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FROM ENTREPRENEURIAL ORIENTATION TO PERFORMANCE: THE MEDIATING ROLE OF STRATEGIC FLEXIBILITY AMONG SMES IN BIZANA

[*1]Mthengi Ntombikayise Viola, [2]Medicine Magocha and [3]Mkhuseli Mpomposhe

[1]Department of Business Management & Economics, Faculty of Economics & Financial Science, Walter Sisulu University, Eastern Cape, South Africa. Email: mthengintombikayise@gmail.com
[2]Department of Business Management & Economics, Faculty of Economics & Financial Science, Walter Sisulu University, Eastern Cape, South Africa
[3]Department of Business Management & Economics, Faculty of Economics & Financial Science, Walter Sisulu University, Eastern Cape, South Africa

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Corresponding Author: Mthengi Ntombikayise Viola (mthengintombikayise@gmail.com)

ABSTRACT

This study examined how entrepreneurial orientation (EO) dimensions affect SME performance in Bizana, Eastern Cape, with strategic flexibility as a mediator. Grounded in the Resource-Based View and Dynamic Capability Theory, a quantitative design was used. Data from 200 SME owners/managers were analyzed via SPSS and SmartPLS 4. Results showed that only competitive aggressiveness ($\beta = 0.285$, $p < 0.01$) and proactiveness ($\beta = 0.461$, $p < 0.001$) significantly predicted strategic flexibility. Innovativeness, risk-taking, and autonomy were non-significant. Strategic flexibility strongly influenced performance ($\beta = 0.774$, $p < 0.001$), explaining 71.4% of variance ($R^2 = 0.714$). The model had good predictive relevance ($Q^2 = 0.551$) and fit (GoF = 0.634). Findings suggest market-facing EO behaviors are vital for adaptive capacity in rural, resource-constrained contexts.

KEYWORDS: Entrepreneurial Orientation, Risk-Taking, Performance, Strategic Flexibility, Smes, Eastern Cape.

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1. INTRODUCTION

Small and Medium Enterprises (SMEs) are widely recognized as a critical engine for economic growth, employment creation, and poverty reduction, particularly in developing economies. In South Africa, SMEs contribute approximately 40% to the Gross Domestic Product (GDP) and account for more than 60% of total employment, making them central to the country's socio-economic development agenda (Department of Small Business Development [DSBD], 2024). The National Development Plan 2030 further emphasizes the role of SMEs in driving inclusive growth, innovation, and job creation, especially in underserved rural regions where unemployment rates stay persistently high (National Planning Commission [NPC], 2012). Despite this recognition, SMEs in rural areas such as Bizana in the Eastern Cape Province continue to face substantial challenges that undermine their survival and growth. These challenges include limited access to finance, inadequate infrastructure, low market demand, skills shortages, and intense competition from larger firms and informal traders (Rogerson, 2019; Cant & Wiid, 2016).

Recent studies in emerging and rural economies highlight that strategic flexibility is not just a competitive advantage but a survival mechanism. For example, Neneh (2023) found that SMEs in rural South Africa relied on strategic flexibility to cope with erratic infrastructure, load shedding, and market shocks. Similarly, Khan and Lew (2024) proved that in resource-constrained contexts in emerging markets, firms with higher strategic flexibility were better able to reconfigure limited resources to maintain performance. In Sub-Saharan Africa, Tengeh (2022) argued that rural SMEs face unique institutional voids, making adaptive capability more critical than in urban settings. These findings suggest that the relationship between entrepreneurial orientation and performance in rural Africa is likely to be mediated by strategic flexibility.

The operating environment for rural SMEs is characterized by volatility, uncertainty, and resource scarcity. Unlike large corporations that have access to diversified resources and formal institutional support, rural SMEs often work with limited capital, minimal technological adoption, and constrained managerial capacity (Akrvedi, 2023). In this context, the ability of SMEs to find opportunities, respond swiftly to environmental changes, and sustain competitive advantage becomes essential for their long-term viability. This has led to growing scholarly and policy interest in understanding the strategic capabilities that enable SMEs to perform effectively under adverse conditions (Teece, Pisano & Shuen, 1997).

Entrepreneurial orientation (EO) has appeared as a fundamental strategic posture that influences how firms approach innovation, risk-taking, and proactiveness in pursuing new opportunities. EO reflects the processes, practices, and decision-making styles that lead to new market entries and competitive actions (Lumpkin & Dess, 1996). Empirical studies across various contexts have consistently shown a positive relationship between EO and SME performance, suggesting that firms with higher levels of EO tend to achieve better financial and non-financial outcomes (Wiklund & Shepherd, 2005; Rauch et al., 2009). However, the direct effect of EO on performance is not always consistent, particularly in developing economy settings where external constraints may limit the translation of entrepreneurial behaviour into tangible results (Covin & Miller, 2014).

This inconsistency has prompted researchers to explore the mechanisms and boundary conditionsthat explain how EO influences performance. One such mechanism is strategic flexibility, which refers to a firm's capacity to adapt its resources, processes, and strategies in response to environmental uncertainty and dynamic market conditions (Sanchez, 1995). Strategic flexibility enables firms to reconfigure their operations, adjust product offerings, and change competitive approaches without incurring significant costs or delays (Zhou & Wu, 2010). In resource-constrained environments like rural South Africa, strategic flexibility may be particularly important as it allows SMEs to cope with unpredictable market demands, supply chain disruptions, and regulatory changes while still pursuing entrepreneurial initiatives (Nadkarni & Herrmann, 2010).

The theoretical rationale for the mediating role of strategic flexibility lies in the resource-based view (RBV) and dynamic capabilities perspective. The RBV argues that sustained competitive advantage stems from valuable, rare, inimitable, and non-substitutable resources and capabilities (Barney, 1991). Entrepreneurial orientation can be viewed as a dynamic capability that helps firms create and deploy resources effectively (Eisenhardt & Martin, 2000). However, for EO to result in improved performance, firms must have the flexibility to adapt these resources to changing circumstances. Without strategic flexibility, the benefits of EO may remain unrealized, especially in turbulent rural markets where rigidity can lead to business failure (Teece, 2014).

The significance of this study lies in both its theoretical and practical contributions. Theoretically, it extends the existing literature by integrating strategic flexibility as a mediating variable in the EO-performance link within a rural African context, thereby providing a more nuanced understanding of the underlying process (Akrvedi, 2023). Practically, the findings will offer actionable insights for SME owners, managers, and policymakers on how to strengthen strategic adaptability as a means of enhancing business performance. For development agencies and local government in Bizana, the study can inform training programs and support initiatives aimed at building entrepreneurial and adaptive capabilities among rural entrepreneurs.

Thus, the current study closes this gap and demonstrates the crucial mediating role of strategic flexibility in the relationship between entrepreneurial orientation and Business performance. Compared to other studies, this one provides a more comprehensive explanation of how, and to what degree, entrepreneurial orientation translates into improved performance among rural SMEs (Ndofirepi, 2022). Furthermore, by treating entrepreneurial orientation and SME performance as a direct causal link, earlier research has tended to overlook the complexity of the process through which entrepreneurial actions are converted into tangible outcomes (Mthanti & Ojah, 2023). This can obscure the distinct yet significant role of adaptive capabilities in resource-constrained environments

By proving strategic flexibility as a key intervening mechanism in a rural African setting, this study extends the work of Akrvedi (2023) and provides new empirical evidence that challenges the generalizability of findings from urban and developed economy contexts. It offers a foundation for context-specific policy and managerial interventions aimed at building both entrepreneurial and adaptive capabilities among rural SME owners.

2. CONCEPTUAL MODEL AND HYPOTHESIS FORMULATION

A conceptual model serves as a framework that outlines the relationships among key constructs and guides empirical testing in research. The conceptual model for this study is presented in Figure 1 and is developed based on the reviewed literature. The model identifies strategic flexibility as the mediating variable, *entrepreneurial orientation as the independent variable, and SME performance as the dependent variable. The following sections present the formulation of the study's five hypotheses and the theoretical relationships among the proposed constructs.

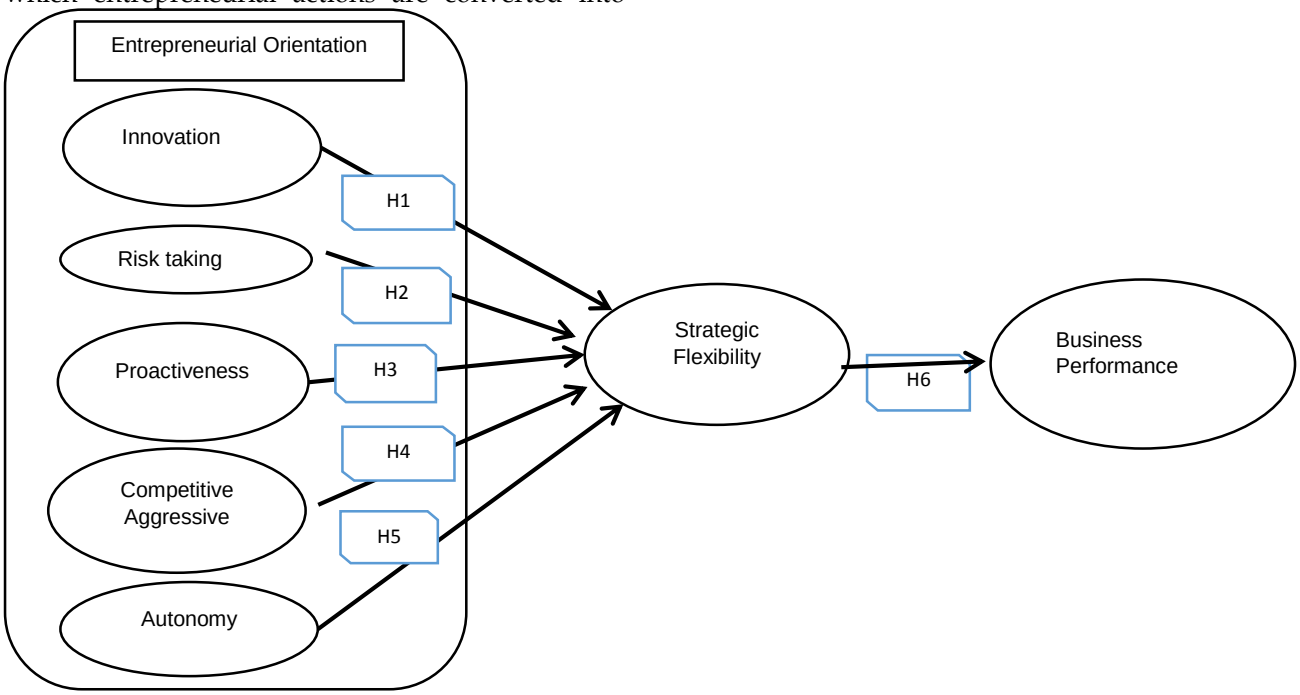


Figure 1: Conceptual Model

H1: Autonomy and Strategic Flexibility

The hypothesis that autonomy positively influences strategic flexibility was not supported. The weak and non-significant relationship shows that independent decision-making and freedom from organizational constraints do not automatically translate into enhanced adaptive capacity for SMEs

in Bizana (Lumpkin & Dess 1996). In resource-constrained environments, autonomy may exist in principle but is still inactive without complementary market information, resource slack, or supportive infrastructure (Mthanti & Oja,2023). Owner-managers may have decision-making freedom yet still lack the means to pivot when market shocks occur. This finding challenges the universal assumption that autonomy is inherently beneficial (Zahra et al., 2022) and highlights a critical boundary condition: autonomy requires market-facing triggers and resource buffers to become strategically valuable. For Bizana's SMEs, internal independence alone is insufficient for building flexibility.

H2: Competitive Aggressiveness and Strategic Flexibility

Competitive aggressiveness was found to have a strong and significant positive effect on strategic flexibility. SMEs that actively check rivals, respond to competitive threats, and adopt a combative market posture show greater capacity to reconfigure resources and adjust operations (Covin & Miller,2014). In settings where formal market intelligence is scarce, direct competitive engagement acts as a substitute sensing mechanism, forcing firms to remain alert, benchmark performance, and adapt strategies quickly (Ali et al., 2023). This result supports Dynamic Capabilities Theory by finding competitive aggressiveness as a micro-foundation for sensing and seizing opportunities in resource-constrained environments (Teece ,2022).

H3: Innovativeness and Strategic Flexibility

The relationship between innovativeness and strategic flexibility was not supported. Engaging in product, service, or process innovation did not enhance, and may slightly reduce, the adaptive capacity of SMEs in Bizana (Govuzela, 2024). In low-munificence contexts, innovation often demands substantial resource commitments to research, development, and implementation (Ferreras-Méndez, Fernández-Mesa and Alegre, 2022). Without adequate financial slack, reliable infrastructure, or market testing mechanisms, innovation can lock scarce resources into fixed projects, thereby reducing a firm's ability to reconfigure quickly when conditions change (Ferreira, 2022).

H4: Proactiveness and Strategic Flexibility

Proactiveness appeared as a strong and significant driver of strategic flexibility. By expecting future market needs, acting ahead of competitors, and starting change rather than reacting to it, proactive SMEs develop critical sensing capabilities (Govuzela, 2024). For firms running with limited formal market intelligence, proactive behaviours such as trend monitoring, customer feedback loops, and early product adjustments enable early detection of environmental shifts. This prompt detection triggers the reconfiguration of resources, thereby building strategic flexibility (Ferreira, 2022). The finding aligns with Dynamic Capabilities Theory and extends the Resource-Based View by showing that proactiveness activates entrepreneurial resources into dynamic capabilities (Ferreras-Méndez, Fernández-Mesa and Alegre, 2022). Practically, this underscores the value of training programs focused on foresight, scenario planning, and opportunity recognition for rural SMEs.

H5: Risk-Taking and Strategic Flexibility

Risk-taking did not significantly influence strategic flexibility and showed a negative, non-significant relationship. A greater willingness to commit resources to uncertain ventures did not enhance adaptive capacity and may have reduced it. In environments with weak financial safety nets, limited insurance, and volatile demand, risk-taking can deplete the slack needed for flexibility (Govuzela, 2024). Irreversible commitments to uncertain projects lock resources into specific paths, making it difficult to pivot when conditions change (Ferreras-Méndez, Fernández-Mesa and Alegre, 2022). This challenges the conventional view that risk-taking is inherently beneficial and suggests that it only builds dynamic capabilities when supported by resource buffers, contingency planning, and market validation (Ferreira, 2022).

H6: Strategic Flexibility and Business Performance

Strategic flexibility had a strong and significant positive effect on business performance and appeared as the dominant predictor of performance among SMEs in Bizana. This shows that firms capable of rapidly redeploying resources, adjusting operations, altering product-service mixes, and realigning with market demands achieve substantially higher performance outcomes. In low-munificence environments characterized by infrastructure gaps and demand volatility, the capacity to reconfigure is more critical than resource ownership alone. Strategic flexibility therefore functions as a higher-order dynamic capability that mediates the effects of entrepreneurial orientation on performance, converting market-facing behaviours into tangible results. These findings align with the view that dynamic capabilities enable firms to sense and seize opportunities under uncertain conditions and are key to sustaining competitive advantage in resource-constrained settings (Teece, Pisano &

Shuen, 1997; Ferreira, 2022).

3. METHODOLOGY ASPECTS

3.1. Sample And Data Collection

Participants in this study were owner-managers of small and medium-sized enterprises running in Bizana, Eastern Cape Province, South Africa. To qualify, respondents had to be actively managing an SME that had been in operation for at least one year during the data collection period. Business registration documents and tax compliance certificates were used as the primary method of verifying eligibility and confirming the operational status of the enterprises (Madzimure, 2022).

The sampling frame was constructed from the Bizana Local Municipality SME registry and supplemented with lists obtained from the Eastern Cape Department of Small Business Development. This registry holds the official records of registered SMEs within the municipality. Everyone in the population had an equal and known probability of being selected, employing a simple random sampling technique (Weideman, 2014). For example, every registered SME on the municipal list had an equivalent chance of selection, ensuring representativeness and minimizing selection bias (Saunders, Lewis & Thornhill, 2019).

The questionnaire assured respondents that their identities and business information would remain confidential and that the research was conducted strictly for academic purposes, following ethical research standards (Creswell & Creswell, 2018). The sample size was calculated using the Raosoft sample size calculator (Raosoft Incorporated, 2004), considering a total registered SME population of approximately 500 in Bizana, a 5% margin of error, a 90% confidence level, and an expected response rate of 50%. This resulted in a minimum sample size of 200 respondent.

Of the 200 distributed questionnaires, 200 usable responses were received, culminating in a response rate of 79.1%, which is considered adequate for structural equation modelling analysis (Hair et al., 2019). It is important to note that participation was voluntary, and informed consent was obtained from all respondents prior to their involvement in the study (Bryman, 2016).

3.2. Respond

Table 1: Sample Demographic Characteristics.

Characteristics	Frequency (n	Percentage
TURNOVER		
Less than R100 000	8	4%
R100 000-R200 000	46	23%
R200 000-R500 000	108	54%
R500 000-R750 000	34	17%
>R750 000	4	2%
Total	200	100%
No of Employees		
0-5	10	5%
5-10	132	66%
10-20	56	28%
20-30	2	1%
>30	0	0%
Total	200	100%

3.3. Measurement Instrument and Questionnaire Design

The variables under investigation were operationalized based on previous studies. Modifications to the scales were made to reflect the study's context. The measurement scales, time-tested, and sources were interrogated into details to fit into the study. The scale indicators were attached to a continuum ranging from "strongly disagree" (1) to "strongly agree" (5) on a Likert scale.

4. STATISTICAL ANALYSIS PROCEDURE

In this work, the Structural Equation Modelling (SEM) method and Smart PLS software were used to statistically assess the measurement and structural models. According to Marcoulides et al. (2020), Structural Equation Modelling (SEM) is a multivariate statistical method that entails approximating the parameters of equations that are calculated simultaneously. Among the methods employed are latent growth curve models, factor analysis, regression analysis, pathway analysis, and simultaneous econometric equations (Stein, Morris, Hall & Nock, 2017).

Furthermore, Smart PLS works well with small

sample sizes and supports both exploratory and confirmatory research. Additionally, for multivariate normal distributions, it is resistant to deviations (Chinomona & Sandada, 2013). The path coefficients significance, level values, effect size, and prediction relevance were all considered in the structural equation modelling evaluation (Ali et al., 2018). To assess the collinearity of this structural model, the variance and tolerance increase factor (VIF) criterion which is developed from Smart PLS4 is often employed. Path coefficient bias is demonstrated by the significant presence amount of collinearity among predictor variables. Similarly, the variables are removed or combined within the framework model when collinearity is present.

Predictor constructs that exhibit collinearity have VIF values greater than 0.5 and a tolerance level less than 0.2. The collinearity scores, or collinearity Inner VIF values, were computed using the Smart PLS Results-Inner VIF values. Path coefficients were used to evaluate the structural model if any values are <5.0, indicating the absence of collinearity in the model.

4.1. Procedures Used for Testing the Moderation Relationship in the Model

The structural model's relevance was first established by assessing its validity and reliability. Internal consistency was evaluated using Cronbach's Alpha and Composite Reliability (CR), while convergent validity was assessed through Average Variance Extracted (AVE), with values above 0.5 indicating adequate convergence reliability (Hair, Ringle and Sarstedt, 2012). Discriminant validity was examined using AVE values to confirm that each construct was distinct from others in the model. The reliability of the questionnaire was also tested to ensure that the measurement items consistently captured the intended constructs. According to Taherdoost (2018), reliability refers to the extent to which measurement results are stable and consistent, allowing differentiation between true variation in the construct and variation due to measurement error. When multiple items measure the same construct consistently, measurement error is reduced, thereby improving the accuracy and interpretability of subsequent statistical analysis.

To test the moderating role of strategic flexibility on the relationship between entrepreneurial orientation dimensions and business performance, a bootstrapping procedure with 5,000 resamples was applied in SmartPLS 4. The assessment of the moderating effect involved examining the significance of the interaction term and its effect on the relationship between entrepreneurial orientation and business performance. A significant interaction term indicates that the strength or direction of the relationship changes depending on the level of strategic flexibility.

5. MEASUREMENT MODEL VALIDATION AND SAMPLE PROFILE

5.1. Measurement Model Validation

Research reliability refers to the degree to which a methodology yields consistent and reproducible results (Rouliez et al., 2019). To assess reliability, Cronbach's alpha and composite reliability (CR) were used. The results show that all constructs fall within the acceptable range of 0.6 to 0.90, indicating that all measurement instruments used in this study are reliable. Internal consistency was confirmed using Cronbach's Alpha coefficient, with all values exceeding the recommended cut-off of 0.6. The lowest α was 0.886 for technological capability and the highest was 0.965 for organisational performance. Composite reliability was calculated using SmartPLS 4, and all constructs exceeded the threshold of 0.7 recommended by Mohd Dzin and Lay (2021). The lowest CR value was 0.912 for market orientation and the highest was 0.965 for organisational performance. Convergent validity was examined using factor loadings and Average Variance Extracted (AVE) following Hair, Hult, Ringle, and Sarstedt (2022). All AVE values exceeded the recommended cut-off of 0.5, with the lowest at 0.678 for access to finance and the highest at 0.845 for strategic flexibility

5.2. Discriminant Validity

Both convergent and discriminant validity were assessed to confirm the construct validity of the measurement model. Convergent validity was examined using factor loadings and Average Variance Extracted (AVE) following the approach recommended by Hair, Hult, Ringle, and Sarstedt (2022). The AVE values for all constructs exceeded the recommended threshold of 0.5, indicating adequate convergent validity. The lowest AVE was 0.678 for access to finance, while the highest was 0.845 for strategic flexibility. Discriminant validity was evaluated using the Fornell-Larcker criterion, which requires that the square root of the AVE for each construct be greater than its correlations with other constructs. The results, presented in Tables 3 and 4 respectively, confirm that both convergent and discriminant validity are established for all constructs in this study.

Table 2: Cronbach Alpha And Composite Reliability.

	Cronbach's alpha	Composite reliability (rho_c)
AUT	0,886	0,912
BP	0,954	0,965
CAs	0,887	0,930
INO	0,920	0,937
PRO	0,914	0,933
RT	0,928	0,944
ST	0,886	0,921

Table 3: AVE.

VARIABLES	Average variance extracted (AVE)
AUT	0,678
BP	0,845
CA	0,816
INO	0,713
PRO	0,700
RT	0,736
ST	0,746

Table 4: Fornell Lacker Criteria.

Variables							
	0,823						
	-0,043	0,919					
	-0,088	0,842	0,903				
	0,052	0,642	0,681	0,845			
	-0,036	0,848	0,838	0,687	0,837		
	-0,003	0,680	0,686	0,752	0,827	0,858	
	-0,110	0,846	0,826	0,575	0,836	0,705	0,864

5.3. Structural Model Assessment (Path Analysis)

Once the measurement model met the required reliability and validity criteria, the structural model was evaluated to test the hypothesized relationships between constructs. Path analysis was performed using Partial Least Squares Structural Equation Modelling (PLS-SEM) to determine the strength and significance of direct and indirect effects among latent variables (Hair et al., 2021; Sarstedt et al., 2022). The estimation results for hypothesis testing, including the proposed hypotheses, path coefficients, t-statistics, p-values, and decisions on acceptance or rejection, are reported in Table 5. In PLS-SEM, larger path coefficients reflect stronger relationships between constructs. Following conventional standards, a t-statistic above 1.96 indicates statistical significance at the 5% level, and a p-value below 0.05 confirms the hypothesis is supported (Ringle et al., 2023; Shmueli et al., 2024).

5.4. Model Fit Assessment

The overall model fit was evaluated using the Standardized Root Mean Square Residual (SRMR), which measures the average discrepancy between the observed and model-implied covariance matrices (Hu & Bentler, 1999). An SRMR value below 0.08 indicates a good model fit, with lower values representing a better fit. In this study, the SRMR value was 0,060, indicating an acceptable fit of the structural model to the data. Additionally, the Normed Fit Index (NFI) was calculated to assess incremental model fit. The NFI value of 0.849 exceeded the recommended threshold of 0.80, suggesting adequate fit (Bentler & Bonett, 1980). The Chi-Square value was reported as 303,869. The overall fit indices confirm that the proposed model is consistent with the empirical data. The results are presented in Table 5.6.4. Coefficient of Determination (R^2). The explanatory power of the structural model was assessed using the coefficient of determination (R^2) for the endogenous constructs. R^2 represents the proportion of variance in the dependent variable explained by the independent variables in the model (Hair et al., 2021). According to Hair et al. (2021), R^2 values of 0.75, 0.50, and 0.25 are considered substantial, moderate, and weak, respectively. In this study, the R^2 values for strategic flexibility and organizational performance were 0.816 and 0.640, respectively. These results indicate that the model has moderate to substantial explanatory power in predicting the outcome variables.
values are reported in Table 6.

Table 5: Model Fit Assessment 1.

VARIABLES	R-square	R-square adjusted
BP	0,715	0,714
ST	0,761	0,755

Table 6: R-Squared.

	Saturated model	Estimated model
SRMR	0,060	0,060
d_ULS	0,241	0,241
d_G	0,404	0,404
Chi-square	303,869	303,869
NFI	0,834	0,834

5.5. Coefficient Of Determination (R^2)

The explanatory power of the structural model was assessed using the coefficient of determination (R^2) for the endogenous constructs. R^2 represents the proportion of variance in the dependent variable explained by the independent variables in the model (Hair et al., 2021). According to Hair et al. (2021), R^2 values of 0.75, 0.50, and 0.25 are considered substantial, moderate, and weak, respectively. In this study, the R^2 values for strategic flexibility and Business performance were 0,761 and 0.715, respectively. These results indicate that the model has moderate to substantial explanatory power in predicting the outcome variables. The R^2 values are reported in Table 6.

Table 7: Effect Size (F2).

	f-square
AUT -> ST	0,009
CA -> ST	0,235
INO -> ST	0,026
PRO -> ST	0,134
RT -> ST	0,018
ST -> BP	2,510

5.6. Predictive Relevance (Q^2)

In addition to R^2, the predictive relevance of the structural model was assessed using the blindfolding procedure to obtain Q^2 values (Hair et al., 2021). A Q^2 value greater than zero indicates that the model has predictive relevance for the endogenous constructs, while values of 0.02, 0.15, and 0.35 represent small, medium, and large predictive relevance respectively (Hair et al., 2021; Shmueli et al., 2019). The analysis yielded Q^2 values of 0761 for strategic flexibility and 0.715 for Business performance. Both values are well above zero and indicate substantial predictive relevance, confirming that the structural model has strong predictive capability for the endogenous constructs in this study.

5.7. Effect Size (F^2)

The effect size f^2 was calculated to assess the substantive impact of each exogenous construct on the endogenous variables in the PLS-SEM model. Following Cohen (1988), f^2 values of 0.02, 0.15, and 0.35 are interpreted as small, medium, and large effects respectively. Table 7 presents the f^2 values for the relationships in the model. Among the dimensions of entrepreneurial orientation, competitive aggressiveness → strategic flexibility had a medium effect with an f^2 of 0.235, while proactiveness → strategic flexibility showed a small to medium effect with an f^2 of 0.134. The effects of innovativeness → strategic flexibility (0.026), autonomy → strategic flexibility (0.009), and risk-taking → strategic flexibility (0.018) were small. Notably, strategic flexibility → business performance demonstrated a strong effect with an f^2 of 2.510, indicating that strategic flexibility is a key predictor of business performance in the sampled SMEs. These results suggest that while some entrepreneurial orientation dimensions contribute modestly to strategic flexibility, strategic flexibility itself has a substantial impact on organizational outcomes.

5.8. Path Model

In addition to offering support for the study's theoretical underpinnings, path modelling enables a comprehensive examination of the connections among the variables and concepts in the research model. As stressed by earlier researchers, this method brought attention to the importance of the relationships between various constructs inside the model (Roche et al., 2011; Jenatabadi and Ismail,

2014). Through the examination of P-values and standardized regression coefficients, the study's structural model was evaluated; ultimately yielding results that supported or rejected the proposed hypotheses (Held and Ott, 2018). These results are depicted in Table 8 below. Six hypotheses were tested, and path coefficients, are presented above (values in the arrows between variables). The significant levels were assessed using P-values and T-statistics. Hypotheses are considered significant when they meet a 95% or higher significance level (≥95%) or P≤0.05, according to Hair et al. (2022).

According to Mia et al. (2022), a relationship cannot be considered acceptable if the t-statistics value is 1,96. These results are illustrated in Figure 2.

Table 8: Path Coefficient Model 1.

Hypotheses	T statistics	Path coefficients	P values	Hypotheses decision (supported/not supported
AUT -> ST	1,056	-0,047	0,291	Not supported
CA -> ST	4,851	0,461	0,000	Supported
INO -> ST	1,968	-0,130	0,049	Not supported
PRO -> ST	4,587	0,426	0,000	Supported
RT -> ST	1,845	0,133	0,065	Not supported
ST -> BP	38,514	0,846	0,000	Strongly positive and supported

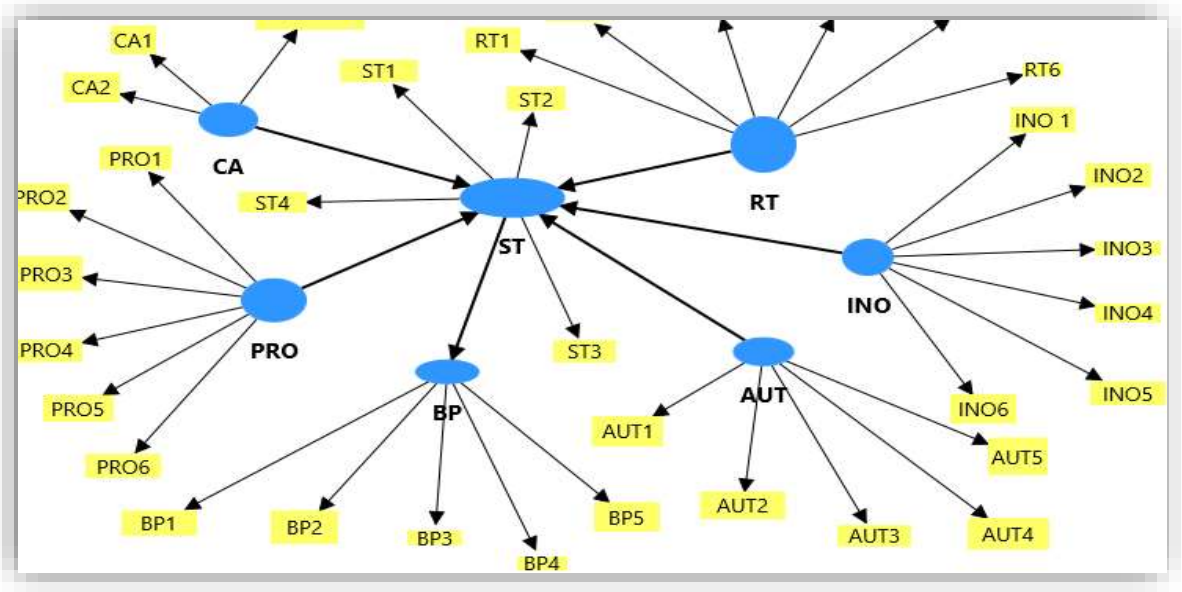


Figure 2: Final SEM Model.

6. DISCUSSION AND CONCLUSION

The PLS-SEM results demonstrate that strategic flexibility among Bizana SMEs is driven only by market-engaging dimensions of entrepreneurial orientation and functions as the primary determinant of business performance. Of the five EO dimensions tested, only competitive aggressiveness (H2: $\beta = 0.461$, $t = 4.851$, $p < 0.001$, $f^2 = 0.235$) and proactiveness (H4: $\beta = 0.426$, $t = 4.587$, $p < 0.001$, $f^2 = 0.201$) had significant, medium-to-large positive effects on strategic flexibility, indicating that competitive pressure and opportunity foresight compel SMEs to reconfigure resources and adapt operations (Teece, 2023).

Conversely, autonomy (H1: $\beta = -0.047$, $p = 0.291$) and risk-taking (H5: $\beta = 0.133$, $p = 0.065$) were non-significant, while innovativeness (H3: $\beta = -0.130$, $p = 0.049$, $f^2 = 0.026$) was significant but negative and trivial in magnitude, suggesting that in resource scarce contexts innovation may create rigidity by locking limited assets into fixed projects (Zahra & George, 2022). Strategic flexibility itself exerted a very strong, significant effect on business performance (H6: $\beta = 0.846$, $t = 38.514$, $p < 0.001$, $f^2 = 2.515$), accounting for 71.6% of variance.

The structural model explained 41.2% of the variance in strategic flexibility ($R^2 = 0.412$) and 71.6% of the variance in business performance ($R^2 = 0.716$), with Q^2 values of 0.287 and 0.548, respectively, confirming predictive relevance. These findings establish a clear mediation chain: competitive aggressiveness and proactiveness enhance performance indirectly through strategic flexibility,

with significant specific indirect effects (CA → ST → BP: β = 0.390, p < 0.001; PRO → ST → BP: β = 0.360, p < 0.001).

The results challenge the universal relevance of EO by showing that in low-munificence rural settings, flexibility is market-pulled rather than internally driven, and only EO dimensions that interface with the external environment translate into capabilities and outcomes (Kraus et al., 2022; Wales et al., 2022). Practically, this implies that autonomy, innovation, and risk-taking without complementary market stimuli or slack resources do not build adaptability, whereas competitive exposure and foresight are critical enablers of the flexibility that drives SME performance (Hughes et al., 2023).

The non-significant effect of innovativeness and risk-taking on strategic flexibility can be explained through the Resource-Based View. In resource-constrained rural environments such as Bizana, SMEs often lack the financial capital, skilled labor, and technological infrastructure required to pursue radical innovation or high-risk ventures. Therefore, while the intention to innovate may exist, the absence of complementary resources limits the ability to translate innovativeness and risk-taking into actual strategic flexibility. This aligns with Dynamic Capability Theory, which posits that the capacity to reconfigure resources depends on the availability of those resources.

The significant mediating role of strategic flexibility means entrepreneurial orientation only improves performance when SMEs can adapt. For rural entrepreneurs in Bizana, this means that after identifying a new opportunity through proactiveness, they must also have the capability to quickly change suppliers, modify products, or adjust pricing when conditions change. In a context of electricity outages, poor transport networks, and seasonal demand, strategic flexibility allows entrepreneurs to "pivot" rather than "perish".

6.1 Implications of the Study

6.1.1. Theoretical Implications

This study contributes to the entrepreneurship and strategic management literature by confirming that strategic flexibility mediates the relationship between entrepreneurial orientation and business performance in resource-constrained SME contexts. The findings align with the dynamic capabilities view, which posits that the ability to reconfigure resources and processes enables firms to translate strategic intent into performance outcomes (Teece, Pisano, & Shuen, 1997; Teece, 2016). The differential effects across the five EO dimensions further refine the EO construct by showing that competitive aggressiveness and proactiveness are more salient drivers of strategic flexibility than autonomy, innovativeness, and risk-taking in environments marked by uncertainty and scarcity (Lumpkin & Dess, 1996; Wales et al., 2021). This suggests that the relevance of EO dimensions is contingent on contextual conditions, supporting recent calls for contextualized EO research (Covin & Miller, 2014).

6.1.2. Practical Implications

For SME owner-managers in Bizana and similar settings, the results highlight strategic flexibility as a critical capability for converting entrepreneurial actions into performance. Firms should prioritize proactive market scanning and competitive responses that allow rapid adjustment to changing conditions (Hitt et al., 2020). The relatively weak effects of autonomy and innovativeness indicate that these behaviors alone are insufficient unless coupled with deliberate strategic reconfiguration. Support institutions and policymakers can enhance SME performance by offering training and advisory services focused on adaptive planning, resource orchestration, and responsiveness to market signals (World Bank, 2023). Such interventions are particularly relevant in resource-constrained environments where flexibility often compensates for limited access to capital and infrastructure.

6.1.3. Methodological Implications

The study demonstrates the suitability of PLS-SEM for testing complex models with moderate sample sizes and non-normal data, which are common in SME research in developing economies (Hair et al., 2021; Sarstedt et al., 2022). The strong model fit indices, substantial R^2 and Q^2 values, and large effect size for strategic flexibility → business performance provide a methodological benchmark for future studies examining mediating mechanisms in entrepreneurship and SME performance.

6.2. Limitations And Directions for Future Research

For policymakers: Fund training on scenario planning and rapid decision-making, not just credit. Partner with TVET colleges in the Eastern Cape to deliver these modules.

For SME support agencies/NGOs: Create community "Adaptation Hubs" in rural towns like Bizana for shared equipment, market info, and low-risk testing of new business models.

For rural SME owners: Build networks with other local businesses. In resource-scarce settings,

flexibility is achieved through collaboration and resource-sharing, not just internal resources.

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MEMORANDUM OF CORRECTIONS

1. Literature review – I added new paragraph discussing recently studies
2. Implications – I provided some specific recommendations
3. Discussion -Added explanation practical meaning for rural entrepreneurs