

Entrepreneurial Orientation and Firm Performance among Automotive Parts Retail Firms in Zimbabwe: The Roles of Innovation Capability and Market Turbulence

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Abstract

Firms in Zimbabwe's automotive parts retail sector operate in a dynamic market and volatile economy that threaten business competitiveness and hinder firm growth. This study aimed to investigate how entrepreneurial orientation influences firm performance among automotive parts retail firms within the broader Micro, Small, and Medium Enterprises (MSMEs) in Harare, Zimbabwe, while considering the roles of innovation capability and market turbulence. Grounded in the Resource-Based View, Dynamic Capabilities Theory, and Contingency Theory, the study employed a quantitative cross-sectional design, with data collected using an online structured and self-administered questionnaire from 204 owners and managers who had at least three years of experience in business. Data were obtained through a purposive sampling technique and analysed using the Statistical Package for the Social Sciences (SPSS) and Partial Least Squares Structural Equation Modelling (PLS-SEM). The results indicated that entrepreneurial orientation had a positive and significant effect on firm performance and innovation capability. The relationship between entrepreneurial orientation and firm performance is partially mediated by innovation capability and negatively moderated by market turbulence. The study extends entrepreneurship literature in an under-researched context in Sub-Saharan Africa and provides insight for managers and policymakers seeking to enhance business performance. The cross-sectional design and single-sector focus may limit causal inference and generalizability.

INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in economic development, job creation, and innovation in both developed and emerging markets (Judijanto et al., 2025; Rani, 2024). Globally, MSMEs account for more than 90% of all businesses, contributing nearly 50% of global gross domestic product (GDP) and up to 70% of total employment worldwide (McKinsey Global Institute, 2024; World Bank Group, 2025). Furthermore, there are more than 322 million formally registered MSMEs operating across 176 countries, employing over 705 million people, which highlights their significant contribution to improving people's livelihoods and promoting inclusive development (International Finance Corporation, 2019). In Sub-Saharan Africa, MSMEs serve as critical economic actors despite operating under conditions of institutional instability, resource scarcity, and inadequate infrastructure (Edeh et al., 2024). However, in Zimbabwe, MSMEs contribute approximately US\$8.6 billion to GDP and represent more than 60% of economic activity (Finscope, 2022).

Nevertheless, structural challenges, including supply chain disruptions, continue to constrain their operational capacity and growth prospects (Chikweche & Chaora, 2023). Additionally, government regulatory systems, policy constraints, bureaucratic barriers, limited access to finance, skills gaps, and poor infrastructure hinder MSME development and reduce competitiveness (Mweha, 2025; Samudzimu & Munkumba, 2022).

The automotive parts retail sector is a strategic pillar in Zimbabwe, supplying motor vehicle spare parts and accessories to individual customers and businesses alike while supporting economic development. This is evident because vehicle parts play a vital role in the transportation sector by maintaining transport infrastructure, minimizing downtime, and improving road safety (Agboyi et al., 2014; Arfiansyah & Handoko, 2024; Ozbay et al., 2012). Despite their importance, these firms continue to face challenges similar to those faced by the wider MSMEs in the country, including import dependence, currency risk, and supply chain constraints (Tshuma et al., 2024; Munanga, 2013; Manjokoto & Ranga, 2017). These challenges increase operational costs and limit firms' ability to provide quality services, ultimately affecting firm performance. Overall, these conditions create a dynamic and challenging business environment in which firms must become more agile and proactive to sustain their operations.

Entrepreneurial orientation (EO) is a strategic behavioral construct associated with organizational performance (Rauch et al., 2009; Soares & Perin, 2020). It refers to a firm's tendency to pursue innovation, proactiveness, and risk-taking by committing resources to business opportunities with uncertain outcomes (Lee et al., 2019; Miller, 1983). Previous studies indicate that the relationship between EO and firm performance varies across different contexts (Rauch et al., 2009; Wales et al., 2013), suggesting that EO alone may not be sufficient to achieve superior performance without complementary capabilities and favourable environmental conditions (Bakashaba & Bindeeba, 2025; Lee & Chu, 2013). Innovation capability, as a dynamic organizational capability, represents a mechanism through which EO can be transformed into improved performance outcomes (Abid et al., 2024; Ferreira et al., 2020; Santos-Vijande et al., 2022). Additionally, entrepreneurial strategies can be either strengthened or constrained by external environmental conditions, particularly in turbulent markets (McKee et al., 1989).

Although several studies have examined EO and firm performance relationships, limited empirical evidence exists regarding the simultaneous investigation of entrepreneurial orientation (EO), innovation capability, firm performance, and market turbulence within an integrated framework. Existing studies have reported fragmented findings across different contexts. For example, Huang et al. (2023) examined EO dimensions and firm performance under conditions of market turbulence among 88 SMEs in the United Kingdom but focused primarily on organizational ambidexterity rather than innovation capability. Similarly, Wang and Ke (2016) investigated market turbulence, EO, exploratory innovation, and organizational capabilities but did not incorporate firm performance measures. Kim (2018) examined the effects of EO and dynamic capabilities on performance in dynamic markets but did not explicitly integrate innovation capability and market turbulence into the research framework. This limits knowledge on how EO and their combined effects improve organizational performance.

Additionally, many empirical studies have been conducted in relatively stable market environments, particularly in Indonesia, Malaysia, India, and China (Adam et al., 2024; Alam et al., 2022; Furyanah et al., 2024; Nuryakin, 2021), while research in less developed regions is still scarce. Consequently, limited knowledge also exists regarding how firms in Sub-Saharan Africa (SSA) transform strategic behaviors into competitive advantages under conditions of resource constraints and high market volatility. In addition, the role of innovation capability as a mechanism that strengthens this relationship remains insufficiently explored.

Moreover, previous research has largely focused on firms operating in other economic sectors while overlooking businesses that sell vehicle spare parts in Zimbabwe, despite their contribution to economic activity and national GDP. For instance, Magocha (2022) and Simuka (2024) examined EO, firm performance, and innovation in Zimbabwe's telecommunications and manufacturing industries. Empirical evidence regarding how EO enhances firm performance in the motor vehicle spare parts retail sector remains limited.

This research integrates three theoretical perspectives the Resource-Based View, Dynamic Capabilities Theory, and Contingency Theory into a unified empirical framework examining the EO-performance relationship within Zimbabwe's automotive parts retail context, unlike previous studies that have examined these theories separately. The study also addresses a sectoral gap by focusing on firms that major in vehicle parts retailing, which has received limited attention in previous EO research.

Therefore, this study aimed to first investigate whether entrepreneurial orientation had a positive and significant effect on firm performance. Second, it examined whether innovation capability mediated the relationship between entrepreneurial orientation and firm performance. Third, it investigated whether market turbulence negatively moderated the relationship between entrepreneurial orientation and firm performance. The research extends both theoretical and practical knowledge of entrepreneurship research in under-explored regions.

Theoretical Framework

This study combines three interrelated theoretical frameworks. The Resource-Based View (RBV), introduced by Wernerfelt (1984) and later expanded by Barney (1991), argues that firms can attain lasting competitive advantage by owning internal resources that are valuable, rare, inimitable, and non-substitutable. In this context, Entrepreneurial Orientation (EO) serves as an intangible strategic resource that is embedded in organisational decision-making routines and culture that is difficult for competitors to replicate (Lee et al., 2019; Miller, 1983). Dynamic Capability Theory (Teece et al., 1997) builds upon RBV by describing how firms adjust and reorganize their resources in response to shifting environmental conditions using abilities related to sensing, seizing, and transforming (Teece, 2007). Innovation capability is framed as a dynamic capability, serving as the means through which entrepreneurial actions are transformed into measurable performance outcomes. Contingency Theory (Lawrence & Lorsch, 1967) proposes that an organization's effectiveness is determined by how well its strategies align with the external environment. In this context, market turbulence serves as a boundary condition that can either strengthen or reduce the impact of entrepreneurial orientation strategies.

Conceptual Framework

The model assumes that entrepreneurial orientation, which consists of innovativeness, proactiveness, and risk taking (Miller 1983; Covin & Slevin 1989), positively influences firm performance through a firm's innovation capability, allowing the firm to develop new products, services, and processes that result in competitive advantages (Teece 1997). Therefore, innovation capability is a mediating variable between entrepreneurial orientation and better performance outcomes (Manigandan & Raghun, 2024). Moreover, the model suggests that the link between entrepreneurial orientation and firm performance depends on the amount of market turbulence.

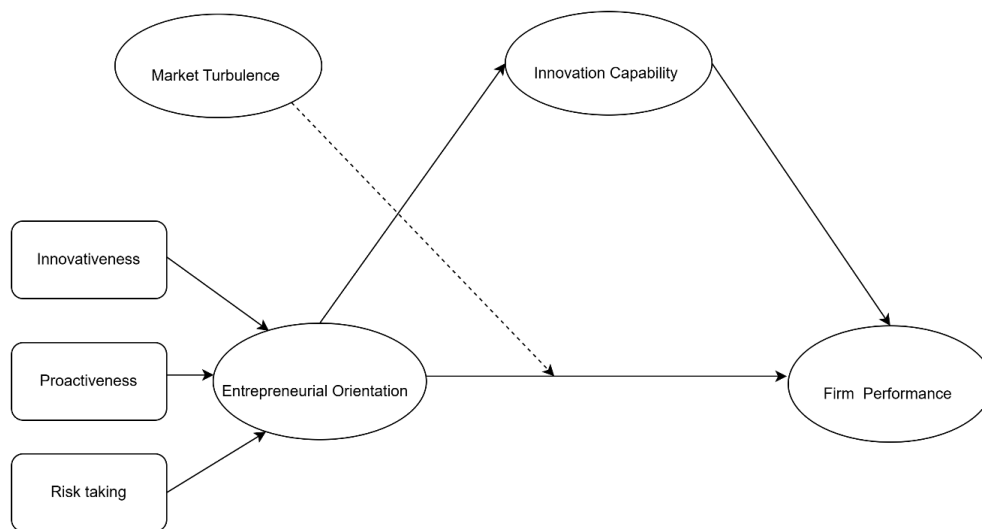


Figure 1: Conceptual Framework

Hypotheses Development

1. Entrepreneurial Orientation and Firm Performance

Entrepreneurial orientation captures a company's strategic approach, defined by innovation, proactivity, and willingness to assume risk (Lee et al., 2019; Miller, 1983). Prior empirical evidence confirms a positive relationship between EO and organisational performance. Rauch et al. (2009) demonstrated a positive relationship across 51 studies in a meta-analysis. In African contexts, studies from Ethiopia, Nigeria, and Ghana demonstrate that EO strengthens competitiveness and business performance among SMEs (Akinwale et al., 2025; Bekata & Kero, 2025; Dwumah et al., 2024). In Zimbabwe, Entrepreneurial Orientation was found to be associated with performance among firms in the telecommunications sector (Magocha, 2022).

H1: Entrepreneurial orientation has a positive effect on firm performance.

2. Entrepreneurial Orientation and Innovation Capability

Entrepreneurially oriented firms are more likely to pursue process redesign, product innovation, and strategic renewal, thereby strengthening innovation-related competencies (Covin & Wales, 2019). According to Utama & Sontana (2021) EO has a significant and positive effect on innovation capability among Batik SMEs during Covid 19 in Indonesia. Similarly, prior evidence consistently demonstrates that EO positively contributes to organisational innovation capability (Abdulsamad et al., 2025; Makhloufi et al., 2021;

Raghuram & Manigandan, 2024). Firms with high EO tend to develop adaptive organisational structures oriented toward continuous innovation, enabling them to sustain competitiveness under volatile conditions (Bedoya et al., 2024; Bekata & Kero, 2025).

H2: Entrepreneurial orientation has a positive influence on innovation capability.

3. Innovation Capability and Firm Performance

Innovation capability refers to a firm's capacity to create, embrace, and apply fresh ideas, products, and operational methods (Calantone et al., 2002). As a dynamic capability, it plays a key role in shaping an organization's ability to compete. Businesses that possess strong innovation capabilities tend to enhance their operational efficiency, respond more effectively to customer needs, and secure a competitive edge (Kareem et al., 2024; Teece, 2007). Research across various sectors has consistently shown a favorable link between innovation capability and business performance (Baláž et al., 2023; Farida & Setiawan, 2022; Hwang et al., 2020). Evidence from Zimbabwe further indicates that engaging in innovation-related activities leads to better performance outcomes for SMEs (Simuka, 2024). Based on this, the following hypothesis is proposed:

H3: Innovation capability has a positive effect on firm performance.

4. Mediating Role of Innovation Capability

While EO may directly influence performance, strategic orientations frequently require complementary capabilities to produce measurable outcomes (Wales et al., 2021). Innovation capability acts as a channel through which EO leads to performance improvements, with entrepreneurial behaviour generating opportunity-seeking intent and innovation capability operationalising that intent into market-relevant outputs (Santos-Vijande et al., 2022; Sengura et al., 2024). Raghuram and Manigandan (2024) demonstrated partial mediation between EO and firm performance by innovation capability in pharmaceutical SMEs in India. Similarly, Bekata & Kero (2025) confirmed a mediating pathway between strategic orientation and firm performance in Ethiopian SMEs. However, mediation patterns may vary by context, with some studies reporting full and others partial mediation (Nuryakin, 2024).

H4: Innovation capability mediates the relationship between entrepreneurial orientation and firm performance.

5. Moderating Role of Market Turbulence

Market turbulence, defined as the rate of change and unpredictability in customer preferences, market conditions, and competitive structures (Jaworski & Kohli, 1993), may either amplify or constrain the effectiveness of entrepreneurial strategies. Under moderate turbulence, EO becomes more strategically valuable, enabling firms to capitalise on emerging opportunities (Pratono & Mahmood, 2015; Sajjad et al., 2023). However, excessive turbulence may undermine strategic planning and resource mobilisation, particularly in resource-constrained emerging economies with extreme currency instability, import restrictions, and informal sector competition (Greenly, 1995; McKee et al., 1989).

H5: Market turbulence negatively moderates the relationship between entrepreneurial orientation and firm performance.

METHOD

Research Design and Sampling

The study used a cross-sectional quantitative research design, which is appropriate for analysing the hypothesised relationships between measurable constructs (Saunders et al., 2019). It comprised 451 formally registered owners and managers of automotive spare parts retail businesses in Harare, Zimbabwe. The sample size was determined using the formula proposed by Yamane (1967), yielding a minimum sample size of 212 respondents with a 5% margin of error. Owners and managers of firms with at least 3 years of operating experience were selected using purposive sampling. Overall, 204 valid questionnaires were retrieved, which satisfies the minimum sample size for PLS-SEM models with mediation and moderation effects (Goodhue et al., 2006).

Data Collection and Measurement

The data were collected from the respondents using a structured online questionnaire and measured using a 5-point Likert scale (Strongly Disagree = 1 to Strongly Agree = 5). Entrepreneurial Orientation was conceptualized as a multi-dimensional construct consisting of innovativeness, proactiveness, and risk taking and modelled as a reflective-formative using a repeated indicator approach. Measurement of entrepreneurial orientation was based on nine items adapted from (Lee et al., 2019; Miller, 1983). The four items adapted from Calantone et al. (2002) were used to measure the innovation capability. The measurement of market turbulence was based on five items adapted from Jaworski & Kohli 1993). Owners and managers were asked to evaluate the performance of their businesses over the last three years against their competitors using subjective measurements based on: sales growth, profitability, market share, and overall performance (Venkatraman and Ramanujan, 1986). The firm performance measures were assessed on a separate scale from 1 (Much Worse) to 5 (Much Better).

Data Analysis Procedure

Data were analysed descriptively using SPSS version 26, and statistically using SmartPLS 4 software, which is a Partial Least Squares Structural Equation Modelling (PLS-SEM) software. PLS-SEM was chosen because of its appropriateness for predictive research, involving the use of higher-order constructs, mediation, and moderation analysis (Hair & Alamer, 2022), and its application in emerging-economy research. Analysis was carried out in two phases, with outer model assessment checking and testing for reliability, convergent validity, and discriminant validity, while inner model assessment tested path coefficients, mediation, and moderation using interaction terms. Direct, indirect, and interaction effect tests were conducted with bootstrapping using 5,000 samples.

RESULTS AND DISCUSSION

Demographic Profiles

Table 1: Demographic Profile of Respondents (n=204)

Variable	Category	Frequency	Percentage (%)
Gender	Male	137	67.2
	Female	67	32.8
Age of Respondent	18–25 years	24	11.8
	26–35 years	111	54.4
	36–50 years	53	26.0
	51 years and above	16	7.8
Educational Qualification	Secondary Education	16	7.8
	Diploma/Certificate	79	38.7
	Bachelor's Degree	59	28.9
	Postgraduate Degree	50	24.5
Firm Age (Years)	3–5 years	53	26.0
	6–10 years	90	44.1
	11–15 years	61	29.9
Firm Size (Number of Employees)	1–5 employees (Micro)	130	63.7
	6–30 employees (Small)	74	36.3

Males made up the majority of the 204 respondents (67.2%), demonstrating broader gender trends in Zimbabwe's MSME ownership landscape. Many participants fell within the 26–35 age bracket (54.4%), suggesting that young entrepreneurs dominate this sector. Educational attainment was relatively high: 38.7% held diplomas or certificates, 28.9% had bachelor's degrees, and 24.5% possessed postgraduate qualifications. Most firms had been active for six to ten years (44.1%), and 63.7% employed five or fewer workers, confirming the predominance of micro-enterprises in the sample.

Descriptive Statistics

Table 2: Descriptive Statistics for Study Constructs

Construct	Mean	Std. Deviation
Entrepreneurial Orientation (EO)	3.72	0.74
Innovation Capability (IC)	3.61	0.79
Market Turbulence (MT)	3.85	0.81
Firm Performance (FP)	3.47	0.88

The highest average score was for market turbulence ($M = 3.85$), reflecting the respondents' perception of the business environment as very turbulent. Firm performance had the lowest mean of the constructs, and entrepreneurial orientation had a relatively high mean ($M = 3.72$). The innovation capability was moderate ($M = 3.61$), indicating that the operation's entrepreneurial intentions and innovation capability were not aligned, as a lack of resources reduces the actual capacity to innovate relative to entrepreneurial intentions.

Outer Model Assessment

Table 3: Outer Loadings — Factor Loading Matrix

Indicator	FP	IC	INO	MT	PRO	RIS
EO1 (INO)			0.859			
EO2 (INO)			0.830			
EO3 (INO)			0.703			
EO4 (PRO)					0.716	
EO5 (PRO)					0.744	
EO6 (PRO)					0.827	
EO7 (RIS)						0.924
EO8 (RIS)						0.675
FP1	0.751					
FP2	0.778					
FP3	0.809					
FP4	0.637					
IC1		0.848				
IC2		0.785				
IC3		0.797				
MT1				0.703		
MT2				0.829		
MT3				0.665		
MT4				0.625		

EO sub-dimensions: INO = Innovativeness; PRO = Proactiveness; RIS = Risk-taking.

The factor loading values met the 0.60 threshold recommended for applied research (Hair & Alamer, 2022). Innovativeness items ranged from 0.703 to 0.859, Proactiveness from 0.716 to 0.827, and Risk-taking from 0.675 to 0.924. Innovation Capability items ranged from 0.785 to 0.848, Firm Performance from 0.637 to 0.809, and Market Turbulence from 0.625 to 0.829. However, items below the required threshold were removed before proceeding to the next testing. For example, the indicator EO9 for entrepreneurial orientation, MT5 for market turbulence, and FP5 for firm performance were excluded from the factor loading above due to lower values.

Reliability and Convergent Validity

Entrepreneurial Orientation was measured for its validity and internal consistency at the lower-order construct. In PLS-SEM, the lower-order constructs serve as key measures of the higher-order construct (Sarstedt et al., 2019). As a result, reliability and validity were provided for Innovativeness (INO), Proactiveness (PRO), Risk-taking (RIS), Innovation Capability (IC), Market Turbulence (MT), and Firm Performance (FP).

Table 4: Construct Reliability and Validity Metrics

Construct	Cronbach's Alpha (α)	Composite Reliability ρ_a	Composite Reliability ρ_c	AVE
Innovativeness (INO)	0.723	0.759	0.841	0.640
Proactiveness (PRO)	0.647	0.670	0.807	0.583
Risk-taking (RIS)	0.509	0.654	0.787	0.655
Innovation Capability (IC)	0.739	0.745	0.852	0.657
Market Turbulence (MT)	0.668	0.692	0.800	0.503
Firm Performance (FP)	0.733	0.742	0.833	0.557

α = Cronbach's Alpha, ρ_a = Composite Reliability (polychoric correlation matrix), ρ_c = Composite Reliability (factor loadings); AVE = Average Variance Extracted. Thresholds: $\alpha \geq 0.60$ acceptable for exploratory research (Nunnally & Bernstein, 1994), $\rho_c \geq 0.70$; AVE ≥ 0.50 (Fornell & Larcker, 1981; Hair & Alamer, 2022).

Internal consistency reliability proved acceptable across all constructs. Firm Performance ($\alpha = 0.733$) and Innovation Capability ($\alpha = 0.739$) showed clearly acceptable Cronbach's alpha values. Innovativeness demonstrated good internal consistency ($\alpha = 0.723$). Proactiveness ($\alpha = 0.647$) and Market Turbulence ($\alpha = 0.668$) returned fair values, partly due to the limited number of measurement items per construct. Risk-taking recorded the lowest Cronbach's alpha ($\alpha = 0.509$); however, this was considered acceptable given its satisfactory composite reliability ($\rho_c = 0.787$) and AVE (0.655). This decision aligns with (Hair & Alamer, 2022; Hair et al., 2019), who note that composite reliability is a more suitable internal consistency measure than Cronbach's alpha in PLS-SEM because it does not assume equal indicator loadings. Additionally, Peterson & Kim (2013) confirm that an alpha around 0.50 is acceptable when composite reliability is adequate. (Schmitt, 1996) further supports this view, arguing that coefficients as low as 0.50 remain informative and do not undermine structural coefficient validity.

All constructs satisfied the composite reliability threshold ($\rho_c \geq 0.70$), ranging from 0.787 (Risk-taking), 0.841 (Innovativeness), to 0.852 (Innovation Capability). All AVE values exceeded 0.50, demonstrating acceptable convergent validity: Innovation Capability (0.657), Risk-taking (0.655), Innovativeness (0.640), Firm Performance (0.557), Proactiveness (0.583), and Market Turbulence (0.503). Market Turbulence marginally met the AVE threshold, which is theoretically expected given the multi-faceted nature of environmental turbulence constructs (Jaworski & Kohli, 1993).

Multicollinearity Assessment

The VIF analysis showed no multicollinearity issues in the measurement model. All VIF values fell between 1.132 and 1.576, far below the accepted threshold of 3.3 or 5.5. This indicates that the indicators were adequately distinct from each other, and multicollinearity did not compromise the reliability and stability of the model estimates. Accordingly, the constructs demonstrated acceptable collinearity statistics, making them suitable for subsequent structural model evaluation.

Discriminant Validity

Table 5: Discriminant Validity — Heterotrait-Monotrait (HTMT) Ratio of Correlations

	FP	IC	INO	MT	PRO	RIS
FP						
IC	0.594					
INO	0.558	0.576				
MT	0.677	0.837	0.751			
PRO	0.634	0.611	0.797	0.691		
RIS	0.570	0.602	0.517	0.726	0.550	

An HTMT less than 0.85 (or 0.90) indicates adequate discriminant validity (Henseler et al., 2015). All the discriminant validities were below the conservative 0.85, except MT–IC (below the 0.90 lenient threshold). This near-threshold finding is conceptually coherent in that

firms in turbulent markets generally build innovation routines as a legitimate response (Jaworski & Kohli, 1993), resulting in a conceptual overlap between the two.

Model Fit Assessment

Table 6: Model Fit Statistics

Fit Index	Saturated Model	Estimated Model
SRMR	0.085	0.098
d_ULS	1.367	1.835
d_G	0.450	0.498
Chi-square	522.512	550.904
NFI	0.603	0.581

Note. SRMR = Standardised Root Mean Square Residual; d_ULS = Unweighted Least Squares Discrepancy; d_G = Geodesic Discrepancy; NFI = Normed Fit Index. An SRMR value below 0.10 signifies acceptable model fit (Hair & Alamer, 2022; Henseler et al., 2015).

The estimated model SRMR of 0.098 falls below the 0.10 threshold, indicating acceptable model fit in PLS-SEM (Hair & Alamer, 2022). The saturated model SRMR (0.085) was marginally lower, as expected given the absence of structural constraints. NFI values (0.581 estimated; 0.603 saturated) are reported for completeness but are not the primary fit criterion in PLS-SEM applications (Hair & Alamer, 2022). Overall fit indices align with acceptable standards for PLS-SEM research in emerging economy MSME contexts.

Inner Model Assessment

Table 7. Structural Path Coefficients: Direct Path

Path	β (O)	STDEV	T Statistic	p-value	Decision
EO $\rightarrow$ FP	0.307	0.084	3.656	0.000	Significant
EO $\rightarrow$ IC	0.546	0.053	10.376	0.000	Significant
IC $\rightarrow$ FP	0.139	0.081	1.725	0.042	Significant
Mediation Effect					
Indirect Effect					
EO $\rightarrow$ IC $\rightarrow$ FP	0.076	0.045	1.692	0.045	Partially Mediation
Moderation Effect					
MT $\times$ EO $\rightarrow$ FP	-0.112	0.053	2.104	0.018	Supported (negative)

Note: EO = Entrepreneurial Orientation; FP = Firm Performance; IC = Innovation Capability; MT = Market Turbulence. β = Path Coefficient; STDEV = Standard Deviation. * indicates significance at the 5% level ($p < 0.05$). A one-tailed test was used.

The results showed that entrepreneurial orientation had a positive and statistically significant impact on both firm performance ($\beta = 0.307$, $p < .001$) and innovation capability ($\beta = 0.546$, $p < .001$). In turn, innovation capability also exerted a positive and significant influence on firm performance ($\beta = 0.139$, $p = .042$). Additionally, innovation capability served as a partial mediator in the link between entrepreneurial orientation and firm performance ($\beta = 0.076$, $p = .042$). On the other hand, market turbulence acted as a negative moderator in the entrepreneurial orientation–firm performance relationship ($\beta = -0.112$, $p = .018$), suggesting that increased market turbulence reduces the beneficial effect of entrepreneurial orientation on firm performance. In summary, all five hypotheses (H1 through H5) received empirical support.

Table 8: Coefficient of Determination and Predictive Relevance

Endogenous Construct	R ²	Q ²
Entrepreneurial Orientation (EO)	0.977	0.703
Innovation Capability (IC)	0.298	0.139
Firm Performance (FP)	0.352	0.307

The model demonstrated varying levels of explanatory power and predictive relevance across constructs. Firm Performance ($R^2 = 0.352$) showed moderate explanatory power and moderate predictive relevance ($Q^2 = 0.307$), while Innovation Capability ($R^2 = 0.298$) exhibited weak to moderate explanatory power with small predictive relevance ($Q^2 = 0.139$). Entrepreneurial Orientation recorded very high explanatory power ($R^2 = 0.977$) and strong predictive relevance ($Q^2 = 0.703$), which is expected for a higher-order construct. In contrast, Market Turbulence, being an exogenous construct, had no R^2 value, and its negative Q^2 value (-0.112) indicated a lack of predictive relevance. Overall, the structural model demonstrates acceptable predictive and explanatory (Hair & Alamer, 2022)

Graphical Model

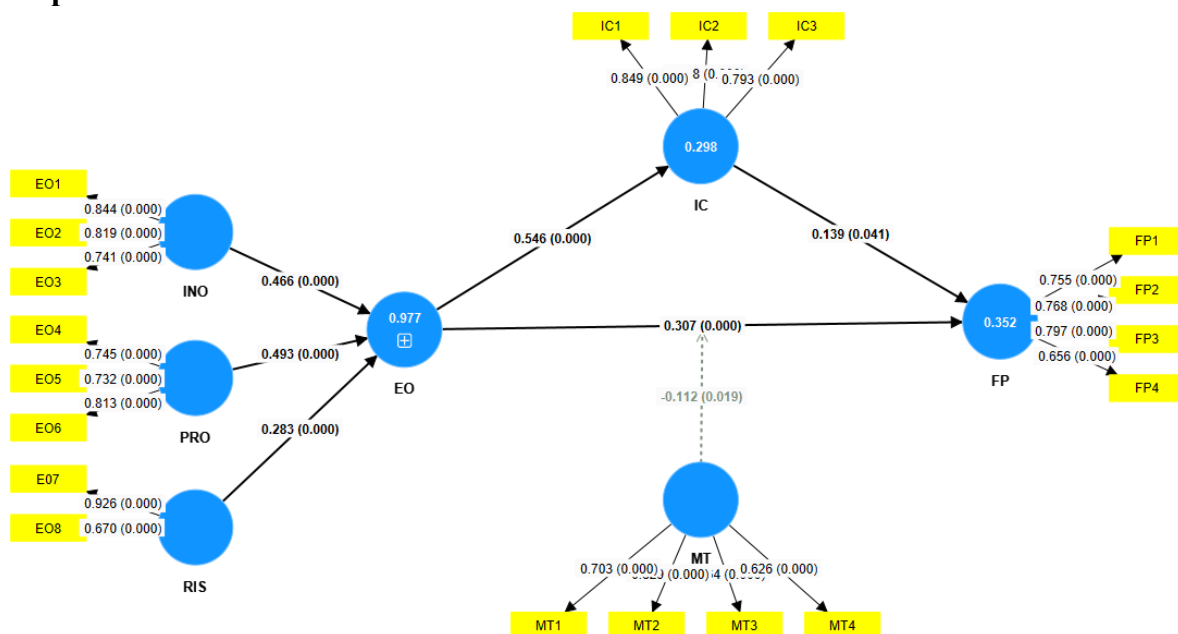


Figure 2. Graphical Structural Model

Entrepreneurial Orientation and Firm Performance

EO positively and significantly influences firm performance ($\beta = 0.307$, $T = 3.656$, $p < .001$). This result supports the Resource-Based View, which treats EO as a rare and hard-to-copy strategic asset that creates competitive edges (Barney, 1991), and it also matches the aggregated findings from (Rauch et al., 2009). Within Zimbabwe's vehicle parts retail sector, owners and managers who exhibit entrepreneurial traits take pre-emptive steps in stock management, seek out diverse supply channels, and make careful investment decisions despite unstable currency conditions. This finding also aligns with Sub-Saharan African evidence from Ethiopia, Nigeria, and Ghana (Akinwale et al., 2025; Bekata & Kero, 2025; Dwumah et al., 2024)

Entrepreneurial Orientation and Innovation Capability

EO exerts the strongest effect in the model on innovation capability ($\beta = 0.546$, $T = 10.376$, $p < .001$), consistent with Dynamic Capability Theory and prior evidence (Bekata & Kero, 2025; Makhloufi et al., 2021; Raghuram & Manigandan, 2024) Entrepreneurially oriented MSMEs in Zimbabwe actively experiment with alternative supply networks, digital payment systems, and adapted customer service models, translating EO into concrete innovation capability. The strength of this path is notable in confirming that entrepreneurial strategic posture is a critical antecedent of organisational innovation in high-turbulence environments.

Innovation Capability and Firm Performance

Innovation capability positively influences firm performance ($\beta = 0.139$, $T = 1.725$, $p = .042$). While the path coefficient is modest in magnitude, statistical significance is achieved at the 0.05 level using directional hypothesis testing in PLS-SEM (Hair & Alamer, 2022). The smaller coefficient relative to the EO→FP direct path is theoretically consistent with the incremental, process-oriented nature of innovation in micro and small enterprises lacking formal R&D functions (Calantone et al., 2002). The result nonetheless validates innovation capability as an independent performance driver in this sector.

Partial Mediation by Innovation Capability

Innovation capability partially mediates the EO–performance relationship ($\beta = 0.076$, $T = 1.692$, $p = .045$). Partial mediation is confirmed because both the direct EO→FP path ($\beta = 0.307$, $p < .001$) and the indirect EO→IC→FP path ($\beta = 0.076$, $p = .045$) are statistically significant (Hair & Alamer, 2022). This dual pathway indicates that EO contributes to firm performance through two parallel mechanisms: a direct strategic mechanism, proactive opportunity captures and competitive responsiveness, and an indirect capability-building mechanism in which EO systematically builds innovation capability that subsequently enhances performance. These findings align with Indian pharmaceutical SME evidence (Raghuram & Manigandan, 2024) and Ethiopian MSME evidence (Bekata & Kero, 2025), confirming innovation capability as a critical mediating mechanism across diverse emerging-economy contexts.

The Moderation of Market Turbulence

Market turbulence negatively and significantly moderates the EO–performance relationship ($\beta = -0.112$, $T = 2.104$, $p = .018$). This negative interaction effect indicates that as market turbulence intensifies, the performance benefits of EO are weakened rather than amplified, a finding consistent with the tenet of Contingency Theory that extreme environmental conditions can undermine strategic effectiveness (Lawrence & Lorsch, 1967; McKee et al., 1989). Similarly, a study conducted among 289 SMEs on used car showrooms in Indonesia demonstrated that market turbulence negatively moderates innovation and marketing performance (Furyanah, 2024). Under these conditions, the marginal contribution of EO to performance diminishes as environmental pressures force all firms, regardless of entrepreneurial posture, to adapt reactively. This is consistent with threat-rigidity responses under extreme environmental hostility (Kreiser et al., 2020) wherein firms conserve resources and retreat from entrepreneurial commitments, limiting EO's performance impact. In the Zimbabwean context, persistent hyperinflationary episodes, foreign exchange shortages, and informal sector competition represent precisely this type of extreme turbulence.

CONCLUSION

The study established how entrepreneurial orientation (EO) influenced the performance of automotive spare parts retail firms in Harare, Zimbabwe, with particular emphasis on innovation capability as a mediating variable and market turbulence as a moderating variable. The theoretical framework combined the Resource-Based View (RBV), Dynamic Capabilities Theory, and Contingency Theory, while five hypotheses were tested using Partial Least Squares Structural Equation Modelling (PLS-SEM) based on data from 204 respondents.

The results indicated that EO had a positive and significant effect on firm performance and innovation capability. Innovation capability also had a positive effect on firm performance and partially mediated the relationship between EO and firm performance. Market turbulence negatively and significantly moderated the relationship between EO and firm performance. From a theoretical perspective, this study provided three key contributions. First, it extended RBV to the Sub-Saharan African context by validating EO as a strategic resource that enhances firm performance. Second, it contributed to Dynamic Capabilities Theory by demonstrating that innovation capability partially mediates the transformation of entrepreneurial activities into improved performance outcomes. Third, it reinforced Contingency Theory by identifying environmental conditions under which market turbulence weakens rather than strengthens the effects of entrepreneurial strategies.

Practically, owner-managers should invest in both entrepreneurial strategic orientation and structured innovation practices, including process improvement, technology adoption, and service redesign, to maximize the performance benefits of EO. Developing supplier networks and diversifying sourcing strategies before supply chain disruptions occur may help firms mitigate the negative effects of market turbulence. Support organizations, such as the Small and Medium Enterprises Development Corporation (SMEDCO) and the Zimbabwe Investment and Development Agency (ZIDA), should develop capacity-building programs that simultaneously enhance EO and innovation capability. Policymakers should also address macroeconomic volatility by improving foreign currency accessibility, strengthening supply chain support mechanisms, and developing innovation financing programs.

This study had several limitations. First, the cross-sectional research design limited the ability to establish strong causal relationships among the variables. Second, the study was conducted only in Harare, which may restrict the generalizability of the findings to other regions. Third, although self-reported perception measures may be subject to common method bias, several procedural measures were implemented during data collection to minimize this potential issue. Future research should employ longitudinal designs to examine changes in EO, innovation capability, and firm performance over time and identify potential feedback mechanisms between capability development and strategic orientation. Researchers should also expand data collection beyond Harare to improve the generalizability of findings and explore additional mediating variables, such as absorptive capacity and other organizational capabilities. Furthermore, comparative studies across multiple Sub-Saharan African countries experiencing similar macroeconomic challenges, such as Zambia, Mozambique, and Botswana, are recommended to develop a more contextually grounded understanding of entrepreneurship in the African business environment. A mixed-methods approach is also recommended to provide deeper insights into the relationships among entrepreneurial orientation, innovation capability, market conditions, and firm performance.

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