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Entrepreneurial Orientation and Organizational Effectiveness: The Mediating Effect of Organizational Engagement Among Managerial Leaders

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Abstract: This study investigates how three core dimensions of entrepreneurial orientation (EO) innovativeness, proactiveness, and risk-taking influence organizational effectiveness, and whether organizational engagement mediates these relationships. Data were collected from 138 managerial leaders across property, automotive, banking, financial services, and manufacturing industries using an online questionnaire. EO was measured using adapted Covin and Slevin items, organizational engagement using Saks' (2006) scale, and organizational effectiveness using a 14-item scale adapted from Gold et al. (2001), all rated on a seven-point Likert scale. Multiple regression and Baron and Kenny's (1986) mediation procedure were applied. Results reveal that innovativeness ($\beta = 0.263$, $p < .001$) and proactiveness ($\beta = 0.447$, $p < .001$) positively predict organizational effectiveness, while risk-taking yields no significant direct effect ($\beta = 0.154$, $p = .084$). Organizational engagement partially mediates the relationship between innovativeness and proactiveness, whereas the mediation of the relationship between innovativeness and risk-taking is inconclusive. Findings advance EO research by demonstrating dimension-specific effects and positioning engagement as a critical psychological conduit linking entrepreneurial behaviors to collective performance.

Keywords: entrepreneurial orientation, organizational engagement, organizational effectivenes, managerial leaders, mediation

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INTRODUCTION

Entrepreneurial orientation (EO) reflects an organization's strategic posture characterized by innovativeness, proactiveness, and risk-taking three dimensions that are increasingly recognized to have distinct, rather than uniform, effects on organizational outcomes (Covin & Slevin, 1989; Lumpkin & Dess, 1996; Miller, 1983). Contemporary reviews emphasize that EO effects are context-dependent and that aggregating dimensions into a single composite index may mask meaningful heterogeneity across its components (Covin & Wales, 2019; Wales et al., 2021). Despite decades of EO research, the majority of empirical studies still treat EO as a unidimensional construct, which limits the interpretability and practical applicability of findings

(Kreiser et al., 2013; Rauch et al., 2009). Examining each dimension separately, therefore, remains critical to advancing both theoretical precision and managerial guidance.

Organizational effectiveness the capacity to achieve desired outcomes through aligned people, systems, and processes depends on both internal efficiency and external adaptability (Sparrow & Cooper, 2014; Mahadeen et al., 2016). Prior studies have broadly linked EO to organizational performance (Soares & Perin, 2020), but the pathways through which specific EO dimensions translate into managerial effectiveness remain incompletely understood. Managerial leaders are the primary agents through whom EO is enacted: they initiate innovation, commit resources to risky initiatives, and anticipate market change on behalf of their organizations (Wales et al., 2013). This study, therefore, focuses exclusively on managerial respondents, as they are the population most central to EO enactment and organizational effectiveness.

Organizational engagement defined as the extent to which members are emotionally and cognitively connected to organizational goals and values provides a plausible psychological mechanism linking EO to effectiveness (Saks, 2006; Kahn, 1990). Engaged members invest discretionary effort, align with strategic direction, and coordinate actions effectively, enabling the organization to translate entrepreneurial intent into measurable collective outcomes. Meta-analytic evidence consistently associates engagement with higher performance, lower absenteeism, and stronger citizenship behaviors (Borst et al., 2020; Neuber et al., 2022; Barrick et al., 2015). Despite this evidence, the mediating role of organizational engagement in the relationship between specific EO dimensions and organizational effectiveness remains largely unexamined (Soares & Perin, 2020; Jha et al., 2019).

The gap in the literature is threefold: first, most EO research uses aggregate indices rather than dimension level analysis; second, organizational engagement is rarely treated as a mediator in the EO effectiveness chain; and third, studies rarely examine managerial leaders despite their pivotal role in EO enactment. This study addresses all three gaps. Specifically, it examines how innovativeness, proactiveness, and risk-taking each relate to organizational effectiveness, and whether organizational engagement mediates these relationships. Based on prior literature, the following hypotheses are proposed: (H1) proactiveness is positively related to organizational engagement; (H2) innovativeness is positively related to organizational engagement; (H3) risk-taking is positively related to organizational engagement; (H4a) organizational engagement mediates the relationship between proactiveness and organizational effectiveness; (H4b) organizational engagement mediates the relationship between innovativeness and organizational effectiveness; and (H4c) organizational engagement mediates the relationship between risk-taking and organizational effectiveness.

METHOD

Sample and Data Collection

The target population comprised managerial-level individuals occupying strategic decision-making roles across five industrial sectors: property, automotive, banking, financial services, and manufacturing. This focus is appropriate because EO reflects a strategic posture that is shaped and enacted by managers and executives, and organizational engagement in this study is conceptualized as attachment to organizational goals a construct particularly relevant to leaders who translate strategy into coordinated action.

A total of 138 respondents met the inclusion criteria. This sample size is considered adequate for multiple regression analysis with three predictors, consistent with the rule of thumb of at least 10 observations per predictor variable and meeting minimum thresholds

recommended for mediation analysis (Hair et al., 2010). A purposive sampling technique was employed to ensure that only individuals with genuine strategic decision-making responsibilities were selected. Data were collected through an online questionnaire distributed across industries and geographic regions, facilitating efficient and timely retrieval of responses.

Measurement Instrument

Three constructs were measured using established instruments, all rated on a seven-point Likert scale (1 = strongly disagree; 7 = strongly agree). Entrepreneurial orientation was operationalized through three dimensions using items adapted from the widely used Covin and Slevin (1989) scale: innovativeness (2 items; $\alpha = 0.701$), proactiveness (6 items; $\alpha = 0.879$), and risk-taking (4 items; $\alpha = 0.731$). Organizational engagement was measured using the 6-item organizational engagement scale developed by Saks (2006; $\alpha = 0.875$). Organizational effectiveness was assessed using a 14-item scale adapted from Gold et al. (2001; $\alpha = 0.928$). Minor linguistic adjustments were applied to all instruments to enhance contextual relevance across industries without altering the intended meaning of any item.

Data Analysis

Preliminary analyses included descriptive statistics and Cronbach's alpha to assess internal consistency. Multiple regression analysis was conducted to assess the direct effects of the three EO dimensions on organizational effectiveness. Mediation analysis followed the four-step procedure outlined by Baron and Kenny (1986): (1) the predictor significantly predicts the outcome; (2) the predictor significantly predicts the mediator; (3) the mediator significantly predicts the outcome while controlling for the predictor; and (4) the predictor's effect on the outcome decreases (partial mediation) or becomes non-significant (full mediation) when the mediator is included.

RESULTS AND DISCUSSION

Research Result

Measurement Reliability and Validity

All constructs demonstrated Cronbach's alpha values exceeding the minimum acceptable threshold of 0.70, indicating adequate internal consistency (Hair et al., 2010). As presented in Table 1, alpha values ranged from 0.701 (innovativeness) to 0.928 (organizational effectiveness). Inter-construct correlations were examined following Fornell and Larcker (1981). As shown in Table 2, all correlations are significant at the 0.01 level. The comparatively high correlation between proactiveness and risk-taking ($r = .781$) warranted multicollinearity diagnostics, which yielded VIF values of 2.646 and 2.707, respectively both well below the threshold of 10 (Hair et al., 2010) confirming that multicollinearity does not threaten the integrity of the regression model.

Table 1. Reliability of Measurement Scales

Construct	Number of Items	Cronbach's Alpha
INN – Innovativeness	2	0.701
PRO – Proactiveness	6	0.879
RIST – Risk-Taking	4	0.731
OEg – Organizational Engagement	6	0.875
OEf – Organizational Effectiveness	14	0.928

Table 2. Correlation Matrix of Constructs

Construct	INN	PRO	RIST	OEg	OEf
INN	1	.490**	.507**	–	.559**
PRO		1	.781**	–	.695**
RIST			1	–	.636**
OEg				1	.683**
OEf					1

Note. All correlations are significant at the 0.01 level (2-tailed); – indicates correlation not computed between EO dimensions and OEg in Step 1.

Regression Analysis

Multiple regression analysis was conducted to examine the direct effects of the three EO dimensions on organizational effectiveness. Table 3 presents the full results. Innovativeness (β = 0.263, p < .001) and proactiveness (β = 0.447, p < .001) both exerted significant positive effects on organizational effectiveness, supporting the view that these dimensions of EO strengthen organizational outcomes by energizing members and clarifying strategic direction. Risk-taking did not reach statistical significance (β = 0.154, p = .084), suggesting that the strategic boldness implied by risk-taking does not translate directly into effectiveness in a diverse, multi-industry managerial sample.

Table 3. Regression Results: EO Dimensions on Organizational Effectiveness

Predictor	B	SE	Beta	t	Sig.	Tolerance	VIF
Constant	10.589	4.829	–	2.193	0.030	–	–
INN	1.683	0.406	0.263	4.145	<.001	0.720	1.389
PRO	1.108	0.217	0.447	5.107	<.001	0.378	2.646
RIST	0.526	0.303	0.154	1.739	0.084	0.369	2.707

Mediation Analysis

Mediation was assessed following Baron and Kenny's (1986) four-step procedure. In Step 1, each EO dimension was regressed on organizational effectiveness. In Step 2, each EO dimension was regressed on organizational engagement. In Step 3, organizational engagement significantly predicted organizational effectiveness, even after controlling for all EO dimensions (β = 0.374, p < .001). Table 4 summarizes the mediation results. For innovativeness, the direct effect on organizational effectiveness decreased from β = 0.263 to β = 0.194 when organizational engagement was included, while remaining significant indicating partial mediation (H4b supported). For proactiveness, the coefficient decreased from β = 0.447 to β = 0.342, also remaining significant confirming partial mediation (H4a supported). For risk-taking, neither the direct effect (β = 0.154, ns) nor the indirect path was significant, rendering mediation inconclusive (H4c not supported).

Table 4. Summary of Mediation Analysis

H	Predictor	β (Direct)	β (w/ OEg)	Mediation Conclusion
H4a	INN – Innovativeness	0.263***	0.194***	Partial mediation supported
H4b	PRO – Proactiveness	0.447***	0.342***	Partial mediation supported
H4c	RIST – Risk-Taking	0.154 (ns)	0.068 (ns)	Inconclusive (direct effect non-significant)
	OEg – Mediator	–	0.374***	

Discussion

The finding that innovativeness and proactiveness but not risk-taking significantly predict organizational effectiveness is consistent with calls to disaggregate EO and examine dimension-specific effects (Kreiser et al., 2013; Rauch et al., 2009). Innovativeness fosters creative problem-solving, stimulates learning climates, and signals to members that continuous improvement is valued. These conditions increase psychological investment in organizational goals and channel members' effort toward shared effectiveness outcomes. Proactiveness demonstrates the strongest direct effect ($\beta = 0.447$), reflecting its capacity to clarify strategic direction and reduce ambiguity about priorities creating the cognitive and motivational conditions that underpin both engagement and effective execution.The results of the pre-test and post-test measurements showed a significant increase in both test groups.

The null finding on risk-taking ($\beta = 0.154$, $p = .084$) contributes meaningfully to boundary-condition debates in EO research. Risk-taking introduces strategic ambiguity that, in the absence of robust governance mechanisms and clearly shared objectives, may heighten uncertainty and weaken members' sense of alignment with organizational goals (Naldi et al., 2007). In a diverse multi-industry sample spanning banking, automotive, manufacturing, property, and financial services, organizational risk cultures vary considerably: the conservative regulatory environment of banking differs sharply from the higher tolerance for uncertainty in manufacturing or property sectors. This variability likely attenuates any systematic relationship between risk-taking and effectiveness across the full sample.

Partial mediation for innovativeness and proactiveness confirms that organizational engagement functions as a genuine psychological conduit through which entrepreneurial strategic behaviors are converted into collective performance outcomes. The significant mediating coefficient ($\beta = 0.374$, $p < .001$) indicates that when managers foster innovative and proactive climates, members experience stronger emotional and cognitive connections to organizational goals, which, in turn, drive coordinated effort and effectiveness. However, the fact that direct effects remain significant after controlling for engagement suggests that structural, process, and capability-based mechanisms also operate in parallel, pointing to the existence of additional mediating pathways not captured in this model (Jha et al., 2019; Kataria et al., 2013; Albrecht et al., 2015).

CONCLUSIONS

This study demonstrates that EO dimensions exert distinct effects on organizational effectiveness among managerial leaders. Innovativeness and proactiveness are significant positive predictors, while risk-taking does not yield a significant direct effect in a multi-industry managerial sample. Organizational engagement partially mediates both supported pathways for innovativeness and proactiveness functioning as a critical psychological mechanism through which strategic entrepreneurial behaviors are converted into sustained collective performance. The null finding on risk-taking advances boundary-condition debates by identifying a context in which this EO dimension does not translate into effectiveness gains, likely due to heterogeneity in risk cultures across industries.

This study contributes to the literature in three ways. First, dimension-specific analysis reveals that EO components do not uniformly predict effectiveness, reinforcing calls to move beyond aggregate EO measurement (Kreiser et al., 2013; Lumpkin & Dess, 1996). Second, the study positions organizational engagement as a psychological mediating mechanism in the EO effectiveness chain a relationship that has been underexplored in existing research. Third, the null

finding for risk-taking contributes a meaningful boundary condition: without alignment-supporting governance structures, risk-taking may not strengthen either engagement or effectiveness across diverse industrial contexts.

Practically, organizations are advised to reinforce innovativeness and proactiveness through experimentation-friendly leadership, opportunity-oriented practices, and strategic clarity. These orientations should be supported by engagement-enabling conditions: transparent strategic communication, psychological safety, and climates that facilitate coordinated action. For risk-taking, organizations need explicit alignment mechanisms shared strategic goals, clear communication of risk rationale, and governance frameworks to ensure risk-oriented initiatives are understood, supported, and enacted by managerial teams.

This study has several limitations. The cross-sectional design precludes causal inference. The multi-industry sample means that industry-level moderators such as regulatory intensity and sector-specific risk culture were not modeled. Mediation findings rely on Baron and Kenny's (1986) sequential regression approach rather than bootstrapping and should therefore be treated as preliminary evidence. Future research should employ longitudinal or experimental designs to support stronger causal claims, explicitly model industry-level moderators, and use structural equation modeling with bootstrapped confidence intervals to confirm mediation pathways. Exploring alternative mediators such as learning orientation, psychological safety climate, or absorptive capacity would further enrich understanding of how EO dimensions translate into organizational effectiveness.

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