EO literature (Covin and Wales, 2012; Ribeiro et al., 2021; Titus Jr et al., 2023; Zhang, O’Kane and Chen, 2020).

Studies suggest that within firms displaying entrepreneurial orientation behaviour, a combination of strategic decision-makers and an organizational culture fosters a dynamic environment that encourage innovation, the proactive pursuit of new business opportunities, and risk-taking (Dess and Lumpkin, 2005). Innovativeness is considered to be a fundamental component necessary for a firm to be entrepreneurial (Lumpkin and Dess, 1996). It refers to its willingness to embrace new ideas, methods and creativity, as well as to foster creative techniques in R&D and technological advancements, leading to a leadership which results in the creation of new products, services, or technological processes (Lumpkin and Dess, 1996). Proactiveness refers to a future-oriented perspective, in which firms create novel products or enhance existing ones, predicting shifts and opportunities within the environment. This approach requires the triggering of adjustments in existing strategies and the determination of emerging market trends (Hughes and Morgan, 2007). It reflects the success of firms, as it allows them to exploit the advantages of being early entrants into markets, to secure initial profits, identify market opportunities, and helps firms establish future objectives that foster their growth (Lumpkin and Dess, 1996). Finally, risk-taking is associated with a firm’s willingness to invest more resources in projects that are likely to exhibit high error costs or uncertain outcomes (Wiklund and Shepherd, 2003). As a result, risk-taking firms regularly make changes to their existing strategies, thus anticipating higher profits (March, 1991).

Political ties in developing markets

Political ties refer to the interaction between organizations and governments, involving interactions between political actors and leaders or members of organizations (Sheng et al., 2011). They can be defined as “Personal ties with government officials as connections with political leaders in various levels of the government, officials in industrial bureaus, and officials in regulatory and supporting organizations such as tax bureaus, state banks, and commercial

administration bureaus (Peng & Luo, 2000, p.491). Connections with government officials provide firms with crucial resources and assistance in navigating uncertainties, thereby supporting their growth and success (Zhang et al., 2016). Additionally, political ties help firms enhance their innovative competences and sustain their legitimacy within inefficient and challenging environments (Mellahi et al., 2016).

Resource dependency theory (RDT) posits that the decisions and results of firms are influenced by both resource availability and interconnected network connections (Pfeffer & Nowak, 1976). New ventures depend on critical resources from external parties because they lack the ability to effectively manage the resources necessary for their success (Pfeffer & Salancik, 1978). Therefore, cultivating strong relationships with stakeholders is crucial for obtaining access to such resources. RDT considers new ventures to be reliant on their external environment, particularly key stakeholders such as governmental officials and other institutions (Pfeffer & Salancik, 1978). According to the theory, firms might focus on political strategies to influence the dynamics of the external environment (Pfeffer & Salancik, 1978). Recent research on political ties employs RDT to investigate the dynamics of firm-government interactions (Dieleman & Widjaja, 2019; Zhang, O’Kane & Chen, 2020). These studies underline the significance of developing such connections for entrepreneurial activities, particularly in developing economies, as new ventures lack legitimacy and have limited access to resources (Aldrich & Fiol, 1994; Ge et al., 2017). This is especially crucial in developing economies where governments serve as primary sources of valuable resources and have significant influence in shaping business regulations and operations (Sheng et al., 2011). Furthermore, given the government's control over necessary resources and its ability to adopt policies which impact firm performance and effectiveness, this represents the predominant source of uncertainty and restriction for businesses (Luo, Yang & He, 2020).

Entrepreneurial orientation and political ties

EO plays a critical role in the pursuit of political ties. In order to achieve the objectives of EO, firms must actively maintain political relationships in order to use their resources effectively within these (Ribeiro et al., 2021). The government's control of resources and its influence on business regulations and operations are particularly crucial in developing economies, as they represent the predominant source of uncertainty and restrictions for businesses (Luo, Yang & He, 2020; Sheng et al., 2011). In addition, political ties are critical sources for firms in such economies, as they can benefit from such ties by updating critical institutional information and policies in order to benefit from external opportunities (Guo et al., 2023). Therefore, an organization's EO could determine its ability to pursue political relationships with various governmental officials (Ribeiro et al., 2021). As high-EO firms seek to gain information about future political and economic developments and industry regulations, it makes sense that they will leverage political ties to maximise their resource-seeking opportunities. In these firms, political ties enhance their ability to acquire additional valuable resources, as well as to grow their businesses through proactive and risk-taking activities (Ribeiro et al., 2021). Therefore, maintaining political ties is derived from the “resource intensive” nature of EO (Wales et al., 2013, p. 1047), which indicates that the pursuit of EO is based on the complementarity of non-market resources with market resources (Zhang, O’Kane and Chen, 2020). However, if firms have a low level of EO, this will adversely impact their ability to form political relationships, since such firms are less innovative and proactive, and as a result will not explore connections with other government agencies and regulatory organizations (Ribeiro et al., 2021). Previous research has obtained mixed findings on the EO-political ties link (Luu and Ngo, 2019; Yang, Dess and Robins, 2019; Zhang, O’Kane and Chen, 2020). Ribeiro et al. (2021) showed that

there was a positive relationship between EO and political ties, as entrepreneurs seek to obtain critical resources and vital information about industry regulations and economic development through such ties to order to seize opportunities in the external environment. However, Titus Jr et al. (2023) suggest that higher levels of EO are associated with less investment in corporate political activity, as political activities act as creative constraints for firms. Despite this, recent research has focused on the significance of developing such connections for entrepreneurial activities, particularly in developing economies, as new ventures are different from the existing firms due to their limited access to critical resources and lack of legitimacy (Ge et al., 2017). Although the literature has focused on discussing the interaction between EO and non-market strategies in established firms (Luu and Ngo, 2019), there is a lack of research of examining this relationship in SMEs (Boso, Story and Cadogan, 2013). Consequently, we propose that the relationship between EO and political ties is different in the context of new ventures in developing markets.

Such ventures face challenges in these markets as economic circumstances are characterised by a lack of stable and consistent markets and uncertain political, regulatory and economic situations, in comparison to developed markets (Lingelbach, Vina, & Asel, 2005). In addition, governments in developing markets control critical resources, develop industry plans, and implement governmental policies; institutional infrastructure is also underdeveloped, which affects survival in the market (Wang et al., 2020). As a result, firms' EO relies more directly on products, technology and market resources in relation to entering new markets (Covin & Slevin, 1991). This encourage these firms to exploit connections with political actors to enhance their ability to seize opportunities and face the uncertainty in the surrounding environment. In other words, highly entrepreneurial firms ensure the success of their innovations by building strong network ties with external stakeholders. In addition, firms with numerous network ties are more likely to promote their new ideas and clarify the novelty of their products based on the many interactions and connections with government officials and other stakeholders, than those with fewer network ties (Engelen, Kaulfersch, and Schmidt, 2016). We therefore propose that:

Hypothesis 1: EO is positively related to political ties.

Moderating role of environmental dynamism

Environmental dynamism can be defined as the rapid changes in technological advancements, product designs, customer demands, policies and regulations, and competitors' actions (Baron and Tang, 2011). Dynamic environments are characterised by "changes in technologies, variations in customer preferences, and fluctuation in product demand or supply of materials" (Jansen, Van Den Bosch, and Volberda, 2006, p. 1664). It has been shown that such environmental changes and circumstances affect firms' entrepreneurial behaviour (Jansen, Jansen, Van Den Bosch, and Volberda, 2006) and the exchange of critical resources and information about updated policies investments derived from connections with political actors (Sheng et al., 2011). In addition, previous research on social capital has found that different environmental conditions affect the value of social networking (Uzzi, 1997). Markets with a high level of dynamism require continuous improvements and innovation to remain competitive, whereas those with a low level of dynamism tend to be characterised by slow changes in customer preferences (Slater and Narver, 1994). Consequently, a firm's success can be determined by the extent to which it has significant market knowledge, which can reduce uncertainty regarding future customer demands (Daft and Lengel, 1986). Therefore, we investigate the boundary conditions of the impact of the external environmental on the

relationship between EO and political ties in developing markets. We propose that the EO-political ties link will be stronger with higher levels of environmental dynamism, as there are external conditions that place greater pressure on high-EO firms to cultivate ties with government officials (Titus Jr et al., 2023). In addition, changing demands, customer preferences and technologies create opportunities for firms to pursue entrepreneurial actions in dynamic environments (Cao, Simsek and Jansen, 2015). Zhang, O'Kane and Chen (2020) showed that environmental dynamism positively moderates the political ties-EO relationship.

We thus propose that:

Hypothesis 2: Environmental dynamism moderates the relationship between EO and political ties, a relationship which is stronger with higher levels of dynamism.

Figure 1 shows the main conceptual model of the study.

Insert Figure 1 about here.

Methods

Research context

We tested our main hypotheses using a sample of new ventures operating in Egypt. Egypt was selected as the main research setting for the following reasons. First, it is a developing country with one of the largest economies in the Middle East and the second fastest growing start-up ecosystem in the North Africa (MENA) region (Adel, Mahrous and Hammad, 2020). Second, Egypt has received significant attention in the literature concerning the role of entrepreneurial activities in improving its economic development (Tantawy, Elaasi and Elshawadfy, 2021). Third, the country provides a valuable context for our research questions, as political ties prevail in the country because of the weak institutional conditions characterised by institutional voids and a lack of formal support for SMEs (Narooz and Child, 2017).

Finally, Egypt provides a solid research context for studying entrepreneurship, as 76 percent of Egyptians view it as a worthwhile career and a pillar of sustainable development (Adel, Mahrous and Hammad, 2020). In addition, around 2.5 million small and medium-sized enterprises constitute 99% of non-agricultural ventures in the Egyptian economy. The SMEs in the country are considered as the main source of employment, as they provide approximately 75% of jobs. They also contribute substantially to the nation's economic growth, providing approximately 80% of gross domestic product (GDP) and 10% of total industrial production (Daily News, 2016). Therefore, using data from new ventures in Egypt will contribute to the social networking and entrepreneurship literature by examining how entrepreneurial orientation could enhance new ventures' political ties in developing markets.

Data and sample

The data were gathered between 2021 and 2022 from new ventures in different regions of Egypt. We used certain criteria in selecting the study sample (Adomako et al., 2019). First, we collected data about new ventures engaged in cultivating and maintaining good ties with various government officials, such as those employed in towns and cities, ministries, legislative bodies, governorates, and political parties, which helped us to select the final sample of new ventures involved in activities associated with political ties. Second, for the analysis, we selected new ventures that were no older than eight years old, together with ones that were still identifying potential opportunities at an early stage (Adomako et al., 2019). Third, due to the

lack of a formal/exact sampling frame for new ventures in Egypt (Adel, Mahrous & Hammad, 2020), and as the study population size was unknown, we employed convenience sampling, as this is one of the most common, cost-effective, and quick data collection techniques employed in business research (Onofrei, Filieri & Kennedy, 2022). Based on the above criteria, we selected 600 new ventures. We then contacted the new venture founders by email and telephone, explaining the purpose of the study and that the survey targeted founders who were focused on maintaining and building political connections. As a result, 380 of the 600 new venture founders agreed to participate in this study, representing 63.33% of the total. The data were collected by an online survey using an electronic link through the online platform Qualtrics. After evaluating all the responses, 71 were removed due to incomplete answers. Therefore, our final sample consisted of 309 complete responses, representing a 51.50% response rate.

Non-response bias

To test non-response bias, we followed Wagner and Kemmerling's (2010) approach, based on a comparison between the responses of both complete and incomplete surveys, using independent sample t-tests. The findings show that there were no significant differences between the two groups, which demonstrates that non-response bias was not an issue in our study. In addition, we employed Armstrong and Overton's (1977) method, which compares late and early respondents' surveys; the main findings of the independent sample t-tests showed that there were no differences between these, confirming that non-response bias was not a problem in the study.

Measures

Based on previous studies, well-established scales were used in the survey instrument. To ensure that the venture founders were able to correctly understand and interpret these measures, all the items were translated into Arabic and then back translated into English by two experts in the entrepreneurship field fluent in both Arabic and English (Qian, Cao and Takeuchi, 2013). When required, the scales were revised to reflect the context and the characteristics of the main participants. Next, to strengthen the face validity of the study, we conducted a pilot test with nine founders. Some measures were reworded based on their comments, in accordance with their characteristics and the Egyptian context.

Dependent variable. We measured our dependent variable (political ties) by using three items from Peng and Luo (2000) (Cronbach's $\alpha = 0.81$). We used this scale as previous research has suggested that Peng and Luo's scale plays a leading role in the existing networking literature (Fan et al., 2013), and due to its strong reliability and validity, as demonstrated in the related studies (Park and Luo, 2001; Sheng, Zhou and Li, 2011; Zhang et al., 2016). The respondents were asked to determine the extent to which their ventures cultivated ties with government officials at various levels and other supporting regulatory organizations. Such political ties were measured based on a seven-point scale, from 1, 'very little', to 7, 'very extensive'.

Independent variable. We measured entrepreneurial orientation using the nine items developed by Covin and Slevin (1989), which conceptualise three main dimensions of EO in terms of innovativeness, risk-taking and proactiveness (Cronbach's $\alpha = 0.93$). This scale is widely used in the political ties literature (Cao, Simsek and Jansen, 2015; Engelen, Kaulfersch and Schmidt, 2016; Ribeiro et al., 2021; Titus Jr et al., 2023; Yang, Dess and Robins, 2019; Zhang, O'Kane and Chen, 2020) because of its robustness, and widely employed in international research settings (Runyan et al., 2012). The scale was measured based on a seven-point Likert scale (from 1 to 7).

Moderating variable. Environmental dynamism was measured by a five-item scale developed and validated by Jansen et al. (2006) (Cronbach's $\alpha = 0.87$). The respondents were asked about changes in their local environment, and one item was eliminated because it had a low factor loading. The scale was also measured based on a seven-point Likert scale (from 1= strongly disagree, to 7= strongly agree).

Control variables. We used several control variables in our analysis which were considered to be able to affect political ties at the founder, venture, institutional and country levels. For the founder level, we controlled for the gender, age and education of the founder. Gender was measured as 1= male and 0 = female. Founders' education was measured as 1= high school, 2= HND, 3= Bachelor's, 4= postgraduate, and 5= other. In addition, we controlled for founders' age, which was coded as a categorical variable (1=26-35; 2= 36-45; 3= 46-55; 4= over 56). For the venture level, we controlled for venture size, age and industry. Venture size was measured as a categorical variable (1= 10 or below; 2= 11-30; 3= 31-50; 4=51 or above), while venture age was measured as the number of years it had been running. In addition, we controlled for the venture industry by creating four dummy variables: 1= industrial, 2= commercial, 3= services, 4= agricultural. For the institutional level, we controlled for institutional voids. We measured this variable by using eight items from Giachetti's (2016) scale, which were measured based on a seven-point Likert scale (1 = not at all, to 7 = very much). Khanna and Palepu (1997) indicated that developing markets are characterised by institutional voids, which might impede new venture performance and innovation, so such ventures should be encouraged to cultivate political ties to fill such voids in order to strengthen their success (Puffer, McCarthy and Boisot, 2010). At the country level, we controlled for national GDP. We followed previous research (Pindado et al., 2023) and measured this variable as GDP per capita for 2022 in Egyptian pounds. In addition, we measured the location using five dummy variables to control for geographic effects, as we collected the data from five different cities because new ventures within specific geographic locations can cultivate and maintain stronger connections with governmental officials than those outside these locations.

Analysis

Reliability and validity assessment

We conducted confirmatory factor analysis (CFA) using the maximum likelihood (ML) estimation approach to assess the validity and reliability of the main constructs using STATA 17.0. The CFA findings displayed an acceptable model fitness for our data, as follows: $\chi^2/df = 891.368/149$; CFI (comparative fit index) = 0.82; SRMR (standardized root mean square residual) = 0.7; RMSEA (root mean square error of approximation) = 0.6; and TLI (Tucker-Lewis index) = 0.7. Table 1 shows the standardised estimates of the CFA constructs; the findings show that the factor loadings for the items were above 0.5. Following Bagozzi and Yi (1988), the analysis supports convergent validity because the factor loadings were significant ($p < 0.01$). In addition, the results indicate that the average variance extracted (AVE) values were above 0.50, which shows adequate convergent validity (Fornell & Larcker, 1981). We used Cronbach's alpha to test reliability in order to establish the internal consistency of each construct. The analysis indicates that our data were reliable, as the Cronbach's alpha values were above 0.70 (Netemeyer et al., 2003) and the composite reliability (CR) values were also above 0.70, which shows the reliability of our data, in line with the suggestions of Netemeyer et al., (2003).

 Insert Table 1 about here.

Common Method Bias

Procedural and statistical methods were employed to overcome the common method bias issue in designing the survey. First, according to Siemsen, Roth and Oliveira (2010), common method bias is not a main problem in empirical research that examines indirect effects. Second, in this study, we collected independent, dependent and moderating variables at two different points in time. We eliminated bias associated with cross-sectional designs by separating the data by time, as suggested by Podsakoff, MacKenzie and Podsakoff (2012). Third, the survey items were also improved by using clear and appropriate language, with the assistance of practitioners in the field (MacKenzie and Podsakoff, 2012). In order to prevent respondents from finding any relationship between the study variables, we distributed the variable items across the survey (Nagy et al., 2022). Furthermore, the respondents were highly educated and experienced, and their anonymity and confidentiality were ensured (MacKenzie and Podsakoff, 2012; Podsakoff, et al., 2003). Finally, we assessed the common method bias issue statistically by conducting Harman's single-factor test to reveal if any of the variance could be discussed by a single factor (Podsakoff et al., 2003). The study variables explained were all loaded using principal component factoring without rotation. Based on the exploratory factor analysis (EFA), five factors were identified with eigenvalues >1.0 and explained 37.45% of the total variance. In addition, the first factor explained 8.33% of the variance, with no dominant factor. It is therefore highly unlikely that the results were affected by common method bias.

Results

Tables 2 and 3 show the descriptive statistics and correlation matrix for the study variables. Data analysis was conducted using STATA 17.0. We tested for multicollinearity using the variance inflation factor (VIF) after running a regression; the findings show that all the factors were lower than 10 (the cut-off value being 10) and that the average VIF was 2.04. This demonstrates that the multicollinearity problem does not exist in the study, as the independent variables are unrelated (Hair et al., 2010).

Insert Table 2 about here.

Insert Table 3 about here.

We used hierarchal analysis to test the main hypotheses as this is widely used in the entrepreneurship and strategy literature (Rauch et al., 2009) and is efficient analysis for both configurational and contextual models (Cohen et al., 2003). Table 4 shows the findings of the hierarchal regression analysis on the relationship between EO and political ties. Model 1 includes only the dependent and control variables, while Model 2 shows the impact of EO on political ties. Hypothesis 1 proposed that there is a positive relationship between EO and political ties. The results show a positive role of EO in enhancing ties with political actors at a significant level ($p < 0.05$), which indicates that H1 was accepted. Hypothesis 2 proposed that environmental dynamism moderates the relationship between EO and political ties. Model 4 shows the results in relation to the hypothesis. The findings show that the relationship between EO and political ties of new ventures is high, with higher levels of environmental dynamism, significant at $p < 0.05$. Therefore, H2 was also accepted.

Insert Table 4 about here.

Robustness tests

Additional analyses were performed to ensure the robustness of the results. First, we re-estimated the main models using an alternative measure of political ties. We measured political ties on a four-item scale based on Sheng et al. (2011) and Li and Zhang (2007) by asking the respondents how their ventures developed relationships with various levels of government officials and other regulatory organizations. The results remained unchanged and supported the main hypotheses (see Table 5): EO was positively related to political ties ($\beta = 0.26$, $p = 0.02$); and environmental dynamism plays a positive moderating role in the relationship between EO and political ties ($\beta = 0.10$, $p = 0.04$). Second, the main analysis was conducted without any control variables to investigate the effect of contextual variables and to reduce the possibility of overfitting, thus allowing for a greater understanding of the role that control variables play in influencing the relationship between the independent and dependent variables (Becker et al., 2016; Fieberg et al., 2021). The results remained unchanged. Finally, we re-estimated the models to check for reverse causality by conducting hierarchical analysis using EO as our dependent variable and political ties as the independent variable, together with the control variables used in the study. The findings show no significant relationship between political ties and EO ($\beta = 0.37$, $p = 0.08$). As a result, our results were consistent with the main study findings.

Insert Table 5 about here.

Discussion

The study examines the relationship between EO and political ties in the context of new ventures in developing markets. We also examine the moderating role of environmental dynamism on the relationship. Based on a unique dataset of 309 new ventures operating in Egypt, the results support our main argument that EO enhances new ventures' ability to cultivate and maintain ties with government officials. Their EO might determine their ability to pursue strong political ties with government and other regulatory organizations as high-EO ventures seek to gain access to scarce resources and critical information about industry regulations and future economic development plans (Ribeiro et al., 2021), which encourage them to leverage their political ties to increase their resource-seeking opportunities. This finding is in line with previous studies (Ribeiro et al., 2021; Zhang, O'Kane and Chen, 2020). However, our results contradict those of a study of Titus Jr et al. (2023), who suggest a negative relationship between EO and corporate political activity, as political activities represent creative constraints for large firms. The analysis also demonstrates the enabling role of environmental dynamism in the EO-political ties relationship. We argue that this link will be stronger with higher levels of environmental dynamism because of external conditions that place greater pressure on high-EO ventures to maintain ties with various government officials. This result is in line with other recent research (Zhang, O'Kane and Chen, 2020), that firms in dynamic environments have greater opportunities to engage in entrepreneurial initiatives due to rapid changes in customer preferences and technological advancement (Cao et al., 2015).

Theoretical contributions

The study makes theoretical contributions to the entrepreneurship and non-market strategy literature. First, it extends the political ties literature (Ribeiro et al., 2021; Titus Jr et al., 2023; Zhang, O'Kane and Chen, 2020) by shedding light on how EO is the main antecedent of political ties in developing markets. While previous studies have obtained mixed findings on

the relationship between EO and political ties (Ribeiro et al., 2021; Titus Jr et al., 2023); this research is one of the first empirical studies to theorise this relationship by examining the positive effect of EO on political ties. Titus Jr et al. (2023) found a negative relationship between EO and corporate political activity, as EO may be considered as a constraint to achieving more investment in political activities. They suggested that the relationship may differ based on firm age, as small firms with high EO may engage in more political activities to access scarce and valuable government resources in order to enhance their survival in the external environment. Therefore, although previous studies have focused on examining the relationship between EO and political ties in established firms (Zhang, O'Kane and Chen, 2020), our results contribute to the entrepreneurship literature by responding to the recent call by Titus Jr et al. (2023) for investigation into this relationship in the context of new ventures in developing markets. We propose that the EO-political ties link is different for new ventures due to their lack of legitimacy and access to critical resources, which may affect their success, which could encourage them to maintain relationships with government officials to increase their resource-seeking opportunities.

Second, the study also contributes to the literature by analysing the moderating role of environmental dynamism on the EO-political ties relationship, as dynamic environments have been considered as a critical factor in enhancing this relationship. Research has investigated the critical role of external and institutional environments in affecting both EO and political ties. It has been argued that environmental changes affect firms' entrepreneurial behaviour (Jansen, Van Den Bosch, and Volberda, 2006), and that the exchange of critical information and resources regarding updated economic and investments derive from connections with government officials (Sheng et al., 2011). When examining the role of the external environment, studies have focused on the role of environmental dynamism (Zhang, O'Kane and Chen, 2020). In this regard, Cao, Simsek and Jansen (2015) suggest that changes in demand, customer preferences and technologies create opportunities for firms to pursue entrepreneurial actions in dynamic environments. Although there is a dearth of research on how environmental dynamism as a mechanism impacts the EO-political ties relationship, our study contributes to understanding of its facilitating role in enhancing ventures' innovative and risk-taking activities to cultivate critical ties with government officials.

Practical implications

The study has several implications for new venture managers/ founders and policymakers. The results show the critical role of EO in enhancing new ventures' ability to build strong political ties. Although previous studies suggest that EO activities increase new venture survival, our study suggests that this could encourage venture founders to cultivate and maintain strong connections with various levels of government officials and other regulatory agencies to increase their innovative and risk-taking activities for resource-seeking opportunities. This finding is relevant to ventures operating in developing markets due to their lack of critical resources and legitimacy. In addition, due to the liability of newness and the fact that new ventures face challenges and high failure rates, managers and owners should devote more time to maintaining political connections, as this is considered a critical strategy for new ventures in developing markets to mitigate the challenges posed by intense competition and the external environment. It is specifically crucial for new ventures that operate in highly dynamic environments characterised by rapid changes in technological developments, product design and customer demands. The findings also show that the present environment encourages new ventures to enhance their entrepreneurial activities by building ties with the government to enhance their innovative capabilities and to face the challenges of developing markets.

characterised by institutional voids which might affect their success. The study provides suggestions for policymakers related to supporting new ventures' activities and actions. This can be done by providing training programmes and financial support to increase their resource-seeking opportunities, which may also enhance overall economic growth.

Limitations and future research

The study opens up various avenues for future research. First, we focused on new ventures operating in Egypt. It may be possible for further research to extend this scope using other developing and emerging markets with various levels of political ties and different institutional contexts to verify the generalisability of the main findings. In addition, based on the suggestions of previous research, scholars could compare how EO-political ties links differ in developing and emerging markets. Second, the study only examined the positive impact of EO on political ties. Previous research suggests that EO may create constraints for firms' success through building and maintaining relationships with political actors at various levels (Titus Jr et al., 2023). Future studies could therefore examine how EO may have a negative effect on political ties in the context of new ventures in developing markets. Third, previous studies have suggested that the relationship between EO and political ties is a complicated, rather than simple, direct link. Consequently, our study has investigated the role of environmental dynamism as a critical mechanism that impacts this relationship. Further research could investigate other underlying mechanisms that may have various impacts on the EO-political ties link, such as the role of government interventions in the field of competition, and the institutional environment of Egypt in regulating different entrepreneurial actions, such as cognitive, normative and regulatory factors. Fourth, further research could examine other forms of political ties, such as local and central ones, as well as family, financial and business ties. Fifth, this is a cross-sectional study, which limits the possibility of identifying causal effects. Further studies could use longitudinal/panel studies to examine how EO affects political ties.

Conclusion

The aim of this study was to empirically test the impact of EO on political ties in developing markets. The use of unique data from 309 new ventures operating in Egypt allowed us to examine how new ventures' EO enhances their ability to build strong ties with political actors in government and other regulatory agencies. In addition, we also examined the moderating role of environmental dynamism on the EO-political ties link. The findings support our hypotheses that EO positively affects ventures' political ties. In addition, to enhance this relationship, new ventures should place greater emphasis on increasing their innovative and risk-taking activities to build and cultivate strong ties with various levels of government officials to enhance their success in the face of rapid changes in the external environment in terms of technologies and customer preferences. The study makes theoretical contributions to the entrepreneurship and strategy literature and opens up effective avenues for further research. We hope that it will lead to further examination of the challenges related to new venture performance in developing markets and to deeper understanding of how new ventures enhance their success in developing countries.

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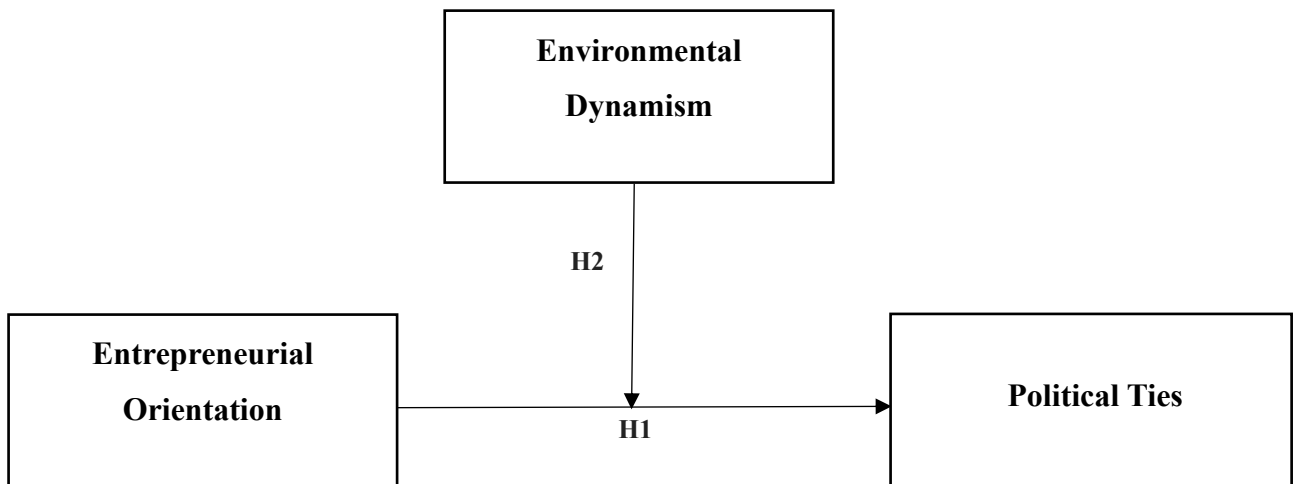


Figure 1
Conceptual Model

TABLE 1
Construct validity and reliability

Items	Factor loadings
Entrepreneurial Orientation (Cronbach Alpha = 0.93, AVE = 0.65, CR = 0.84)	
<i>Innovativeness</i>	
EO1: In general, the top managers of my firm favor . . . A strong emphasis on the marketing of tried and true products or services A strong emphasis on R&D, technological leadership, and innovations	0.81
How many new lines of products or services has your firm marketed in the past 5 years or since inception?	
EO2: No new lines of products or servicesVery many new lines of products or services	0.78
EO3: Changes in product or service lines have been mostly of a minor nature Changes in product or service lines have usually been quite dramatic.	0.77
<i>Proactiveness</i>	
In dealing with its competitors, my firm . . .	
EO4: Typically responds to actions which competitors initiate.....Typically initiates actions which competitors then respond to	0.85
EO5: Is very seldom the first business to introduce new products/services, administrative techniques, operating technologies, etc..... Is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.	0.82
E06: Typically seeks to avoid competitive clashes, preferring a “live-and-let-live” posture.....Typically adopts a very competitive, “undo-the-competitors” posture	0.75
<i>Risk-taking</i>	
In general, the top managers of my firm have . . .	
EO7: A strong proclivity for low-risk projects (with normal and certain rates of return)A strong proclivity for high-risk projects (with chances of very high returns)	0.78
In general, the top managers of my firm believe that . . .	
EO8: Owing to the nature of the environment, it is best to explore it gradually via timid, incremental behavior.....Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the firm’s objectives	0.79
When confronted with decision-making situations involving uncertainty, my firm . . .	
EO9: Typically adopts a cautious, “wait-and-see” posture in order to minimize the probability of making costly decisions.....Typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities	0.86
Political ties (Cronbach Alpha = 0.81, AVE = 0.66, CR = 0.95)	
PT1: political leaders in various levels of the government	0.76
PT2: officials in industrial bureaus	0.97
PT3: officials in regulatory and supporting organizations such as tax bureaus, state banks, commercial administration bureaus, and the like.	0.80
Environmental Dynamism (Cronbach Alpha = 0.87, AVE = 0.75, CR = 0.85)	
ED1: Environmental changes in our local market are intense.	0.84
ED2: Changes are taking place continuously in our local market.	0.82
ED3: In a year, nothing has changed in the market.	0.75
ED4: The volumes of products and services to be delivered change fast and often in our market.	0.71

TABLE 2
Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
(1) Ties	309	4.919	1.691	1	7
(2) Age	309	3.803	1.03	2	5
(3) gender	309	.916	.278	0	1
(4) education	309	3.058	.749	1	5
(5) Vage	309	4.249	.809	1	5
(6) Vsize	309	2.311	.93	1	4
(7) Voids	309	2.693	1.944	1	7
(8) GDP	309	2.576	1.889	1	7
(9) location	309	5.049	1.9	1	7
(10) industrial	309	4.926	1.894	1	7
(11) Commerce	309	4.663	2.071	1	7
(12) service	309	2.731	2.075	1	7
(13) Agri	309	3.159	1.955	1	7
(14) EO	309	5.663	1.627	1	7
(15) Dynamism	309	2.945	2.042	1	7

Table 3
Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(1) Ties	1.000														
(2) Age	0.058	1.000													
(3) gender	-0.015	0.202	1.000												
(4) education	-0.045	0.074	0.164	1.000											
(5) Vage	0.169	0.437	0.180	0.153	1.000										
(6) Vsize	0.229	0.379	0.127	0.188	0.497	1.000									
(7) Voids	0.171	0.033	-0.030	0.084	0.212	0.278	1.000								
(8) GDP	0.153	0.045	-0.013	0.148	0.226	0.328	0.769	1.000							
(9) location	0.597	-0.055	0.020	-0.013	0.212	0.205	0.154	0.084	1.000						
(10) industrial	0.519	-0.167	-0.043	-0.056	0.254	0.183	0.137	0.064	0.736	1.000					
(11) Commerce	0.448	-0.127	-0.140	-0.084	0.141	0.102	0.064	-0.026	0.399	0.644	1.000				
(12) service	0.109	-0.013	0.000	0.123	0.177	0.198	0.742	0.618	0.104	0.120	0.072	1.000			
(13) Agri	0.174	0.009	0.025	0.129	0.162	0.189	0.476	0.397	0.138	0.084	0.109	0.528	1.000		
(14) EO	0.416	0.014	0.009	-0.045	0.145	0.153	0.166	0.048	0.300	0.364	0.295	0.022	-0.049	1.000	
(15) Dynamism	0.430	0.058	-0.020	0.064	0.193	0.315	0.294	0.345	0.316	0.256	0.175	0.256	0.478	0.041	1.000

TABLE 4
Regression results: Political Ties

Variables	1	2	3	4
<i>Control variables</i>				
Founder age	0.22** (0.09)	0.20** (0.08)	0.19** (0.08)	0.07** (0.06)
Gender	0.01 (0.27)	-0.04 (0.27)	0.03 (0.25)	0.05 (0.21)
Education	-0.09** (0.11)	-0.09** (0.09)	-0.08** (0.09)	-0.02** (0.08)
Venture age	-0.17 (0.12)	-0.18 (0.11)	-0.16 (0.11)	-0.18 (0.09)
Venture size	0.10** (0.09)	0.07** (0.09)	-0.01 (0.09)	-0.02** (0.08)
Institutional Voids	0.01 (0.07)	-0.09 (0.07)	-0.08 (0.07)	-0.09 (0.06)
GDP	0.13 (0.06)	0.15 (0.06)	0.09 (0.06)	0.08 (0.05)
Location	0.42 (0.05)	0.41 (0.06)	0.36 (0.05)	0.26 (0.05)
Industrial	0.02** (0.07)	-0.01** (0.07)	-0.35** (0.07)	-0.07** (0.06)
Commercial	0.22 (0.04)	0.19 (0.05)	0.18 (0.04)	0.06 (0.04)
Service	-0.05 (0.06)	-0.02 (0.05)	0.01 (0.05)	-0.07 (0.04)
Agricultural	0.06 (0.04)	0.09 (0.04)	-0.00 (0.05)	0.01 (0.03)
<i>Independent variable</i>				
EO		0.24*** (0.04)	0.26* (0.05)	0.16* (0.04)
<i>Moderating variable</i>				
Environmental dynamism			0.21*** (0.04)	0.10*** (0.04)
<i>Two-way Interaction</i>				
EO X Environmental dynamism				0.50*** (0.04)
Model Fit				
F	19.96	21.93	24.21	40.28
R ²	0.44	0.49	0.54	0.66
Adj. R ²	0.42	0.47	0.51	0.65
ΔR ²	-	0.05	0.05	0.12

Note: Standard errors in parentheses: * p<0.05, ** p<0.01, *** p<0.001

TABLE 5
Robustness analysis

Variables	1	2	3	4
<i>Control variables</i>				
Founder age	0.18** (0.08)	0.18** (0.08)	0.16** (0.08)	0.04 (0.07)
Gender	0.02 (0.28)	-0.03 (0.26)	0.04 (0.26)	0.06 (0.22)
Education	-0.07 (0.10)	-0.07 (0.09)	-0.05 (0.09)	0.01 (0.08)
Venture age	-0.18 (0.12)	-0.18 (0.11)	-0.17 (0.11)	-0.18** (0.09)
Venture size	0.14 (0.09)	0.07** (0.09)	0.03 (0.09)	0.01 (0.08)
Institutional Voids	0.01 (0.07)	0.11 (0.09)	-0.06 (0.07)	-0.08 (0.06)
GDP	0.16 (0.06)	-0.08 (0.07)	0.13 (0.05)	0.11** (0.05)
Location	0.36** (0.06)	0.19 (0.06)	0.30 (0.05)	0.20 (0.05)
Industrial	0.09 (0.07)	0.04 (0.07)	0.03** (0.06)	-0.01** (0.06)
Commercial	0.26 (0.05)	0.22 (0.04)	0.22 (0.04)	0.11 (0.04)
Service	-0.10 (0.06)	-0.07 (0.05)	-0.05 (0.05)	0.02 (0.04)
Agricultural	0.04 (0.05)	0.07 (0.04)	-0.02 (0.04)	-0.00 (0.04)
<i>Independent variable</i>				
EO		0.26*** (0.05)	0.27* (0.04)	0.17* (0.04)
<i>Moderating variable</i>				
Environmental dynamism			0.20*** (0.04)	0.10*** (0.03)
<i>Two-way Interaction</i>				
EO X Environmental dynamism				0.48*** (0.05)
Model Fit				
F	21.79	24.05	26.20	41.44
R ²	0.47	0.51	0.56	0.68
Adj. R ²	0.45	0.49	0.53	0.66
ΔR ²	-	0.04	0.05	0.12

Note: Standard errors in parentheses: * p<0.05, ** p<0.01, *** p<0.001