

The Moderating Role of Bridging Ties between Risk-Taking, Proactiveness and Performance: The Evidence from Iranian SMEs

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Abstract

This study explores the interaction effect of bridging ties by looking at the relationship between proactiveness, risk-taking, and performance. A questionnaire was administered to 150 manufacturing Small and Medium Enterprises (SMEs) in Iran. A model relating proactiveness and risk-taking to performance with the moderating role of bridging ties was tested using Statistical Package for the Social Sciences (SPSS) and the results proved significant. Our results indicate a positive relationship between proactiveness, risk-taking and performance. The main contribution of this study resides in addressing the significance of firm performance as a dependent variable deserving of more attention in the field of entrepreneurship and networking.

Keyword: risk-taking, proactiveness, bridging ties, SMEs, Iran

1. Introduction

Small and medium enterprises (SMEs) have solicited the consideration of many researchers regarding its role in providing employment, poverty reduction and motivating economic improvement opportunities (Talebi, Tajeddin, Rastegar, & Emami, 2012). Jalali, Jafaar, and Ramayah (2014) argued that SMEs concentrating on meeting client requirements can successfully enter the universal market. SMEs play an important role in most developed countries such as the USA and the UK, and account for one third of industrial employment (Smit & Watkins, 2012). In Switzerland, there are almost 300,000 SMEs comprising close to 95% of active firms (Tajeddini & Mueller, 2009). In developing countries where SMEs contain economically dynamic enterprises, the SMEs' achievements are far more significant than in developed countries (Jalali, Jafaar, & Ramayah, 2013; Rwigema & Karungu, 1999). In one developing country, The Philippines, SMEs provide almost 70% of the country's total employment and 30% of the country gross domestic product (GDP) (Roxas & Chadee, 2012).

Likewise, SMEs account for approximately 75% of all the Iranian firms where 63% of the workforce is employed in the private sector. Overall, SMEs contribute the value-added of approximately 30% (Jalali et al., 2014). SMEs in Iran are defined as micro enterprises with 1–9 employees, small enterprises with 10–49 employees, and medium enterprises with 50–99 employees (Jalali et al., 2013). According to Talebi and Tajeddin (2011), Iranian public policy is interested in SMEs because of the latter's function in elevating flexibility and innovation and in creating jobs as well as their powerless role in employment despite the huge size of the sector in comparison with large enterprises. Jalali et al. (2013) argued that Iranian SMEs experience chronic problems with having insufficient funds, traditional structures in different aspect of the organizational hierarchy, human power and technology, inexperienced managers and employees, and a lack of entrepreneurial abilities and orientation.

By emphasizing the resource-based view (RVB), a study was conducted on the Iranian speculative SMEs to peruse the precious know-how required to succeed. An RBV concentrates on a firm's tangible and intangible resources, thereby providing insight into a firm's competitiveness to develop unique products for niche markets (Terziowski, 2010). Cohen and Kaimenakis (2007) argued that few studies have investigated intangible resources, such as proactiveness, risk-taking and bridging ties in SMEs. SMEs, compared to larger firms, expand their ties as a significant intangible resource with greater ease and use the knowledge from their associations more readily

in order to achieve higher performance (Desouza & Awazu, 2006). In the same manner, Wong and Aspinwall (2004) argue that SMEs' close proximity to other firms enables them to acquire knowledge more readily compared to larger firms.

The "external social capital" that bridging ties beyond networks is beneficial to firm performance (Klyver & Schenkel, 2013). A superior understanding of the conditions, in which proactiveness and risk-taking enhances firm performance, requires a contingency perspective that emphasizes the importance of fit in the firm's strategic posture and other constructs of interest (Lumpkin & Dess, 1996). Therefore, the current study aims to determine how social capital embedded in bridging ties affects the relationship between proactiveness, risk-taking and firm performance. This paper identifies bridging ties, in exploring the impacts of relationships, networks, and reputation on the creation and subsequent development of SMEs.

Most SME studies in Iran have focused only on innovative strategies (e.g., Kamalian, Rashki, & Arbabi, 2011; Maatoofi & Tajeddinni, 2011; Talebi & Tajeddin, 2011) and the role of IT (e.g., Sanayei & Rajabion, 2012, Talebi et al., 2012). The impact of proactiveness and risk taking on the performance of SMEs in Iran remains unclear. This study attempts to fill this gap by focusing on these two variables.

Given that very few studies have been conducted in relation to this topic in Iran, there is a knowledge gap in the literature concerning with regards proactiveness and risk-taking. Thus, the first objective of this study is to investigate the relationships between the proactiveness, risk-taking and firm performance. The second objective is to investigate the effect of bridging ties as a moderator of proactiveness, risk-taking and SME performance. The paper is structured as follows: Section 2 characterizes the basic concepts of the paper and reviews relevant literature; a description of the methodology follows in Section 3, Section 4 presents the basic findings; and Section 5 summarizes the results along with their implications.

2. Literature Review

2.1 Resource-based View (RBV) and Social Capital Theory as Underpinning Theories

Resources can be tangible or intangible in nature. Tangible resources include capital and access to capital and location, among others, while intangible resources consist of knowledge, skills and reputation, entrepreneurial orientation, and so on (Perrigot, López-Fernández, & Eroglu, 2013). The RBV suggests that differences in performance among firms are best explained through differences in firm resources including their accumulation and usage (Lockett, Thompson, & Morgenstern, 2009; Peteraf, 1993). Different kinds of resources contribute toward firm performance. Peteraf (1993) reports that one major contribution of RBV is explaining long-term differences in firm profitability and performance, which cannot be attributed to the variations in the industry conditions. Recent evidence suggests a relationship between organizational performance and intangible assets, which comprise of the firm's human capital (Perrigot et al., 2013), social capital-organizational or individual networks, organizational capital and capabilities (Meihami, Varmaghani, & Meihami, 2014; Zahra, 2010), and accessible financial capital (Cooper, Gimeno-Gascon, & Woo, 1994; Robb & Robinson, 2014).

The pattern of social capital in meliorate entrepreneurship is confirmed by the literature. For example, Aldrich and Martinez (2010) and Audretsch and Keibach (2004) argued that social capital play a significant role in entrepreneurship. Such a link between social capital and performance is supported by empirical research (Meihami et al., 2014; Putnam, 2000). The social capital perspective posits that network ties can help small and medium firms improve their knowledge and give them access to different types of recourses, which can promote innovation (Batjargal, 2007; Lechner & Dowling, 2003; Zahra, 2010). Hence, social capital builds networks among individuals within an industry and between firms and organizations outside the industry; furthermore, different kinds of resources can be concluded from these networks (Hessels, 2008; Zahra, 2010).

2.2 Proactiveness and Performance

Proactiveness is defined as acting to shape the environment by influencing trends, developing demand, and becoming a leader among competitors (Craig, Pohjola, Kraus, & Jensen, 2014; Lumpkin & Dess, 1996). In a rapidly transforming environment where both product and business models have very short lifecycles, future profits create from existing operations with ambiguity; thus, firms must constantly seekout new opportunities. The specifications on entrepreneurial firms must enable them to beat their competitors and be the first to come up with proactive creations (Craig et al., 2014; Jalali et al., 2013; Miller, 1983). This action has been characterized as strategic agility (Bullinger, 1999) and is similar to the concept of dynamic abilities as first proposed by Teece (2007). This is the capacity to sense weak signals and seize upon them with appropriate entrepreneurial investment behaviors. One recent study found that proactive small firms can develop competitive advantage by making initiatives, creating novel demands and markets, and by charging higher

prices (Craig et al., 2014). Thus proactiveness strategy is positively related to performance (Avalonitis & Salavou, 2007).

Entrepreneurial proactiveness is a fundamental aspect of competitive advantage and innovation output (Brandle, 2001; Jalali et al., 2014). Proactive firms find more opportunities ahead of their competitors, create initiatives that give them advantages in the market, and charge higher prices than their rivals (Craig et al., 2014; Zahra & Covin, 1995). Such firms can govern the market by capturing the dispensation channel and establishing brand recognition (Wiklund & Shepherd, 2005).

2.3 Risk-Taking and Performance

Risk-taking is defined as the willingness to be bold and aggressive in pursuing opportunities, and in preferring high-risk projects with chances of very high returns over low-risk projects with lower and more predictable rates of return (Jalali et al., 2013; Katz & Brockhaus, 1993). March (1991) and McGrath (2001) believed that firms with tried-and-true strategies lead to high mean performance, while risky ventures may lead to low mean performance, such projects may either fail or prosper over the long term. Kraus and Harms (2011) found that family firms prefer not to take risk or optimistically conservative to take risk. Accordingly, Craig et al. (2014) and Naldi et al. (2007) found a negative relationship between risk-taking and performance among Finnish family firms.

Despite the results of previous studies finding a negative relationship between risk-taking and performance, entrepreneurs generally accept that entrepreneurship involves risk-taking; thus, they are willing to take risks in return for potential rewards (Gebreegziabher & Tadesse, 2014; Jalali et al., 2014; Segal, Borgia, & Schoenfeld, 2005). Furthermore, Mc Clelland (1961) argues that entrepreneurs are more eager to take risks than non-entrepreneurs. Frese, Brantjes, and Hoorn (2002) argued that firms are likely to seize beneficial deals if they have a risk-taking orientation and risk-taking is positively related to success. In general, the links between risk-taking and performance is less obvious (Wiklund & Shepherd, 2005).

2.4 Interaction Effect of Bridging Ties

Recent literature found that social capital has a positive impact on the relationship between proactiveness, risk-taking and firm performance (e.g., Anderson & Eshima, 2011; Zhang & Zhang, 2012). Bridging ties refers to the extent to which a firm establishes bonds outside of the central industry network, typically with organizations from other fields (Geletkanycz & Hambrick, 1997). Bridged ties are unique and direct network bonds between two social circles, where no other direct or indirect ties connect the two groups (Granovetter, 1985; Zahra, 2010). A structural bridge is more likely to connect people with diverse perspectives, different outlooks, varying interests, and diverse approaches to problems (Arregle et al., 2007; Granovetter, 1985).

Such ties beyond the private industry are especially significant for firms with strong proactiveness and a risk-taking strategy. This is because they simplify achievements to complementary resources that are not achievable within industry boundaries, but are necessary for the entrepreneurial firms to access value from their strategies (Arregle et al., 2007; Teece, 1986). Product development can benefit from cooperative relations with organizations outside the industry such as research communities (Allen, 1977; Henderson & Cockburn, 2006; Zahra, 2010). *“An entrepreneur might be connected to a network that has high level of expertise in a particular technology and also be connected, unrelated network of actors inside the organization who have a problem that might be solved through application of the technology. By having a deep understanding of both the technology and the problem, the entrepreneur is able to see the potential of making new combination.”* (Low & Abrahamson, 1997, pp. 443).

Thus, bridged bonds perform the role of a searching device, allowing entrepreneurial firms to rapidly identify new trends and incommensurability in a market as compared with other firms lacking such connections. Apart from providing access to pioneer resources, bridging ties permits firms to connect themselves with more prosperous and well-organized firms and institutions operating in their external environment (Stuart, Hoang, & Hybels, 1999). Given that firms with strong proactiveness tend to be the first to introduce new products and services that significantly depart from existing offerings, they are in greater demand in building legitimacy for their innovations (Aldrich & Fiol, 1994). Establishing various sets of bridging ties also allows entrepreneurial ventures to generate an understanding of their entrepreneurial innovative activities among exterior resource providers; increasing their legitimacy by “piggybacking” on the validity of these organizations from other industries (Starr & MacMillan, 1990). Bridging ties with, for example, venture capitalists, the education sector, and the media enables entrepreneurial ventures to demonstrate their proportion with current norms and practices, facilitating access to precious resources that ensure firm growth and survival (Zimmerman & Zeitz, 2002).

3. Research Methodology

3.1 Research Framework

The above discussion provides a support for the conceptual framework below (Figure 1).

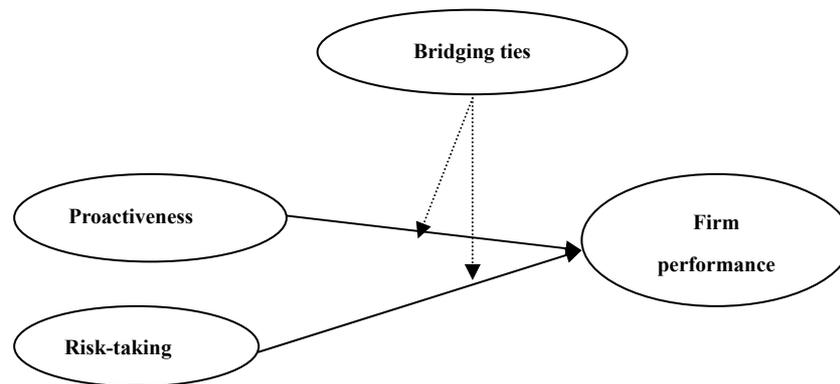


Figure 1. Conceptual frame work

In relation to the above, the two main hypotheses and respective sub-hypotheses are listed below.

H1: proactiveness is positively related to the performance of SMEs.

H2: Risk-taking is positively related to the growth-profitability of SMEs.

H3: Bridging ties moderated the relationship between proactiveness and firm performance.

H4: Bridging ties moderated the relationship between risk-taking and firm performance.

3.2 Sample and Data Collection

To test these hypotheses, a survey method was used to seek responses from various manufacturing SMEs in the Tehran and Isfahan provinces of Iran. These provinces were chosen because there are the first and the second largest provinces in Iran. Using a preliminary draft questionnaire, a pilot study was conducted with 20 firms from Tehran, whose responses were then excluded from the final study. The questionnaire was revised using the feedback from the pilot study group and, in accordance with a sample frame provided by the 2008 Iran Statistical Year Book, which was created by a random sample of manufacturing enterprises.

The sample was cross-sectional. Face-to-face interviews with entrepreneurs were conducted in order to increase the questions' readability. A total of 580 enterprises were approached from March to September 2012, and 158 enterprises agreed to participate. After eliminating firms later liquidated, 150 firms were included in our analyses. Therefore, the effective response rate was 26% (150/580). One issue pertinent to survey methodology was nonresponse bias. Nonresponse bias exists where there are significant differences between the answers of respondents and nonrespondents (Lambert & Harrington, 1990). We followed up with 422 nonresponding firms and compared their answers with those who responded to our survey using a t-test. All t-statistics were insignificant.

Similarly, we followed the convention of comparing the respondents of the second wave with those of the first wave along with all the survey items (Stanley & Wisner, 2001) and did not find significant difference either. Finally, we split the final sample into two groups, depending on the dates completed survey were received. The early wave group consisted of 67 respondents; whereas the late wave group consisted of 83 respondents. The t-tests performed on the responses of these two groups yielded no statistically significant differences on demographic characteristics with a 99% confidence interval. We thus concluded that there was no significant nonresponse bias in this study.

4. Analysis

Hierarchical moderated regression analysis was used to test our hypotheses. This method is suitable to determine the effect of the moderating variable. According to Jaccard and Turrist (2003) the moderating effect exists if the variance explained in the criterion is higher for the model with interaction effect. West and Aiken (1991) emphasized on the important role of the predictor variables to build and interaction terms. Furthermore several regression diagnostics were used for all the models in order to determine where or not the assumptions for

normality and multicollinearity problems were satisfied.

4.1 Measures

To measure proactiveness and risk-taking, we used an eight item 'EO' scale (Covin & Slevin, 1989; Naldi et al., 2007). For risk taking, we also add three items, based on self-efficacy theory (Bandura, 1977), which measure an individual's belief that he or she is capable of mobilizing "*the motivation, cognitive resources, and courses of action needed to exercise control over events in their lives*" (Wood & Bandura, 1989, p.364). In according with the study of Davidsson (1989), compose dimensions, namely, growth-profitability, were used to measure firm performance. Growth focuses on the increase in sales and increased profits compared with competitors. In the current study, the percentage growth in total sales over the past three years, labeled "sales growth rate", and the percentage growth in profit over the same period, labeled as "profit growth rate", were used (Khatri, 2000). The response ranges (i.e., from 1 = 10%–20% to 8 = 90%–100% growth scores) were calculated; higher scores representing better growth. The respondents were asked to evaluate their firm's performance using financial information. The managerial ties scale created by Peng and Luo (2000) was used. This scale is recognized as a valid and reliable indicator of the extent to which a firm develops personal ties to organizations outside the industry. We provided the entrepreneurs with a list of 14 varieties of organizations, which were distilled from the professional questionnaires and expected to be significant sources of information and legitimacy for SMEs. Examples of organizations included in the list were industry association, health institutes, media, special training centers, political parties, and financial institutes, among others. The respondents were also requested to indicate the extent to which the owner of the firm created personal relations with each type of organization. The scores ranged from 1 ("very low relation") to 5 ("very high relation").

4.2 Validity and Reliability

Principal component analysis (PCA) of the proactiveness and risk-taking items (see Table 1) resulted in two components accounting for 74% of the variance in the items. The items measured proactiveness in the first component and risk-taking in the second component. The internal consistency of the scales was good. Proactiveness and risk-taking, had Cronbach's alpha values of 0.900 and 0.915 respectively.

Table 1. Principal component loadings of the proactiveness and risk-taking items

Item	PC	RC
Proactiveness (PC)		
Identify new markets according to the customer demands related to the current products or services	.607	.162
Try to find new technology for finalizing the farmer knowledge related to sale techniques and relation with other sellers or marketing of new products or services	.741	.180
Takes on a very competitive oriented "beat-the-competitor" position	.700	.232
Our company is very often the first company to introduce new products or services	.878	.050
Our company is very often the first company to introduce new administrative systems, methods of production etc.	.937	.065
Normally we react upon initiatives taken by our competitors and initiate changes upon which our competitors react.	.835	.069
Risk Taking (RC)		
A strong tendency toward getting involved in high risk projects (with a chance for high yield)	.205	.911
Start a business without adequate human resources	.114	.703
Live with uncertainty from return on investment	-.010	.847
Live in high competitive risk environment (the speed of product to be saturated in the market and enduring against competitors)	.196	.932
Endurance against market risk (number of customers greeting the new products or services)	.146	.858
Eigenvalues Value	4.073	3.814
Total Variance (73.84%)	27.150	25.428

Principal Component Analysis with Varimax rotation. KMO measure of sampling adequacy = .786.

PCA of the performance items (see Table 2) resulted in one component accounting for 64% of the variance in the items. The internal consistency was satisfactory (Cronbach's alpha = 0.712).

Table 2. Principal component loading of Firm performance

Item		Loadings
Increase in average profitability from total sales in the last 3 years	FM1	.879
Increase in total sales in the last 3 years	FM2	.889
Increase in profitability in relation to your competitors' profitability in the last 3 years	FM3	.609
Eigenvalues Value		1.934
Total Variance		64.47%

Principal Component Analysis with Varimax rotation. KMO measure of sampling adequacy = .587.

The PCA of items pertaining to bridging ties (see Table 3) resulted in one component accounting for 76% of the variance in the items. The internal consistency was satisfactory (Cronbach's alpha = 0.969).

Table 3. Principal component loading of the bridging ties items

Items	Factor	bridging ties
bridging ties		
Industry association		.905
Health institutes		.899
Political parties/ Government		.819
Specialized training and education centres		.898
Media (e.g. newspaper, radio, television)		.841
Foreign companies		.832
The incubators (e.g. companies that assist in networking, marketing, high speed internet access, access to bank loans and funds, guarantee programmes, etc.)		0.936
Open source software communities (i.e. focused on improving technical transfers between companies, generating social networks for collaboration among them)/ IT company		.810
Law firms		.753
Financial institutions		.877
Research institutions/ Universities		.629
Foreign open source organisations		.887
Educational associations		.883
Transport Industry		.888
Eigenvalues Value		4.933
Total Variance		76.27%

5. Results

Descriptive analysis showed the highest rate of proactiveness among respondents ($m = 4.53$, $SD = 0.66$), and risk-taking ($m = 3.57$, $SD = 0.89$). Based on the results of the descriptive analysis, most entrepreneurs in Iran thought that they possessed both proactiveness and risk-taking characteristics (see Table 4). This result was supported by Aloulou and Fayolle (2005), who found that the entrepreneurs or top managers of entrepreneurial firms possess both proactive and risk-taking characteristics. A Pearson correlation was performed to investigate the inter-correlation among the continuous variables (see Table 5). All of the variables showed significant correlation with firm performance. A medium correlation was observed between proactiveness and firm performance ($r = 0.482$; $p < 0.01$) and between risk taking and firm performance ($r = 0.480$; $p < 0.01$). Based on the analysis, the correlations among variables fell within the acceptable range (< 0.80). No multicollinearity issues were noted in this study.

Table 4. Descriptive statistics

Item	Mean	Std. Deviation
Proactiveness	4.53	.66
Risk taking	3.57	.89
Bridging-ties	3.62	.82
Firm performance	3.92	.85

Table 5. Correlation analysis

	proactiveness	Risk-taking	Bridging ties	FM
FM Proactiveness (PC)	1.000			
Risk taking (RC)	.299**	1.000		
Bridging ties	.378**	.048**	1.000	
Firm performance (FM)	.482**	.480**	.597**	1.000

Note. ** $p < 0.01$.

The hypotheses were tested using hierarchical regression analysis. Table 6 shows the moderating effects of bridging ties on the relationship between proactiveness, risk-taking and firm performance. This analysis consisted of three models. In Model 1, proactiveness ($\beta = 0.250$; t -value = 3.418; $p < 0.001$) and risk taking ($\beta = 0.351$; t -value = 5.293; $p < 0.001$) all have positively significant correlations with firm performance. Thus, H1 and H2 were supported. Risk-taking ($\beta = 0.351$) had the strongest positive relationship with growth-profitability, whereas the other proactiveness ($\beta = 0.250$) had a weaker relationship (Table 6). Furthermore, the model accounted for ($R^2 = 0.417$) 41.7% of the variance of growth-profitability. Model 2 concerns the inclusion of the moderating variable, with the model being significant ($F = 27.597$, $p < 0.001$) and the R^2 value denoting 43.2% of the variance being accounted for. Model 3 shows the results for the interaction effect of the moderating variable (bridging ties) and the independent variables, proactiveness and risk-taking, on the dependent variable (i.e., firm performance). This was done by including the interaction effects of bridging ties between proactiveness, risk-taking and firm performance. The model was found significant (F value=20.770, $p < 0.001$), wherein the R^2 value accounts for 48.2% of the variance, with 48.2% being attributed to the interaction terms. The interactive effects of bridging ties and proactiveness on growth-profitability was significant, as shown in Model 3 of Table 6; thus H3 was supported. However, the interactive effect of bridging ties and risk-taking were not statistically significant; thus, H4 were not supported.

Table 6. Results of interaction effect of bridging ties on relationship between proactiveness, risk-taking and firm performance

IV	Model 1	Model 2	Model 3
Proactiveness (PC)	.250***	.194*	1.271*
Risk taking (RC)	.351***	.361***	.608
Moderator			
bridging ties		.135*	2.071***
Interaction			
PC* bridging ties			-2.339***
RC* bridging ties			-.343
R^2	.417	.432	.506
Adjusted R^2	.405	.417	.482
R^2 Change	.417	.015	.074
F	34.777***	27.597***	20.770***
F Change	34.777	3.949	7.057

Note. * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$.

5.1 Simple Slope of the Moderating Effect of Bridging Ties

The plot line of bridging ties and the independent variable (proactiveness) shows a pattern consistent with that of the dependent variable (firm performance).

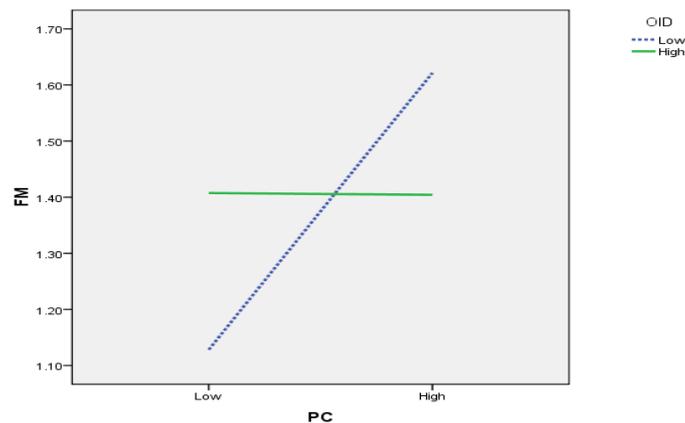


Figure 2. The interaction graph between bridging ties and proactiveness

Bridging ties moderated the effect of proactiveness on firm performance, which was stronger for low bridging ties, and showed no effect in the case of high bridging ties (see Figure 2). This stronger relationship is indicated by the slope of the low bridging ties compared with the slope of high bridging ties. Companies with low levels of bridging ties reported significantly higher levels of proactiveness.

6. Discussion and Conclusion

Descriptive analysis showed the highest rate of proactiveness ($m = 4.53$, $SD = 0.66$) and risk-taking ($m = 3.57$, $SD = 0.89$) among respondents. A high rate of competitiveness with established players is likely result in failure because of the lack of proactiveness and risk-taking strategies among Iranian SMEs.

The result for proactiveness support previous studies by Zahra and Covin (1995), Brendle (2001) and Wiklund and Shepherd (2005), who argued that proactive companies can develop competitive advantage by being innovators, targeting new demands and markets, and by charging high prices. Due to the large number of manufacturing SMEs in Iran, there are certain advantages in being the first business going into a market. Firstly, it can capture the market share more quickly without having to worry about competitors trying to capture identical customers. Secondly, when competitors do advance, as they inevitably will, the first mover and its operation team will have an advantage in the ensuing competition, such as having more familiar products and brand loyalty. The advantage of being proactive must, however, be solidified with resources. Money, human resources and knowledge are needed to insure these advantages will be maintained.

In terms of risk-taking, the results of this study conflict with those of previous studies. Naldi et al. (2007), found that there is a negative relationship between risk-taking and family firm performance and that there is a positive relationship between risk-taking and performance among Iranian SMEs. Our results do, however, support previous studies reporting that risk-taking strategy is significantly positively related to higher variability in profitability (Frese et al., 2002; Rauch et al., 2009; Soininen et al., 2012). Risk-taking enables Iranian SMEs to commit resources to ventures in uncertain environments that can lead them into international markets. Due to the changes in international environment and the necessity of integration in the international market, Iran needs to consider increasing its non-oil exports in order to become an active partner in the WTO-led globalization process.

On the other hand, although the principles of risk are pervasive throughout all kinds of enterprises, the usage risk-taking varies considerably among small and large enterprises. Many SMEs practice risk management when they estimate risks in the decision-making process (Ntlhane, 1995). In the risk-taking process, Iranian entrepreneurs should be aware that risk actions must be followed by some specific requirements of the enterprises, taking into account its resources, needs and prevailing opportunities. Thus, political decision-makers responsible for economic policy should consider ways by which to create incentives supporting SMEs engaged in growth actions with high risk-taking characteristics.

A moderating variable affects the direction and/or strength of the relationship between an independent and dependent variable (Baron & Kenny, 1986, p. 1173). Table 6 and Figure 1 show the results for the interaction effect of bridging ties on the relationship between proactiveness and firm performance. The model was found significant ($F = 20.770$, $p < 0.001$), with the R^2 value denoting 50.6% of the variance, 48.2% of which can be

attributed to the interaction terms. Thus, organizations outside the industry have a moderating role on the independent variable (proactiveness) and the dependent variable (growth-profitability).

These results highlight the importance of other types of capital such as customer capital, manifested in Iranian firms units, and the necessity of the fit between customer capital and bridging ties which leads them to pursue both proactiveness and risk-taking (Lumpkin & Dess, 1996). Jalali et al (2014) found that a firm's customer capital enables Iranian entrepreneurs to develop proactive and risk-taking capabilities resulting in greater profitability. Our results suggest that Iranian entrepreneurs who cultivate different type of ties simultaneously are more likely to perform better. Also, Iranian entrepreneurs should consider the nature of the external environment which has a significant role on the effectiveness of their managerial strategies (See Hitt, Bierman, Shimizu, & Kochhar, 2000).

7. Theoretical and Practical Implications

This study revealed that high bridging ties weakened the relationship between proactiveness and growth-profitability (see Figure 2). One possible explanation for this relationship is the lack of adaptability between the firm's strategic position and the composition of environmental factors, which adversely impacts the relationship between entrepreneurial orientation and firm performance (Lumpkin & Dess, 1996). Environmental factors, such as government financial aid and the protection of organizations outside the industry, can strain the relationship between Iranian SMEs and organizations outside the industry. Establishing extra ties between Iranian firms and external organizations can be expensive for Iranian manufacturing firms, and without government support they may not be able to create such ties. Another possible explanation is the contingent value of social capital (Ahuja, 2000). Maximum firm performance results from the combination of its quick and independent access to other firms in the particular industry network centrality and bridging ties. Creating relationships with other organizations outside the industry, without investing on networks, can adversely affect a firm's performance.

One unexpected outcome observed in this study was the lack of support for a moderating effect of bridging risk-taking and growth-profitability. This might be explained by the nature of the sample and measures used in this study. Given that risk-taking and bridging ties were found to be positively correlated, the outcome reflected limited variance in the bridging ties scores among SME manufacturing firms. Bridging ties in other types of industry networks may have a stronger moderating effect. Another possibility for the lack of moderation observed was our use of an aggregated measure of firm performance. Although supported by our factor analysis, an aggregated measure of firm performance might not be sensitive to the interactions between bridging ties and risk-taking (Lumpkin & Dess, 2001). One final possibility for this observation is the weak risk-taking strategy among Iranian entrepreneurs. It is likely that Iranian entrepreneurs do not sustain bridged ties with organizations outside their industry. These bonds are particularly important for ventures with a strong risk-taking strategy because they facilitate access to complementary resources not ordinarily available within the industry boundaries (Teece, 1986). This would suggest that Iranian SME's likely rely on current technology and information, and are not motivated to establish relationships with organizations outside the industry, such as universities. Such joint industry bridges can facilitate the development of new routine competencies and technologies that would have resulted in network bridging ties that "bring together new combination of productive factors" (Low & Amberson, 1997, p. 443).

This study contributes to the expanding body of entrepreneurship literature. We examined the composed dimension of firm performance based on the work of Cowling (2004), who have explicitly addressed the growth-profitability relationship as their main research question, unlike previous studies (e.g. Soininen et al., 2012). This study contributes toward improving our understanding of how proactiveness, risk-taking and bridging ties construct the performance of a firm (Aldrich & Fiol, 1994). Rauch et al. (2009) observes that many of the earlier entrepreneurship studies concentrated on U.S. companies. In our view, Iran provides an interesting new setting for this kind of analysis, because it constitutes a good example of a competitive and innovative business environment. In addition, we utilized both RBV and social capital theory to explain firm performance. The theory of social capital emerged out of theories concerning social networks and shifted attention away from RBV-inspired questions of 'what you know' to 'who you know,' by taking stock of a firm's linkages with external networks. Furthermore, this study demonstrates how bridging ties channels form relationship between proactiveness and firm performance. Regarding to the high expense of bridging ties, the commitment of the government to support Iranian SMEs may be as important as the prominence of the partners which is suggested by Podolny (1993), to encourage entrepreneurs for bridging ties with industry outside the industry.

8. Limitations and Avenues for Future Research

Nevertheless, our study did have its limitations. Firstly, we were entrepreneur-centric. We assumed that the entrepreneur was the determining figure behind the success of an enterprise. Obviously this assumption fails to include the myriad of other possible arrangements that characterize SMEs in Iran. SMEs operating without a dominant player or that are owned and managed by a team of entrepreneurs were unwittingly excluded, although the impact of having a team of owner-managers was addressed indirectly through the organizational structure and linkages variables. Moreover, our sample involved several young ventures, for which performance indicators might not always be appropriate (Zahra, 1996). The pattern of the results also revealed a problem with the use aggregated performance measurements which can hide significant indirect effects of a firm's resources on lower level processes (Ray et al., 2004). Future studies, therefore, should utilize more suitable performance measures that can better capture the effectiveness of a venture's key business process. Finally, the performance dimensions were comprised of a variety of performance-relevant specifications and might have been better illustrated by a formative construct (See Becker, Klein, & Wetzels, 2012). Future research might better measure performance by using a formative construct.

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