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Institutional Influence on Entrepreneurial Alertness and Business Growth in an Emerging Market Context

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Abstract: *Prior research acknowledges that successful entrepreneurs may be better at discovering opportunities embedded in the environment as their alertness allows them to spot high-potential opportunities. This paper investigates how entrepreneurial alertness may influence business growth while recognising the potential moderating influence of the institutional environment on this relationship. Regression models with moderation effects are tested using survey data from 120 small businesses in South Africa. Entrepreneurial alertness explains a significant amount of variance in small business growth, while the regulatory and normative institutional dimensions positively moderate this relationship. The results demonstrate that alert entrepreneurs assess their environments to grow their small businesses as moderated by their institutional environmental perceptions. Implications relate to educational training programmes that need to be developed to improve levels of entrepreneurial alertness in individuals. Considering there is a limited understanding of the relationship between alertness, institutions and business growth in emerging markets, empirical research of this nature is valuable as entrepreneurial behaviour needs to be explained in the context in which it occurs and institutional environments are a highly suitable form of analysis.*

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1. Introduction

The role of institutions is a well-established topic of interest in various fields, including management, economics, and sociology, where the institutional environment, in which an entrepreneur functions, influences their readiness to engage in socially productive activity (Baumol & Strom, 2007). Research demonstrates that the nature and quality of institutions in a nation determine foreign direct investment (Masron & Naseem, 2017) and whether individuals will pursue entrepreneurial activity and growth (Welter & Smallbone, 2011).

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Numerous scholars recognise that an essential requirement for a successful small business sector in any nation is the existence of an enabling environment comprised of institutions which provide political and economic stability, relative security, market-based incentives, and access to resources needed to start and grow a small business (North, 1990; Urban, 2017). Appreciating that entrepreneurial behaviour needs to be explained in the context in which it occurs (Urban & Gaffurini, 2018), institutional environments are a highly suitable form of analysis (North, 1990).

Scholars in the field of entrepreneurship who have endeavoured to explain the nexus between opportunities and entrepreneurs have published a wide variety of answers (Gaglio & Katz, 2001; Gregoire, Shepherd & Lambert, 2010; Haynie, Shepherd & McMullen, 2009; Shane & Venkataraman, 2000). These include explanations where individual cognition and the environment are recognised as two important conditions that influence the opportunity recognition process (Baron, 2006; Baron & Ensley, 2006; George et al., 2016). Research acknowledges that although most individuals scan their environment, successful entrepreneurs may be better at discovering opportunities embedded in that environment as their alertness allows them to spot high-potential opportunities (Alvarez, Barney & Anderson, 2013; Valliere, 2013). Alert individuals possess complex mental frameworks about their social environment (Gaglio & Katz, 2001), which help them see situations from new perspectives or in unconventional ways, more so than persons who are lower in alertness.

An analytical review of the literature suggests that entrepreneurial alertness is challenging, and is related to decision-making in contexts which may be characterised as dynamic and uncertain (Busenitz, 1999; Kirzner, 1979; Urban, 2017; Valliere, 2013). In a similar vein, Tang et al. (2012) report that entrepreneurial alertness entails not only being sensitive to information or changes in the environment, which indicate the possible existence of an opportunity but entrepreneurial alert individuals are also able to adjust or reconsider their initial evaluations as a result of environmental cues. For instance, recent research highlights that cultural dimensions have an impact on the managerial and strategic choices of an entrepreneur and force him to adapt to his environment (Guilluy-Sulikashvilia, 2018). Consequently, analysing the moderating effect of institutions on alertness may prove valuable, since just as institutional forces can influence entrepreneurial behaviour, so can entrepreneurial behaviour influence institutional change. Scholars note that *action develops in a duality between agency and structure* (Beckert, 1999 in Welter & Smallbone, 2011).

Despite its potential, entrepreneurial alertness remains understudied due to measurement problems and limited understanding of its interplay with the environmental context (Busenitz, 1996; Edelman & Yli-Renko, 2010; McCaffrey, 2013; Tang et al., 2012). Little empirical research has explicitly

linked entrepreneurial alertness to institutional theory and or subsequent to business growth. Research has also not empirically examined the effects of the different environmental institutions and their interplay with alertness in an emerging market context. These anomalies are surprising when considering prior studies report that peculiarities in the institutional profiles of emerging, transition and developing economies contrast with those of the developed market economies (Lee et al., 2015; Manolova, Eunni & Gyoshev, 2008; Smallbone & Welter, 2006).

Empirical research on institutions and entrepreneurship in emerging markets and Africa in general, has not yet paid enough attention to how entrepreneurs can best recognise and evaluate opportunities available to them when scanning their unique environments (Welter & Smallbone, 2011). Although several studies have researched the hostile nature of the business environment in developing economies, there is surprisingly little evidence about its impact on business growth performance (Brixiová, Ncube & Bicab, 2014). While researchers note that the geographic bias in favour of covering western developed economies is progressively decreasing (Bruton, Ahlstrom & Obloj, 2008), little is known of the institutional dimensions which may influence business growth in Africa.

Recognising this research gap, this paper investigates how entrepreneurial alertness may influence business growth, while at the same accounting for the moderating influence of the institutional environment in an emerging market context. The paper responds directly to calls for research to emphasise the importance of institutional conditions, while placing more attention on quantifying its influences on the opportunity recognition process (George et al., 2016) and business growth and organisational performance which is a subject of ongoing debate in the human resource management literature and business studies (Zakaria et al., 2017).

By focusing on the nexus between entrepreneurial alertness and business growth, through an institutional lens, this paper contributes to the literature by building on existing theoretical frameworks and models which indicate that context is a core determinant of entrepreneurial growth (Moroz & Hindle, 2012). Recent research highlights the importance of the moderating effects of each institutional dimension on business expansion, which is contingent on the development and content of the other institutional dimensions (García-Cabrera, García-Soto & Durán-Herrera, 2016). Furthermore, much can be gained from better alignment of theory and measures in entrepreneurship research (Murphy, 2011), where this study will interrogate the validity of the alertness and institutional dimension measures in a non-western context.

The article starts by reviewing relevant theoretical foundations to provide a basis for the hypotheses. Next, the research methodology is explained in terms of sampling and measurement issues. Data is presented next, and the

paper findings are interpreted and discussed. Several practical and policy implications are then highlighted.

2. Literature Review

2.1 Entrepreneurial Alertness

The relationship between entrepreneurial alertness and recognition of opportunities can be traced back to the works of Kirzner (1979) who identified mental representations of entrepreneurs as a unique set of perceptual and cognitive processing skills that manifest in an attitude of receptiveness to available, but hitherto overlooked opportunities. Building on such conceptual foundations, researchers have provided different conceptual models to help clarify the opportunity recognition process (see Gaglio & Katz, 2001; Hansen, Monllor & Shrader, 2016; Murphy, 2011; Patel & Fiet, 2009). In some of these models, several elements in the environmental context are observed which coincides with the perspective that opportunities are objective and thus exist in the external environmental context, waiting to be recognised or discovered by the individual (Hansen et al., 2016).

A recent systematic literature review of entrepreneurial opportunity recognition by George et al. (2016) underscores the conceptual debate which still persists, concerning whether opportunities are recognised through 'systematic searches or are a by-product of individual alertness' (Ardichvili, Cardoza & Ray, 2003; Kirzner, 1997; McCaffrey, 2013; Short et al., 2010). While the debate on whether opportunities are discovered or created, remains ongoing, it has been observed that the opportunity identification process begins when alert entrepreneurs realise factors in their domain of expertise that results in recognition of opportunities (Ardichvili et al., 2003; Baron & Ensley, 2006). Research confirms that alert individuals have the potential to identify more opportunities than non-alert individuals (Alvarez & Barney, 2007; George et al., 2016). Other studies have reported a positive relationship between entrepreneurial alertness of female tech-entrepreneurs and enterprise performance and social networks and entrepreneurial alertness (Fiet & Patel, 2008).

While Kirzner (1979) was the first to use the term 'alertness' to explain entrepreneurial recognition of opportunities, ongoing research in cognitive and social psychology is consistent on individual differences with respect to entrepreneurial alertness (Baron, 2006; Kirzner, 2009; McCaffrey, 2013; Tang, Kacmar & Busenitz, 2012). Gaglio and Katz (2001) and, more recently, Valliere (2013) employ schemes or mental models to explain how changes in the environment are mediated by entrepreneurial alertness and are brought to the situated attention of entrepreneurs for evaluation. Such prior

findings show that despite the importance of an individual's orientation or alertness, institutions and the environment are crucial to encouraging entrepreneurial growth and development (Estrin, Korosteleva & Mickiwicz, 2013; Stenholm, Acs & Wuebker, 2013).

Tang et al. (2012) identified individual activities that constitute the entrepreneurial alertness process, these are: (1) scanning and search; (2) association and connection; and (3) evaluation and judgement. Scanning and search refer to continually scanning the environment to identify information or changes that have gone unobserved by some individuals. While association and connection relates to gathering information of different qualities and using that knowledge to build new alternatives (Baron, 2006; Tang et al., 2012), evaluation and judgement is concerned with how individuals making evaluations and judgements about changes or new information and deciding whether these will lead to a potential profit opportunity.

Additionally, literature has examined the nature of alertness from a cognitive perspective, where dynamic sense-making and cognitions are central to successes in an entrepreneurial environment. The opportunity recognition process highlights the cognitive nature of the processes involved in opportunity identification, which has been described as 'nonlinear and entails an iterative and cyclical nature' (Gaglio & Katz, 2001). Research is mounting which supports the view that the ability to assess opportunities is a cognitive task which is based on the knowledge structures and scripts that individuals use to make decisions (Baron, 2006; George et al., 2016; Hansen et al., 2016; Haynie et al., 2009; Westhead et al., 2009). Some of these cognitive scripts are well developed, which are called expert scripts, while others are designated as novice scripts and are not as fully developed, which may result in information processing-based thinking errors (Busenitz and Lau, 1996; Krueger, 2007). Tang et al. (2008) also approached alertness from a cognitive perspective and examined how an individual's attributional style may contribute to alertness activation, where entrepreneurs with internal attributional styles reveal a distinctively higher need for achievement (nAch) commitment and risk-taking propensity. Furthermore, entrepreneurial alertness is related not only to the way entrepreneurs think in terms of cognition, which is often the source of creativity (Tang et al., 2012), but also depends, in part, on whether an entrepreneur exploits the opportunity once it has been identified (Short et al., 2010) which is a result of developing their entrepreneurial capabilities (Urban, 2017).

The relationship between entrepreneurial alertness and performance has been explained in terms of the existence of an incentive in which the entrepreneur can find entrepreneurial opportunities that should harness and translate into better innovation performance (McCaffrey, 2014). Moreover, research reports that entrepreneurial alertness is linked to innovation, which

suggests that entrepreneurial alertness is an antecedent of innovation, which in turn contributes significantly to small business performance and growth (Ardichvili et al., 2003; Tang et al., 2012). Consequently, based on these research findings and in line with the reasoning that alertness is not entrepreneurial unless it results in certain outcomes (McMullen & Shepherd, 2006), in the first instance it is hypothesised that.

Hypothesis 1: *There is a positive relationship between entrepreneurial alertness and business growth.*

2.2 Institutional Dimensions

Institutional theory has been one of the major theoretical frameworks for studying the impact of environmental conditions on opportunity recognition and evaluation (Edelman & Yli-Renko, 2010). Recent studies have further applied institutional theory to investigate opportunity recognition in transition and developing economies (Tang, 2010; Welter & Smallbone, 2011). Examining the bottom of the pyramid markets which often operate in institutional voids (Khanna & Palepu, 2010), it is argued that entrepreneurs may reduce institutional distances relative to developed markets by engaging in activities such as market research, to assist them in identifying business opportunities. Moreover, it is evident that environmental institutional frameworks influence the opportunity discovery or creation processes both positively and negatively (George et al., 2016). Scott (2001) conceptualised three pillars of institutions and Kostova (1997) applied these to the realm of entrepreneurship. The three national institutional profiles that govern organisations are: (1) the regulatory dimension which includes existing national laws and rules that will sanction certain behaviour, while restricting other types of behaviour; (2) the cognitive dimension on the other hand refers to knowledge shared through education and training; and (3) lastly, the normative component is considered more informal and is made up of social norms and values that are shared socially.

These three institutional profiles or dimensions (Busenitz et al., 2000; Kostova, 1997; Manolova et al., 2008) have been widely accepted to influence the rate of formation and growth of small businesses across nations. However, researchers emphasise that when these institutional dimensions are generalised across environments, they lose their relevance. So although the institutional dimensions are connected in some aspects, they should be treated as conceptually distinct, requiring that each dimension be assessed separately because each institution affects specific domains in a different manner (Kostova, 1997; Stenholm et al., 2013). Taking heed of this advice, the three institutional pillars are briefly described in the context of the present study to specify their role in the formulation of the study

hypotheses. Furthermore, given the possibility that entrepreneurs think differently due to the unusual contexts (Short et al., 2010), understanding the influence that the institutional environment may have on alertness is important.

2.2.1 The regulatory institutional dimension

In emerging markets entrepreneurs typically face many institutional challenges, which include uncertain economic environments and government interference, which result in regulatory problems in terms of enforcement of business law, higher transaction costs and operating challenges (Peng et al., 2009). While studies on business regulations note that a lengthy bureaucratic process may even boost the informal sector or unproductive entrepreneurship (Baumol, 1990; Manolova et al., 2008), there are circumstances where institutional deficiencies can create opportunities for alert individuals (Welter & Smallbone, 2011). Studies confirm that entrepreneurial perceptions of an opportunity are influenced by the dynamism of the environment, where it is through individual interpretations, such as alertness, that these perceptions may influence behaviour and ultimately firm performance (Edelman & Yli-Renko, 2010). In this perspective, as entrepreneurs interpret and make sense of their environments, and the greater the level of environmental and institutional dynamism, the more likely they are to grow by seizing opportunities in the marketplace (Edelman & Yli-Renko, 2010; García-Cabrera et al., 2016). Building on such research findings, it is hypothesised that the regulatory institutional environment may have a moderating influence on the relationship between entrepreneurial alertness and small business growth.

Hypothesis 2: The relationship between entrepreneurial alertness and business growth is moderated by positive perceptions of the regulatory institutional dimension.

2.2.2 The cognitive institutional dimension

The cognitive institutional dimension has been conceptualised in terms of how the entrepreneur perceives their cognitive mastery and artistry in starting and growing a small business (Busenitz et al., 2000). Research shows that human capital factors such as knowledge and work experience affect the ability of entrepreneurs to recognise and exploit business opportunities (Unger et al., 2011), and also report a positive relationship between prior entrepreneurial experience and small business growth (Dobbs & Hamilton, 2007). A meta-analytical review (Unger et al., 2011) shows that the ability to accumulate new knowledge is positively related to the existing stock of

knowledge, which consists of knowledge formally acquired through education and knowledge tacitly acquired as accruing experience in a particular field or domain. Individuals then use the acquired knowledge and skills in interpreting situations and in the selection of opportunities (Busenitz et al., 2000).

Consequently, being alert is considered not only an integral aspect of the entrepreneurial opportunity recognition process but must be accompanied by the requisite skills and competencies. Individuals, in terms of the cognitive institutional dimension, must show cognitive mastery (Busenitz et al., 2000), and perceive themselves as capable and be motivated to want to grow their small businesses or they will remain underperforming. Research on entrepreneurial self-efficacy shows that individuals with higher levels of self-efficacy tend to believe in their ability to the achievement of goals, and perceive the environment as holding more opportunities than risks (Urban, 2017). Even though the specific nature of the opportunities may be provisional, the behaviour demonstrated by successful entrepreneurs shows a high level of sensitivity and responsiveness to perceived opportunities which are themselves heavily influenced by institutional conditions (Welter & Smallbone, 2011). Consequently, by building on in this research direction, it is proposed that:

Hypothesis 3: The relationship between entrepreneurial alertness and business growth is moderated by positive perceptions of the cognitive institutional dimension.

2.2.3 The normative institutional dimension

Past studies show that societal norms and values influence how individuals in a country regard entrepreneurship to the extent of influencing their desire for entrepreneurial activity (Busenitz et al., 2000; Stenholm et al., 2013). Davidsson and Wiklund (1997) indicate that where there is a supportive environment and where societal norms, values and beliefs incline a person towards new small business formation and growth, there is a sense of legitimisation of entrepreneurship. However, where institutions are not legitimised, entrepreneurs construe institutional change as hindrances to growth and may develop their solutions to institutional voids (Khanna & Palepu, 2010; Welter & Smallbone, 2011). Unless entrepreneurs perceive an environment where entrepreneurship is legitimised, through endeavours such as social networks that entrepreneurs can utilise to grow their small businesses they will typically not engage in entrepreneurial activity (Edelman & Yli-Renko, 2010).

If entrepreneurship is not valued in the culture of a particular country, it tends to be associated with criminality and corruption, and productive

entrepreneurial efforts will prove ineffective (Baumol, 1990). Furthermore, not only does corruption have a negative impact on entrepreneurs needing to grow their small businesses, but it also tends to lead to a decrease in both perceived opportunities and the desirability of entrepreneurship, thereby affecting an already small pool of high-growth intentional entrepreneurs in emerging economies (Herrington et al., 2017; Urban & Hwindingwi, 2016). Consequently, in recognising the importance of the normative institutional dimension, which shapes the entrepreneurs' norms and attitudes towards legitimate entrepreneurial efforts, it is hypothesised that:

Hypothesis 4: The relationship between entrepreneurial alertness and business growth is moderated by positive perceptions of the normative institutional dimension.

3. Method

The study takes place in South Africa and makes an empirical contribution in relation to Manolova et al.'s (2008) observation that a large part of research on institutions and entrepreneurship has been either case-based or principally examined only from the regulatory institutional environment context.

3.1 Sampling and Data Collection

The paper was based on a sample of entrepreneurs operating their businesses in the greater Johannesburg area in South Africa. The population for this paper was based on sampling frames such as the South African National Small Business Chamber (NSBC, 2016) and took place in the broader Johannesburg which dominates the South African economy (StatsSA, 2016). The sample was randomly drawn from the computerised information network of these databases on the criterion that it should include small businesses representing varying product, size, and age groups. Entrepreneurs were approached via telephone and email to elicit information for the paper and with the proviso that their small businesses had to be independent entities with no affiliation to any company group or chain (Davidsson, 2004). To ensure that respondents understand the questions written in English, the sample was confined only to respondents who held at least a matriculations certificate.

Small businesses were selected in accordance with the common method of defining SMEs in South Africa by several a pre-determined set of thresholds in terms of the number of employees, turnover and assets per each sector or sub-sector in accordance with the standard industrial classifications (StatsSA, 2016). For the purpose of this paper, only medium and small

classes of businesses as per the Schedule of the National Small Business Amendment Act No. 29 (RSA, 2003) were sampled. Additionally, and in line with the Global Entrepreneurship Monitor (GEM) studies' operational definitions of entrepreneurs (Xavier et al., 2012), the small businesses had to represented by owner-managers who currently own and manage their business. Owner-managers are typically well positioned in respect of overarching strategic endeavours of the entire small business (Davidsson, 2004; Urban, 2017). Following the sample selection criteria, these SME sample parameters also served as control variables, which included the size of the small business and age of the small business.

Based on the study population, a total of 1100 randomly selected small businesses were surveyed. Owner-managers who were contactable and who met all the selection criteria were requested to complete the survey. Over three weeks and after several requests and reminders, a total of 120 respondents served as the final sample (11% response rate), which was deemed acceptable for solicited surveys of this nature (Sheehan & McMillan, 1999).

Tests looking for potential sources of bias in the sample were carried out by analysing whether there were differences between respondents and non-respondents according to size and age of small businesses. Using a Wilcoxon-Mann–Whitney test (Cooper & Emory, 1995), no significant differences were detected. Additionally, t-tests revealed no significant differences between early and late respondents in terms of small business size and small business age. Thus, non-response was not a major concern in interpreting the outcome of this survey.

3.2 Measures

Existing instruments were examined for suitability and the measures were operationalised based on the theoretical constructs discussed in the literature.

The dependent variable (DV), growth performance was operationalised as the relative growth in employment, sales and profits over three years. By taking into consideration the multidimensional nature of performance, with variables focused on various subjective, self-reported growth and performance indicators (Steffens et al., 2009), the relative growth of the sample of small businesses was surveyed in relation to the 2012-2015 period, in order to allow for calculation of the compound growth as a cumulative period. It has been argued that growth is a more accurate and easily accessible performance indicator than any other accounting measures and hence superior to indicators of financial performance (Dobbs & Hamilton, 2007). Moreover, research evidence supports the fact that there is a high level of consistency between perception and actual objective small business performance measures (Poon et al., 2006).

Independent variable (IV): Entrepreneurial alertness was operationalised based on three conceptual domains as conceived by Tang et al. (2012). These domains are in turn reflective constructs based on the respondent perceptions of opportunities in terms of (1) scanning and search (4 items), (2) association and connection (5 items), and (3) evaluation and judgement (5 items). Sample items included 'I have frequent interactions with others to acquire new information'; 'I see links between seemingly unrelated pieces of information'; 'I can distinguish between profitable opportunities and not-so-profitable opportunities'. All items were measured with five-point Likert scales ranging from *strongly agree (5)* to *strongly disagree (1).*

Moderator variables (MVs): The three institutional dimensions discussed in the literature served as the MVs: The regulatory, normative, and cognitive institutional dimensions were measured with six items each. As noted by Manolova et al. (2008), the Busenitz et al. (2000) scale is a suitable instrument to use in the context of emerging economies, where high reliability, internal consistency, and construct validity have been demonstrated. For the present paper, all items were measured with five-point Likert scales ranging from *strongly agree (5)* to *strongly disagree (1).* Sample items included 'Government organisations in this country assist individuals with starting their businesses'; 'Turning new ideas into businesses is an admired career path in this country'; 'Those who start a new business know how to manage risk'.

Prior research notes that perceptions may influence behaviour as entrepreneurs interpret and make sense of their environments (Edelman & Yli-Renko, 2010). Consequently, in the context of the present study institutional moderator effects were hypothesised as they tend to influence the conditions of the main relationship between the IV and DV in the context of its magnitude or direction, while mediation variables transmit the effect of the IV on the outcome variable (Baron & Kenny, 1986). Nonetheless, it is acknowledged that complex interdependencies may exist between individual-level factors, such as alertness on the one hand, and between institutional conditions, on the other hand.

Control variables: The age of the small business (years of operation since the small business was created), and business size (total full-time equivalent of paid employees is classified as Medium = 200 employees, and Small = 50 employees) (RSA, 2003) were included as control variables in the model to control for potential liabilities of newness, which might impact growth performance (Anderson & Eshima, 2013).

3.3 Data Analysis and Quality Checks

Firstly, data distributions were checked for normality through observation of the values of skewness and a kurtosis test. Values between −2 and +2 were

observed which are considered acceptable to prove the normal univariate distribution (Cooper & Emory, 1995). Secondly, all the measures were subject to validity and reliability testing. The hypotheses were tested using correlational and regression analysis.

Considering the nature of data collected, all from the same source, the paper was susceptible to common method bias (Podsakoff et al., 2012). Several procedural and statistical steps were taken to counter these risks. First, all questions were answered anonymously, and the questionnaires were returned directly to the researcher; thus reducing any need for respondents' social desirability bias (Crowne & Marlowe, 1960). Second, existing scales were adapted and piloted (n = 22) to ensure that the scale items were clear and unambiguous to respondents. Third, the physical proximity between predictor and criterion variables on the questionnaire was minimised.

Statistically, a single principal component analysis (PCA), using Harman's one-factor test was used for all items relating to the constructs (Podsakoff et al., 2012). Results showed eigenvalues greater than 1.0 for four components, which accounted for 72% of the variance. The largest component accounted for only 13%. Consequently, no single factor accounted for the majority of the variance and no evidence of common method bias was identified.

3.4 Validity and Reliability

To test for construct validity first, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity were calculated. The KMO measure of sampling adequacy test indicated an adequate figure of 0.81 (which is better the threshold of 0.6), and Bartlett's test of sphericity was significant ($p \leq 0.001$) and hence provided support for factorisation of variables (Cooper & Emory, 1995). Exploratory Factor Analysis (EFA) using the principal axis factoring method with Harris Kaiser Case II rotation was used. Eigenvalues greater than one and factor loadings of ≥ 0.5 were regarded as the rule of thumb minimum values (Hair et al., 2010). After deleting items that had poor or multiple loadings, five factors explaining over 70% of variance emerged from EFA results. To improve clarity on the derived factors, factor analyses results have been separated into those of predictor variables and those of outcome variables. Factors were identified as follows: IV: entrepreneurial alertness items combined on three sub-factors as expected, where loadings ranged from 0.760 to 0.823, and explained 73% of the total variance.

Based on the study hypotheses, and the satisfactory results obtained for the first-order factor analyses, the entrepreneurial alertness construct was formed through averaging of the first-order factor multi-item indicators, and used as a synthesised construct in further analyses; the rationale for using a

synthesised construct is based on the early theoretical development of this construct in an emerging market context (Urban, 2017). For the MVs, the items for regulatory, cognitive and normative dimensions loaded satisfactorily onto three separate factors and explained 76% of the variance. For the outcome variable – growth performance, all of the items loaded satisfactorily onto a single factor and explained 85% of the variance. The correlation of the items with the factor was high and positive, with factor loadings ranging from 0.71 to 0.91.

In summary, based on the EFA results the following extracted factors were acknowledged and used as theoretical constructs reflecting the paper hypotheses: *Factor 1 = Entrepreneurial alertness; Factor 2 =Regulatory institution; Factor 3 = Cognitive institution; Factor 4 = Normative institution; Factor 5 = Growth performance.* Scale reliabilities were calculated on these factors using Cronbach's alpha coefficient (Nunnally, 1978) for internal consistency, and satisfactory results were obtained (>.70), (see Table 1).

3.5 Descriptives and Correlations

Table 1 shows means, standard deviations and inter-correlations of the study variables. On a scale ranging from 1 to 5, the results show that all the variables were, on average, above mid-point, with the highest and lowest mean score observed for EA (M = 3.85, SD = 0.98) and cognitive institution (M = 3.37, SD = 0.76) respectively.

Table 1. Descriptive statistics, reliabilities and correlation matrix

	1	2	3	4	5	6	7
1. Growth Performance	1.000						
2. Entrepreneur alertness	0.333*	1.000					
3. Regulatory institution	0.343*	0.884*	1.000				
4. Cognitive institution	0.295*	0.226	0.306*	1.000			
5. Normative institution	0.346*	0.233*	0.153	0.677*	1.000		
6. Age of small business	0.254*	0.032	0.074	0.197	0.358*	1.000	
7. Size of small business	0.215*	0.077	0.093	0.084	0.114	0.084	1.000
Mean	3.775	3.852	3. 457	3.376	3.623	3.387	3.891
Standard deviation	0.849	0.985	1.051	0.769	0.658	1.169	1.118
Cronbach Alpha	0.916	0.772	0.729	0.811	0.963		

Note: * = p <.05

Table 1 further shows that growth performance correlated positively and significantly with EA ($r = 0.33$, $p \leq 0.01$), regulatory institution ($r = 0.34$, $p \leq 0.01$), cognitive institution ($r = 0.29$, $p \leq 0.01$) and normative institution ($r = 0.34$, $p \leq 0.01$). This pattern of correlations suggests that high levels of associations between the variables and growth, and vice versa. Collinearity diagnostics were also calculated and show relatively low variance

proportions across the study factors. These diagnostics when read in conjunction with collinearity statistics indicate variable inflation factor (VIF) values of >1, which are deemed as acceptable and can be interpreted as having no incidence of multicollinearity (Cooper and Emory, 1995).

4. Results and Discussion

Table 2 represents regression results for the two models, one with (model 1) and one without (model 2) moderator effects. Model 1, the base model shows a significant F value (4,114) of 7.671 ($p < .001$). This model reveals that EA significantly influences the DV (growth performance). An adjusted R^2 of 0.184 means that this model explains 18.4% variance in growth performance as a result of the hypothesised IVs. Consequently, H1 is supported, which predicted that there is a positive relationship between entrepreneurial alertness and small business growth.

Additionally, in model 1, the control variable – age of small business also seems to play an influential role in growth performance as it has a significant beta weight of 0.213 ($p < .001$). This is an interesting finding when considering that the age of the small business also played a significantly influential role in growth performance. A plausible reason may be related to evidence in the regulatory and normative institutional environments where corruption in terms of bribery payments increases with firm age and size. This means that a small business may learn to manage institutional constraints as they grow, but the pressure from corruption may also increase due to the increased ability to pay bribes (Lee et al., 2015).

In order to assess the significance of the moderators, in this case, the institutional dimensions, first an estimate of the unmoderated equation was calculated, followed by an estimate of the moderated relationship and then the change in R-squared was assessed to see if the change is statistically significant (Hair et al., 2010).

Model 2 shows a significant F value (10,110) of 4.163 ($p < .001$). This model reveals that EA, together with the regulatory, cognitive and normative institutional dimensions, positively influence the DV. In terms of their moderating effects, the regulatory institution has a significant moderating effect with EA ($\beta = 0.311$; $p < .05$), the cognitive dimension has a significant moderating effect with EA ($\beta = 0.330$; $p < .05$), while the normative institution also shows a significant moderating effect with EA ($\beta = 0.230$; $p < .05$). An adjusted R^2 of 0.212 means that this model explains 21.2% variance in growth performance as a result of the hypothesised IVs and MVs.

Consequently, H2, H3 and H4 are supported, which predicted that the relationship between entrepreneurial alertness and small business growth is moderated by the regulatory, cognitive and normative institutional dimensions. Additionally, in model 2, the control variable – age of small

business also seems to play an influential role in growth performance as it has a significant beta weight of 0.192 (p <.0005).

These positive results converge with study findings which show that entrepreneurial alertness allows the individual to identify entrepreneurial opportunities in response to challenges in the regulatory environment (Valliere, 2013). In many emerging economies, entrepreneurs are often subject to institutional voids and face unique regulatory demands (Hoskisson et al., 2013). For instance, in South Africa, a cumbersome and lengthy bureaucratic regulatory process inhibits entrepreneurs from growing their businesses (Urban & Hwindingwi, 2016). This becomes particularly relevant as emerging markets reflect those transactional arenas where buyers and sellers are not easily or efficiently able to come together as a result of regulatory challenges (Khanna & Palepu, 2010).

Table 2. Regression results with moderation effects

Model 1: Base model			**Model 2: Base with moderator**		
	Beta (β)	***p*-value**		**Beta (β)**	***p*-value**
Constant	2.760	0.000***	Constant	2.805	0.000***
Entrepreneur Alertness	0.158	0.079*	Entrepreneur Alertness	0.115	0.089*
Age of small business	0.213	0.001***	Age of small business	0.192	0.005**
Size of small business	0.021	0.157	Size of small business	0.021	0.179
			Regulatory Institution	0.323	0.090*
			Cognitive Institution	0.197	0.072*
			Normative Institution	0.313	0.081*
			Moderator 1 (Regulatory and EA)	0.311	0.053*
			Moderator 2 (Cognitive and EA)	0.330	0.082*
			Moderator 3 (Normative and EA)	0.230	0.070*
R^2	0.212		R^2	0.277	
Adjusted R^2	0.184		Adjusted R^2	0.212	
F(4,114)	7.671***		F(10,110)	4.163***	

Note: * = p <.05; ** = p <.01; *** = p <.001

Notwithstanding such institutional challenges, it is evident that the present study sample of respondents perceives the relationship between entrepreneurial alertness and business growth as positively moderated by the regulatory institutional dimension. This means that these entrepreneurs' small business growth trajectories are enabled since alert individuals see more opportunities as they understand and make sense of the local institutional regulatory regime. In other words, those with higher levels of

entrepreneurial alertness see more opportunities and grow their businesses, despite the institutional obstacles they face.

This finding resonates with past research that recognises environments are neither certain nor uncertain in themselves, but perception makes them so - if individuals perceive an environment to be dynamic and uncertain they are likely to make decisions that can deal with such dynamism in their environments (Welter & Smallbone, 2011).

5. Conclusion and Implications

The paper sets out to explain the relationship between entrepreneurial alertness and business growth, while at the same accounting for the moderating influence of the institutional environment in an emerging market context. Based on the empirical evidence stemming from the study, the hypotheses were supported in terms of the moderating influence of the regulatory, cognitive and normative institutional dimensions on the relationship between entrepreneurial alertness and business growth.

The study findings resonate with past research insofar as entrepreneurial perceptions of the regulatory, cognitive and normative institutional dimensions lead to growth as a result of the combined effect of these dimensions (García-Cabrera et al., 2016). This means that as a result of positive perceptions of these institutional dimensions, there is a perceived match in the environment between legal and regulatory (formal) and social (informal) norms, which are deemed favourable (cognitive) to alertness and subsequent business growth. Furthermore, similar to prior studies (García-Cabrera et al., 2016), it seems that when the individual perceives the regulative and normative aspects of institutions to be congruent, this manifests into a compensatory effect on the desired outcome or in this case business growth. Therefore, when shortcomings in some areas of a particular institutional dimension are perceived, this encourages the entrepreneur to pay closer attention to other areas in other institutional dimensions capable of legitimising a particular motivation and supporting them in their decision (García-Cabrera et al., 2016). Such connections between the institutional dimensions suggest that entrepreneurs look to their environment in search of those aspects of institutions that allow them to be alert and also reduce risks while carrying out their growth strategies (Edelman & Yli-Renko, 2010).

Additionally, by taking into account the agency of the individual, as this paper has done in terms of entrepreneurial alertness, it can be concluded that alertness and perceptions of the nature and quality of institutions in a nation determine whether individuals will pursue entrepreneurial growth (Welter & Smallbone, 2011).

The study results are insightful for researchers and policymakers, as well as for entrepreneurs, particularly as alert entrepreneurs who continuously

assess their environment and recognise the moderating effects of the institutional dimensions. By focusing on institutional perceptions and entrepreneurial alertness, this paper has brought attention to the fact that the regulatory, cognitive and normative institutional dimensions positively moderate the relationship between alertness and business growth of small businesses operating in the greater Johannesburg area in South Africa. These findings add to the accumulating body of research which indicates that an enabling institutional environment can play an essential role in either accelerating or inhibiting the establishment and growth of businesses (Stenholm et al., 2013).

In many African countries, enterprises have been shown to contribute substantially to job creation and expansion, where the promotion of conditions that are essential for enterprise competitiveness and globalisation are pivotal (Urban & Hwindingwi, 2016). However, in South Africa with low levels of total entrepreneurial activity (TEA) rate, remains among the lowest in the peer group of developing nations (Herrington, Kew & Mwanga, 2017) with the majority of its entrepreneurial activity concentrated in the informal sector rather than high-growth-orientated entrepreneurship (Urban, 2017). Researchers argue that the prevailing conditions facing entrepreneurs in many African countries, such as South Africa, 'make simply surviving a miracle, where the challenge is then to turn the miracle of survival into the miracle of growth' (Rogerson, 2001).

The context where the study took place also has relevance as prior studies recognise that it is not the number of entrepreneurs which predominate in a country that matters, but rather the quality of high-growth opportunity-based entrepreneurial activity in a country (Stenholm et al., 2013). Not only do entrepreneurs face structural challenges, but their expectations of growth and job creation are also low. To bring about more high-growth opportunity-based entrepreneurial activity in emerging economies such as South Africa, entrepreneurial skills training programmes need to be developed to improve levels of entrepreneurial alertness in terms of the individual activities that constitute the entrepreneurial alertness process. Educators need to incorporate the elements of scanning and search, association and connection, and evaluation and judgement in the design of curriculum and teaching methodologies.

Furthermore, policymakers need to recognise that elevated levels of entrepreneurial alertness are moderated by positive perceptions of the institutional environment, allowing them to discover specific opportunities that are not visible to other people. If the institutional framework of a country is not perceived as conducive or favourable to growth, it becomes difficult for entrepreneurs to formulate strategies which bring about the desired growth (Stenholm et al., 2013). Apart from dismantling structural obstacle to enable a more equitable distribution of opportunities (Xavier et al., 2012),

and enable business growth, policymakers can encourage high-growth entrepreneurship through a low regulation route while simultaneously providing a high-support role in terms of the normative and cognitive institutional environments. If the public policy goal is to develop entrepreneurial activity in a country by promoting business growth, the examination of institutional conditions is especially useful for policy planning because institutional dimensions are more speedily sensitive to policy reforms, whereas individual-level factors may require more time to be affected by public policy (Stenholm et al., 2013).

The paper is not without limitations which include typical cross-sectional shortcomings as the paper loses the dynamic aspects of how institutional dimensions may well change over time with focused reform measures and consequently influence the growth of small businesses. In this regard, longitudinal studies are required to test whether entrepreneurial alertness could endure and how it could impact growth over time. Another limitation is that while moderation analysis in the behavioural sciences involves the use of linear multiple regression analysis, as used in this study, more robust techniques such as moderated regression analysis and causal modelling could be employed in future studies. While the present study did not hypothesise for any interactions between the variables, researchers are advised to the only test for interactions based on theory. As with previous studies, using aggregate measures of the institutional environment may mask subtle and persistent differences (Manolova et al., 2008), and less readily observable influences such as cultural traditions and the effect of informal political institutions such as party politics and nepotism, both of which are highly prevalent in South Africa, need to be accounted for in future studies.

Future studies could focus on the nexus between specific attributes of individuals in emerging economies and the environmental challenges they face. For instance individuals with varying cognitions, capabilities, and motivations have differential interests, which consequently impact the local economy. In this sense, there is a reason to suspect that in an emerging economy, such as South Africa, entrepreneurs may respond differently to the institutional environment and subsequently the nature and trajectory of the growth of their small business may differ as well. Future research could also investigate if a higher level of entrepreneurial alertness in emerging economies is associated with higher levels of social innovations, considering entrepreneurs face more pressing social ills in these hostile institutional environments.

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