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Opportunity Recognition and Discontinuation of Ownership in SMEs: The Role of Innovation, Opportunity Exploitation, and Instrumental Risk-Taking

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Although researchers have tried to quantify the magnitude of the SMEs that have folded, the primary question of how the communities of entrepreneurs interacted with COVID-19 pandemic-induced chaos remains largely unanswered. Integrating the organizational theory and strategy perspective with entrepreneurial theory, this study investigated the mechanisms and pathways that could explain the discontinuation of ownership phenomenon. Conveniently selected owners (n=148) were followed over six months. Participants completed a survey composed of previously validated measures for the constructs of interest. The Kaplan-Meier method was used to analyse time-to-discontinue ownership data. Structural equation modelling techniques were employed to test the study hypotheses. The recognition of opportunities was positively and significantly associated with the exploitation of opportunities. Innovation moderated this relationship. Opportunity exploitation was negatively and significantly associated with the discontinuation of ownership. Instrumental risk-taking moderated this relationship. Higher innovation and instrumental risk-taking had a significant effect on the strength of the mediated relationship between opportunity recognition and discontinuation of ownership. Gender did not reliably differentiate the discontinuation of ownership. The study contributes to theory and practice on the intersectionality of entrepreneurial action, organizational leadership, and strategy in the management of natural selection challenges in SMEs.

Introduction

The COVID-19 pandemic (hereinafter referred to as the pandemic) may yet become one of the most consequential events of the 21st century (Busby, 2020). Leaving a trail of disruption in its wake, the pandemic has reignited the debate on what drives discontinuation of ownership in chaotic and complex environments, more so among small and medium-scale enterprises (SMEs). The experience of most SMEs during the pandemic raises timely questions about why some enterprises were not only resilient but flourished, while others morphed into states of dormancy or ceased operations (Facebook/OECD/World Bank, 2021). Although most scholars and corporate researchers have tried to quantify the magnitude of SME closures, the primary question of how communities of entrepreneurs interacted with pandemic-induced chaos remains largely unanswered (Dai et al., 2021; Nyamboga & Ali, 2021). Existing research has also treated the discontinuation of ownership in SMEs as a static phenomenon, thus reducing the utility of such statistics (Mayr et al., 2021). Furthermore, existing research –

primarily employing cross-sectional designs - has provided limited insights on intra-organizational processes influencing the discontinuation of ownership in SMEs, thus suffocating the understanding of the phenomenon and the quality of remediation efforts at policy and operational levels.

Globally, SMEs constitute more than 90% of all companies and contribute significantly to employment creation (Chege & Wang, 2020). Given the informal nature of most economies in developing countries, the role of SMEs is even more pronounced (Auzzir et al., 2018; Ps & Trivedi, 2019). The entrepreneurial literature has consistently emphasized the importance of the owner(s) in the life of the business (Weaven et al., 2021; Wong et al., 2018). The quality of the owner-opportunity interaction has an impact on the destiny of the firm (DeTienne & Wennberg, 2013). As such, firm-level outcomes, such as discontinuation of ownership, have consequences beyond the owner and their immediate families, despite most SMEs being predominantly family-owned businesses (Gamble et al., 2021). Therefore, it is necessary to effectively comprehend the discontinuation of ownership phenomenon to guide policy and practice.

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Discontinuation of ownership occurs when an owner decides to 'leave the firm they have created; thereby removing himself, to varying degrees, from the primary ownership and decision-making structure of the firm' (DeTienne, 2010, p. 203). Career choice models, hinged on the economic perspective of ownership discontinuation, suggest voluntary, typically beneficial, discontinuation of ownership (Carbonara et al., 2020; Giannetti & Simonov, 2004). Once the choice to discontinue is made, the owner has the time and leverage to negotiate the sale of his stake. Current research suggests that the pandemic could have resulted in involuntary discontinuation of ownership (Dai et al., 2021; Fritsch et al., 2021). Thus, career choice models, in isolation, may not adequately explain the pandemic-induced circumstances of owners.

Organization theory and strategy adopt a firm-level perspective on entrepreneurial activity (K. G. Smith & Cao, 2007). Organization theory and strategy highlight the importance of agility and evolution in entrepreneurial action. However, pre-pandemic organization theory and strategy have benefited from 'generous' time horizons in the development, testing, and execution of strategies (see Intel's exit, Burgelman, 1994, 1996). While the complexity of the business environment continued to increase since the turn of the new millennium, strategies and choices remained highly modelled. Changes were largely influenced by industry competition within a relatively very stable global health environment.

The disruptive and volatile context created by the pandemic challenged the theoretical assumptions on key concepts underpinning the discontinuation of ownership (Amankwah-Amoah et al., 2021). Understanding the mechanisms and pathways that made some enterprises resilient and adaptable while remaining relevant and viable is an invaluable exercise (Rodrigues et al., 2021). This study argues that, in isolation, organization theory and strategy do not provide a holistic model of the discontinuation of ownership phenomenon. Integrating organizational leadership theory and strategy with entrepreneurial theory, which focuses on the intersection of individuals (as owners and or core elements of a firm), and opportunities could be momentous. The self-determination theory and theory of planned behaviour are integrated into the study to account for the 'character' of the owner.

Goal and objectives of the study

Through moderated mediation analyses, the study developed and tested an intra-organizational process model to explain the discontinuation of ownership. The study satisfied the following specific objectives:

1. Assess the moderating effect of innovation on the relationship between opportunity recognition and opportunity exploitation.
2. Assess the moderating effect of instrumental risk-taking on the relationship between opportunity exploitation and discontinuation of ownership.
3. Evaluate the indirect effects of innovation and instrumental risk-taking on the mediated relationship between opportunity recognition and discontinuation of ownership.

The study is organized as follows. First, the article presents an integrated review of the theoretical underpinnings and general literature related to entrepreneurial action, with a bias toward the discontinuation of ownership. In this section, we review the six hypotheses pursued in the study. This is followed by a description of the methodology used to satisfy the objectives of the study. The results are then presented and are divided into two parts, that is, the assessment of the measurement and structural models. Next, the results are discussed in the context of theory and practice. The conclusion, limitation of the study, and areas for further research are provided at the end.

Literature review

Theoretical underpinnings of the study

No single theory can adequately explain entrepreneurial action and outcomes in the presence of a global pandemic of significant proportions. The organizational theory and strategy perspective, as well as the entrepreneurship and chaos theories, in unison, provided a better vantage point for this study.

Ungerer (2019), in an article titled 'Conceptualising Strategy Making Through a Strategic Architecture Perspective', presented the seven blocks of a strategic architecture perspective (see p.174). Two standout elements of the strategic architecture perspective are (virtuous) strategic leadership, as well as entrepreneurial thinking, and practices. The role of strategic leadership lies in its ability to identify, develop, and nurture individual and enterprise-wide dynamic capabilities that are necessary for the selection and execution of value-adding business choices (Pitelis & Wagner, 2019). This point emphasizes that the owner(s) are not working in isolation; rather, they optimize the collective social process to expand their markets for ideas (Ungerer, 2019). This posture is important in chaotic and complex environments. Viewed this way, the choice to continue or discontinue ownership is not coincidental; it is a conscious one.

Complementary to the strategic leadership dimension is the strategic entrepreneurship perspective. The strategic entrepreneurship perspective focuses on the pursuit of opportunity. Value creation through opportunity seeking and exploitation is precariously located at the intersection of the organization's internal context and external opportunities (Ungerer, 2019). According to discovery theory, heightened (conscious) alertness to exogenous shocks (created by the pandemic) stimulates opportunity-seeking behaviour (Korsgaard, 2013; SCOTT Shane & Venkataraman, 2000). According to creation theory, the act of exploiting the observed opportunities is endogenously created, i.e., firms explore creative ways of producing new or improved products, and services, as well as penetration of new markets (Alvarez et al., 2013; Alvarez & Barney, 2007). The act of developing a new, improved, or expanded range of services, products, and markets carries inherent risks, given that rewards come 'after the fact'. Strategic entrepreneurship also includes acts of intrapreneurship (Ungerer, 2019). Intrapreneurship is conceived as an act of developing new or improved activities and processes within existing business limits into profitable products or services through instrumental risk-taking and innovation (Ungerer, 2019).

It is the desire to find structure and order behind the complexity created by the pandemic that explains the use of chaos theory in this study (Levy, 2007). Pioneered by Lorenz (1963), chaos theory acknowledges the disorder and diversity of experience that emanate from highly disruptive environments. The pandemic caught governments, businesses, and communities unaware, if not unprepared. The chaos that ensued as the global community battled to contain the multiple episodes of the pandemic created tension, unpredictability, and instability on many fronts (Hagan, 2021). However, in chaos, there is always some semblance of order that allows short-term decision-making and future prediction processes (Fuller et al., 2020). In these circumstances, entrepreneurial outcomes, such as the discontinuation of ownership, fluctuate within boundaries that are influenced by the evolving behaviour of the system and not necessarily by the initial conditions created by the pandemic. The quality of opportunity recognition, innovations, efforts to exploit opportunities, level of risk-taking, among other factors, can create self-reinforcing loops (positive or negative) that not only emphasize the nonlinearity of the entrepreneurial effort under such conditions but add to their unpredictability (Enayayi Taebi et al., 2021).

Davidsson et al. (2020, 2021) introduced an alternative dimension to understanding the influence of exogenous factors such as the COVID-19 pandemic on entrepreneurial efforts. Using the External Enabler Framework (Davidsson et al., 2020), they posit that exogenous factors also have enabling effects on entrepreneurship practice (and research). This new framework is viewed as complementary to existing agent-centric theories (Davidsson et al., 2020). While Davidsson et al. (2021) claim that the framework bypasses the opportunity/non-opportunities dichotomy by focusing on partial enablement, it is evident that the concept of opportunity – as created, discovered, or enabled – remains central to the conceptualization of entrepreneurship.

Hypotheses

i) Opportunity recognition and opportunity exploitation

‘Entrepreneurship occurs at the intersection of individuals and opportunities’ (DeTienne & Wennberg, 2013, p. 9). Entrepreneurship theory examines the intersection of opportunities and the individual (Headd, 2003; Shepherd, 2003). Entrepreneurial opportunities can be conceived as ‘situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at higher than their cost of production’ (SCOTT Shane & Venkataraman, 2000, p. 220). The emphasis is on satisfying a ‘market need (or interest or want) through a creative combination of resources to deliver superior value’ (Ardichvili et al., 2003, p. 108). Kuckertz et al. (2017) raised important dimensions applicable to the pandemic-inclined business environment. The pandemic, as a disruptive change agent, created unmet needs within and beyond defined business ecosystems. The pandemic created new tastes, values, beliefs, preferences, and cultures (Sanhokwe et al., 2022). Only through mindful engagement with the environment could entrepreneurs recognize them.

Opportunity recognition requires alertness (Scott Shane & Nicolaou, 2015); proactively searching and scanning the environment (Fiet, 2002); gathering information (Ozgen & Baron, 2007); communication (Dimov, 2007); problem-solving (Ardichvili et al., 2003); and evaluating (McMullen & Shepherd, 2006). Opportunity recognition precedes opportunity exploitation (Kuckertz et al., 2017). ‘Opportunity exploitation is characterized by the development of a product or service based on a perceived entrepreneurial opportunity, the acquisition of appropriate human resources, the collection of financial resources, and the establishment of the organization’ (Kuckertz et al., 2017, p. 92). It is argued that the quality of opportunity recognition positively influences the desire for and the manner of exploitation, that is,

Hypothesis 1: The recognition of opportunities is positively and significantly associated with the exploitation of opportunities.

ii) Role of innovation in the relationship between opportunity recognition and exploitation

“How in a world where the winds of creative destruction blow at gale force can a company innovate quickly and boldly enough to stay relevant and profitable?” (Hamel, 2009, p. 92). This timeless statement captures the realities of businesses during the pandemic and may remain true in the foreseeable future. The high obsolescence rate of business models or businesses, in general, can be explained by significant changes in external environments (Ungerer, 2019). An important aspect of the pandemic was its unpredictability and the pace of change that encompassed evolving customer tastes and preferences, as well as models of interaction (Davidsson et al., 2021). In the past, business risks were mainly related to competition and technological change, coupled with evolving tastes (Rosenzweig, 2007). The pandemic added significant unpredictability, more so in the interactions of the business ecosystem (Bartik et al., 2020).

This study argues that simply recognizing opportunities is a necessary but insufficient condition for the effective exploitation of opportunities. Quickly deciphering how the various components of the ecosystem are acting is akin to exploring strategic options and choices. The selection of options and choices is richer in organizational contexts that value and harness internal and external ideas (Hamel, 2009). Scholarly and corporate research shows that firms that create internal markets for ideas generate portfolios ‘of innovative concepts, experiments, and new ventures’ (Ungerer, 2019, p. 183). Innovation capacities and capabilities differ across organizations, in part due to organizational climates (Waheed et al., 2019; Zou et al., 2018). The quality of innovation pipelines, types of experiments promoted in organizations, as well as the diversity of experiences, quality of available and accessible dynamic capabilities and values, all influence the degree and pace of innovation (Khosravi et al., 2019; M. Smith et al., 2019). According to the 2021 Future of Business Survey (Facebook/OECD/World Bank, 2021), less than half of the SMEs had innovated in 2021. Existing research demonstrates that through-crisis innovators highly outperform their non-innovating/less innovating peers (McKinsey & Company, 2020). Exploiting

opportunities entails doing things differently (=innovation). It is argued that enterprises that had the greatest ability to quickly synthesize multiple signals emanating from the disrupted environment and acted quickly, through contextual innovations, enjoyed greater success in exploiting opportunities. Failure to innovate once an opportunity has been recognized creates inertia. Based on these assertions, it is claimed that

Hypothesis 2: Innovation affects the strength of the relationship between opportunity recognition and opportunity exploitation.

iii) Opportunity Exploitation and discontinuation of ownership

Effective exploitation of identified opportunities involves assembling a team capable of pursuing the opportunity (McGee et al., 2009) guided by an appropriate (finance, technical, other strategic aspects) model of execution (Delmar & Shane, 2004), supported by able governance and leadership structure (Gartner et al., 2010). Success in mobilizing sufficient financial resources, through loans/debts, savings, mergers, sale of shares, crowdfunding, among others, and non-financial ones, girds the successful exploitation efforts (Kuckertz et al., 2017). Satisfying these demands for effective exploitation signals a clear intent to continue running the business (De Massis et al., 2021). In contrast, failure to effectively harness the capabilities necessary for effective exploitation can motivate discontinuation. It is hypothesized that:

Hypothesis 3: Opportunity exploitation is negatively associated with the discontinuation of ownership.

iv) The role of instrumental risk-taking in the relationship between opportunity exploitation and discontinuation of ownership.

In chaotic environments, agility and an appetite for taking chances – via imaginative processes - in fluid decision-making situations can reliably differentiate enterprise outcomes (Sexton & Bowman, 1985). This study leaned heavily on the conceptualization of risk posited by Zaleskiewicz (2001). Zaleskiewicz (2001) distinguished risk based on the motivations, that is achievement vs. simulation-inclined risk. The latter is tied to strong and immediate emotional excitement, while the former serves as an instrument to reach a desired economic goal(s) in the future (Zaleskiewicz, 2001). In the context of the study, the economic goals were anchored on adaptation and adaptability given the highly disruptive nature of the pandemic. Instrumental risk-taking entrepreneurs are driven by rational rather than experiential systems (CEST; Epstein, 1998). Their cognitive and behavioral regimes are dominated by telic motivation and avoidance of arousal (reversal theory; Apter, 1992). Furthermore, they have low sensation-seeking behaviours coupled with low impulsivity (sensation-making theories, Zuckerman, 1994). It is argued that such attributes are fundamental when faced with decision-making choices under highly fluid conditions. According to Foss & Klein (2020), uncertainty is a central aspect of entrepreneurship and in-

novation. This paper argues that the appetite (or lack thereof) for instrumental risk-taking influences the strength of the relationship between opportunity exploitation and discontinuation of ownership, that is,

Hypothesis 4: Instrumental risk-taking moderates the relationship between opportunity exploitation and discontinuation of ownership.

v) Accounting for the full moderated mediation effects in the relationship between opportunity recognition and discontinuation of ownership

Innovating in circumstances where the forecasting capacity is severely compromised by a highly disruptive agent is ubiquitously risky (Zouaghi et al., 2018). This is expected because of the fluidity of the environment, which can make innovations irrelevant, unsuitable, or inadequate. The success of innovations to address identified opportunities can only be determined 'after the fact', that is, after implementation. Despite the inherent risk, the disruptive effects of the pandemic required adaptations without which the forces of natural selection would take effect (Rogerson et al., 2021). It is claimed that

Hypothesis 5: Greater (versus lower) success in innovation coupled with higher (versus lower) instrumental risk-taking have a significant effect on the strength of the mediated relationship between opportunity recognition and discontinuation of ownership.

vi) Gender and discontinuation of ownership

The self-determination theory (SDT) and the theory of planned behaviour (TPB) posit that the pursuit of entrepreneurial acts is influenced by the intentional and purposeful behaviour of an owner (Jena, 2022). SDT emphasizes the motivations for growth and achievement inherent in business owners. SDT suggests the importance of satisfying essential psychological needs such as competence, autonomy, and relatedness (Deci & Ryan, 1985). Furthermore, the theory acknowledges the role of intrinsic and extrinsic motivations in shaping observed behaviour. Finally, the theory recognizes the influence of the social environment (supportive or otherwise) in shaping observed behaviour.

The Theory of Planned Behavior (TPB) also offers a plausible framework to explain the intentions of business owners to continue/discontinue ownership at a specific time. TPB considers personal factors, including the social and environmental aspects inherent therein, i.e. the circumstantial nature of decisions. In unison, these two theories explain, in a coherent fashion, the motivation and cognitive processes that shape the observed behaviour to continue/discontinue ownership (Al-Jubari, 2019).

According to the 2021 Global State of Small Business report, globally, women-led small businesses were 6% more likely to be closed and 4% more likely to experience a decline in sales (Facebook/OECD/World Bank, 2021). Based on these data, it is hypothesized that:

Hypothesis 6: Gender significantly differentiates discontinuation of ownership in SMEs.

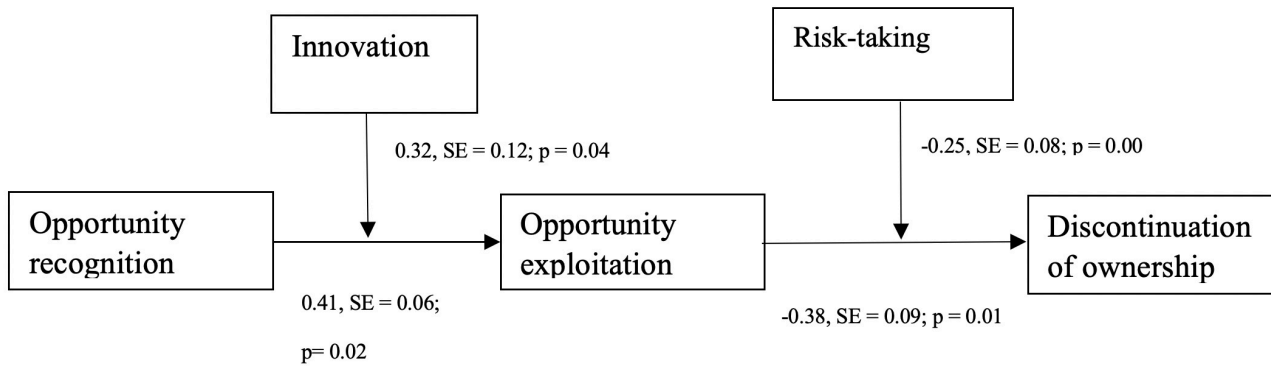


Figure 1. A moderated mediation model to explain discontinuation of ownership

Proposed model

Figure 1 visualizes the hypothesized relationships. The model incorporates opportunity recognition; actions to exploit the opportunity; the role of innovation and instrumental risk-taking in these efforts; and how, in an integrated fashion, these interaction effects influence the decision to discontinue ownership of an enterprise.

Method

Procedure

At the heart of entrepreneurship are owners and how they interact with opportunity (DeTienne & Wennberg, 2013). A total of 180 SME owners in two high-density suburbs of Harare were conveniently approached to participate in the study. After discussing the objectives of the study and the duration of follow-up, 148 agreed to participate. Study participants were included if their business had been in existence for at least 12 months, regardless of sector. The study cohort was recruited and followed between November 2020 and April 2021 through in-person visits and or phone calls depending on availability at the end of the last week of each month. All respondents completed the integrated survey questionnaire made up of previously validated measures of opportunity recognition, opportunity exploitation, and instrumental risk-taking, as well as study-specific questions on innovation. The convenient sampling approach ensured that there was an equal proportion of male and female participants. The average age was 40.2 years (standard deviation, s , = 9.4 years). One in two (50%) of the SMEs had been in operation for between one and five years.

Measures

The Dependent Variable

a) Discontinuation of ownership

This variable was tracked through monthly monitoring for six months. The data collection form captured whether the SME owner was still part of the business establishment or had left or removed themselves from the establishment,

as per the definition by DeTienne (2010). The discontinuation of ownership did not include instances where the owner closes the business but resumes operations at a convenient time.

Explanatory Variables

a) Opportunity recognition

The study adapted the five elements developed by Kuckertz et al. (2017). SME owners rated their responses using a seven-point Likert scale. The sample items included ‘We regularly scanned the environment for new business opportunities’. The sum of the scores of the five statements determined the degree of the recognition of opportunities.

b) Opportunity exploitation

The four elements developed by Kuckertz et al. (2017) were used to gauge the level of opportunity exploitation. Sample items included ‘Based on a business opportunity we perceived; we have developed a new market’. SME owners rated their responses using a seven-point Likert scale.

c) Innovation

SME owners reported five categorical items (“1 = Yes”; “0 = Otherwise”) asking if they had introduced *new* or *improved* processes; marketing methods (including e-sources); business practices; workplace reorganization or established new relationships/networks.

d) Instrumental Risk-Taking

The study adopted the seven elements of instrumental risk-taking developed by Zaleskiewicz (2001). Sample items include ‘To achieve something in this business environment, we have to take risks’. Owners self-rated each item using a five-point scale (1 = extremely unlikely; 5 = Extremely likely).

Table 1. Internal consistency reliability

Construct	Number of items	Cronbach alpha	Composite reliability (CR)	Average variance extracted (AVE)
Opportunity recognition	5	0.79	0.82	0.72
Exploitation of opportunities	4	0.81	0.85	0.73
Innovation	5	0.81	0.83	0.75
Instrumental risk taking	7	0.83	0.84	0.74
Discontinuation of ownership	N/A	N/A	N/A	N/A

Control variables

Gender was the main control variable given the conflicting results in previous studies (Watson, 2010, 2020).

Analytical Approach

MPlus v8 (Muthén & Muthén, 2017) was used to test the hypothesized multilevel moderated mediation models whose main outcome of interest was the discontinuation of ownership. To quantify the indirect effects at different levels of the two moderators (innovation and instrumental risk-taking), the subgroup approach of Edwards & Lambert (2007) was used. The indirect effects of higher success in innovation and greater instrumental risk-taking were compared with suboptimal inclinations of the same to determine the significance of moderated mediation.

To appreciate the time-to-discontinue ownership, the Kaplan-Meier method was used. The 'Calculator for survival probability', accessed at <http://www.hutchon.net/Kaplan-Meier.htm>, was used to run the time-to-exit analysis with lost-to-follow-up censoring. Logistic regressions, that is, odds ratios with 95% confidence intervals, were used to test whether gender reliably differentiated discontinuation of ownership.

Results

Assessing the measurement models

Internal consistency reliability

To assess the internal consistency reliability of the measures in use, the study used Cronbach alpha (α) and composite reliability scores. Cronbach α values for the four constructs exceeded the 0.70 threshold (Wieland et al., 2017); see [Table 1](#). Composite reliabilities (CR) are considered a better measure of internal consistency, as they disregard the assumption of equal weighting (Mehta, 2014). As shown in [Table 1](#), all CRs were higher than Cronbach α and exceeded the 0.7 threshold, further confirming the internal consistency reliability of the internal consistency of the constructs in use.

Convergent and discriminant validity

Convergent validity checks whether the items that are meant to be correlated – for each of the measures-in-use – are indeed correlated. Discriminant validity, on the other

hand, seeks evidence of low or no correlation among the constructs, that is, each of the measures should be uniquely measuring a specific construct (Zaiř & Berteau, 2011). The study referenced the Fornell-Larcker (1981) criterion to determine the convergent and discriminate validity of the constructs.

As shown in [Table 2](#), all AVEs were greater than 0.5 (see Fornell & Larcker, 1981), thus confirming convergent validity.

In testing for discriminant validity, reference is made to the square root of the AVE of each of the measures. This output should be much larger than the correlation of a specific measure with any of the other measures (Zaiř & Berteau, 2011). Based on this, the discriminant validity was also confirmed; see [Table 2](#). The researcher acknowledges the limitation of the Fornell-Larcker criterion in determining validity (Yusoff et al., 2020).

Evaluating the structural model

As shown in [Table 2](#), opportunity recognition was positively associated with opportunity exploitation (0.41; SE = 0.06; $p = 0.02$), which supports Hypothesis 1. Innovation moderated the relationship between opportunity recognition and opportunity exploitation (0.63; SE = 0.11; $p = 0.01$). The result supports Hypothesis 2.

The simple slopes between opportunity recognition and opportunity exploitation at two different levels (higher vs. lower) of innovation are presented in [Figure 2](#). The output shows that the relationship between opportunity recognition and opportunity exploitation was highly positive in the presence of innovation. Innovation catalyses opportunity exploitation.

Exploitation of opportunities was negatively associated with discontinuation of ownership (-0.38; SE = 0.09; $p = 0.01$). This affirms Hypothesis 3. As hypothesized (Hypothesis 4), instrumental risk-taking significantly moderated the negative relationship between opportunity exploitation and discontinuation of ownership (-0.54; SE = 0.1; $p = 0.00$). [Figure 3](#) shows that higher (versus lower) instrumental risk taking had a stronger interaction effect in the relationship between opportunity exploitation and discontinuation of ownership. Simply put, instrumental risk taking oxygenated the exploitation of opportunities culminating in reduced appetite to discontinue ownership.

[Table 4](#) presents the subgroup differences in indirect effects on the discontinuation of ownership. The mediated relationship between opportunity recognition and discon-

Table 2. Convergent and discriminant validity using the Fornell-Larcker criterion

Construct	AVE	OR	OE	I	IRT
Opportunity recognition (OR)	0.72	0.849			
Opportunity exploitation (OE)	0.73	0.492	0.854		
Innovation (I)	0.75	0.578	0.489	0.866	
Instrumental risk taking (IRT)	0.74	0.613	0.568	0.496	0.860

Table 3. Full hypothesized random slopes model with cross-level moderations

Variable	Full Hypothesized Random Slope Model with cross-level moderations			
	b	SE	t	p
Predicting opportunity exploitation				
Opportunity recognition	0.41	0.06	2.11	0.02
Innovation	0.32	0.12	2.01	0.04
Opportunity recognition X Innovation	0.63	0.11	1.49	0.01
Predicting discontinuation of ownership				
Opportunity exploitation	-0.38	0.09	-1.67	0.01
Instrumental risk taking	-0.25	0.08	-2.74	0.00
Opportunity exploitation X Risk taking	-0.54	0.1	-2.78	0.00
Within-person residual variance				
Opportunity exploitation	0.56	0.02	17.61	0.01
Discontinuation of ownership	-0.33	0.1	-16.42	0.00
Between-person residual variance				
Opportunity exploitation	1.9	0.13	7.69	0.00
Discontinuation of ownership	-0.26	0.08	-4.29	0.00
Random slope (X-M)	0.56	0.1	3.67	0.00
Random slope (M-Y)	-0.25	0.02	-2.07	0.00
Random slope (X-Y)	0.22	0.03	1.97	0.00
Model fit				
AIC		2,143.55		
BIC		2,091.63		
Loglikelihood value		-1,128.55		

tinuation of ownership was negative and significant among owners who successfully innovated in the presence of high instrumental risk-taking i.e., -0.091; 95% CI [-0.08, -0.10]. The confidence interval does not include zero, hence supporting Hypothesis 5. On the other hand, low innovation coupled with a low appetite for instrumental risk-taking motivated the choice to discontinue ownership (0.006; 95% CI [0.004, 0.008]).

An interesting observation in [Table 4](#) is that innovation and instrumental risk-taking worked as complementary resource caravans in shaping the outcome of interest. Opposite levels of innovation and instrumental risk taking had insignificant effects on the mediated relationship between opportunity recognition and discontinuation of ownership.

Probabilities of survival by gender of owner

[Table 5](#) shows the survival probabilities during the follow-up period. The survival function, S(t), indicates the probability that SME owners will continue to own the busi-

ness venture for a certain time, t. Alternatively, 1-S(t) delineates the probability of discontinuing ownership over time, t. [Table 5](#) details the survival probabilities for the entire cohort and separately for male and female owners. The probability of continuing with ownership of the business venture beyond the follow-up period (6th month) was 0.8415, that is, only 16% of the owners were likely to discontinue ownership beyond the sixth month. There were no significant differences by gender, that is, the confidence intervals consistently overlapped throughout the follow-up period. Hence, Hypothesis 6 is rejected.

Discussion

Recognition of opportunities was positively and significantly associated with opportunity exploitation. Innovation moderated this relationship. The exploitation of opportunities was negatively and significantly associated with the discontinuation of ownership. Instrumental risk-taking moderated this relationship. Higher innovation and instru-

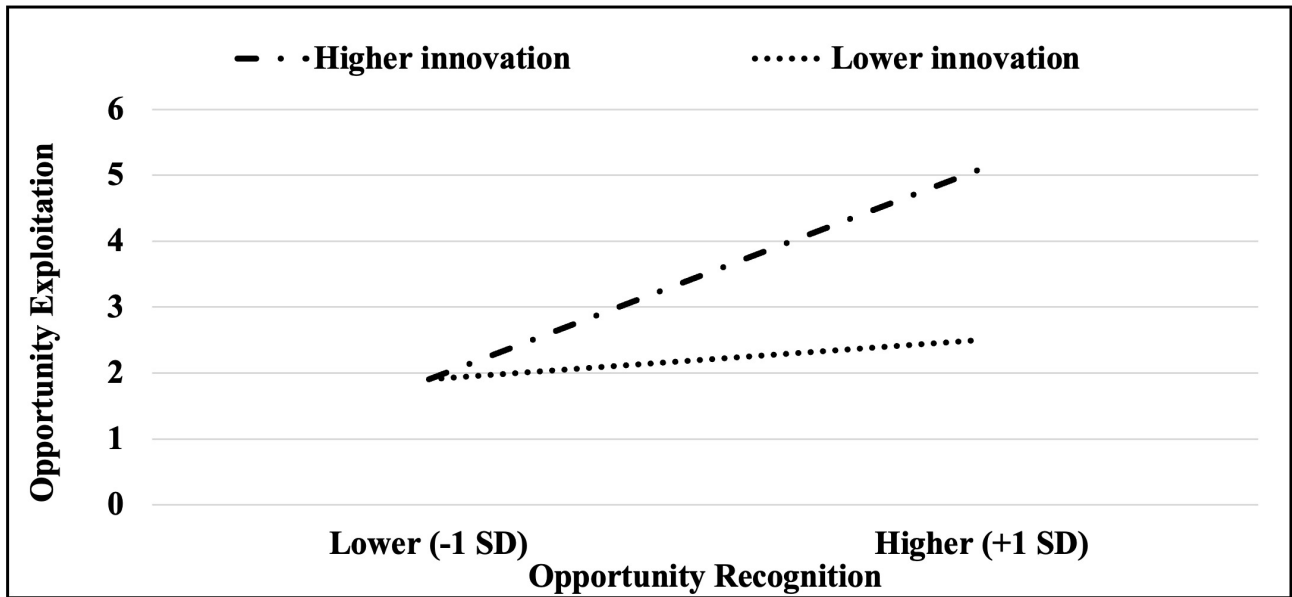


Figure 2. Simple slopes between opportunity recognition and opportunity exploitation at different levels of innovation

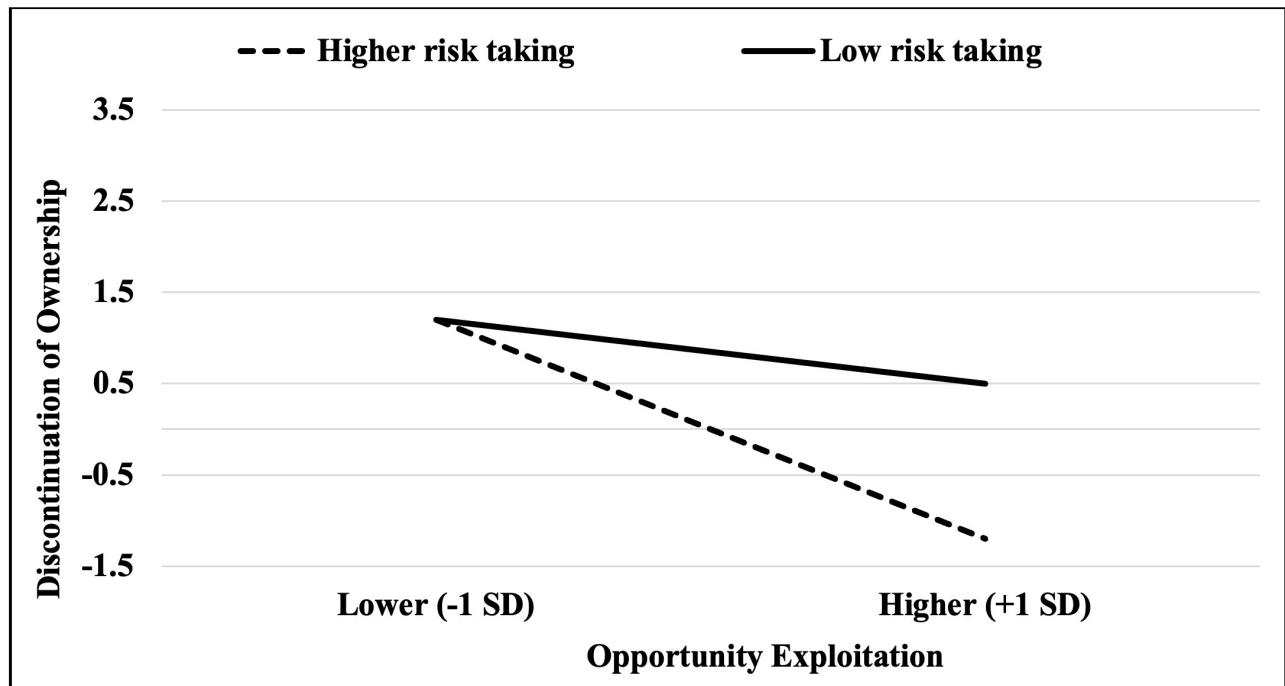


Figure 3. Simple slopes between opportunity recognition and discontinuation of ownership at different levels of instrumental risk-taking

mental risk-taking had a significant effect on the strength of the mediated relationship between opportunity recognition and discontinuation of ownership. Gender did not reliably differentiate the discontinuation of ownership.

The observed relationship between opportunity recognition and exploitation provides initial evidence on what may differentiate successful entrepreneurs from the rest. Although exogenous shocks such as the COVID-19 pan-

dem can be detrimental to people, more so to vulnerable groups, they also create new demands in the form of needs and wants. By confirming Hypothesis 1, the results suggest that the quality of alertness to the evolving needs and wants created by an exogenous shock is a central element of the entrepreneurial process. Furthermore, as posited by creation theory, the results provide evidence of the importance of the quality and readiness of the internal organizational

Table 4. Conditional indirect effects at different levels of overcoming obstacles and introduction of new processes/products/services

First stage moderator (Innovation)	Second stage moderator (Instrumental risk taking)	Conditional indirect effect	95% CIs of the conditional indirect effect	95% CIs of difference between the conditional indirect effects
Lower (-1 SD)	Lower (-1 SD)	0.006	0.003, 0.009	0.004, 0.008
	Higher (+1 SD)	-0.004	-0.006, 0.014	-0.006, 0.015
Higher (+1 SD)	Lower (-1 SD)	-0.001	-0.004, 0.003	-0.004, 0.003
	Higher (+1 SD)	-0.091	-0.08, -0.10	-0.06, -0.12

Table 5. Time-to-event analysis

Time	Exited	Censored	Continued	S(t)	Total	95% Lower CI	95% Upper CI
All							
Nov-20	0	0	148	1.0000	148	1.0000	1.0000
Dec-20	2	2	144	0.9861	144	0.9670	1.0052
Jan-21	7	1	136	0.9354	136	0.8940	0.9767
Feb-21	4	0	132	0.9070	132	0.8575	0.9566
Mar-21	5	3	124	0.8704	124	0.8113	0.9295
Apr-21	3	2	119	0.8485	119	0.7841	0.9129
Owned by women							
Nov-20	0	0	74	1.0000	74	1.0000	1.0000
Dec-20	2	1	71	0.9718	74	0.9341	1.0095
Jan-21	3	0	68	0.9290	69	0.8683	0.9896
Feb-21	1	0	67	0.9151	66	0.8478	0.9823
Mar-21	3	1	63	0.8715	65	0.7902	0.9529
Apr-21	1	1	61	0.8572	64	0.7715	0.9429
Owned by men							
Nov-20	0	0	74	1.0000	74	1.0000	1.0000
Dec-20	0	1	73	1.0000	70	1.0000	1.0000
Jan-21	4	1	68	0.9412	67	0.8848	0.9975
Feb-21	3	0	65	0.8977	66	0.8246	0.9708
Mar-21	2	2	61	0.8683	59	0.7820	0.9546
Apr-21	2	1	58	0.8384	55	0.7411	0.9356

environment to adapt and take advantage of the opportunity. In this way, the interaction between the company and the opportunity may not necessarily be coincidental. Rather, through deliberate acts, the entrepreneur and or members of the firm consciously remain alert to possibilities by proactively searching and scanning the environment, gathering information, communicating, evaluating their options based on available (mostly limited) data, problem-solving, and creating alternative solutions to satisfy emerging needs and wants. Such solutions include, but are not limited to, the development of products, services, and processes by embedding the necessary capacities and capabilities in the firm (Kuckertz et al., 2017, p. 92). In short, support for Hypothesis 1 reemphasizes the importance of the quality of interaction between the internal organizational contexts and exogenous factors, i.e., mindful engage-

ment with the environment is critical and effective exploitation is a choice shaped by organizational capabilities.

Hypothesis 2 confirms findings from previous studies that demonstrate the power of innovation to magnify the quality and extent to which an opportunity is effectively exploited (Benitez et al., 2018). At the heart of innovation are ideas and thought processes on how to tackle emerging needs created by an exogenous shock (Verganti et al., 2020). An important aspect for firms when dealing with an exogenous, rapidly evolving shock, such as the COVID-19 pandemic, is the need to tap into models anchored on the biological principles of variety (i.e. constant, rapid generation of several, diverse, and or complementary options, including contingency measures), selection (using low-cost, data-light experiments to quickly test critical assumptions and or evaluate options), and retention (taking the risk to move resources into innovative solutions that appear palatable

within already established or new business ecosystems) (Hamel, 2009). If the innovation agenda is carefully managed, it allows strategies to emerge and evolve in a manner that expands possibilities for opportunity exploitation (Ungerer, 2019). Renewal, through innovation, is a necessity for the effective exploitation of opportunities in chaotic business environments.

By supporting Hypothesis 3, the results provide additional evidence on the role of strategic leadership in giving life, meaning, and ongoing momentum to the business (Ungerer, 2019). The strategic architecture perspective emphasizes the role of strategic leadership in fostering decision-making processes that ensure that the business remains sustainably future fit (Ungerer, 2019). It is about the goal-directedness of the firm. Therefore, the choices to continue or discontinue ownership may not be coincidental. Rather, they are determined by how leadership choices influence the quality of opportunity exploitation. In the study context, the extent to which opportunities are exploited is heavily influenced by the internal dynamic capabilities of the firm and process aspects (especially financing). The limited success in mobilizing sufficient financial resources – and efficiently through loans/debts, savings, mergers, sale of shares, crowdfunding, among others – remains a major constraint to effective exploitation (Mashingaidze et al., 2021; Mazikana, 2020; Sibanda et al., 2018). Therefore, failure to effectively exploit opportunities can motivate the discontinuation of ownership. The opposite is true.

The support of Hypothesis 4 suggests the important role of instrumental risk-taking in the entrepreneurial process. The results are indicative of how agility and appetite for taking chances can differentiate enterprise outcomes (Putniņš & Sauka, 2020; Zahra, 2018). The biggest risk in rapidly evolving contexts is that tastes and preferences shift rapidly, and therefore returns on investments are not guaranteed. As posited by prospect theory logic (Baron, 2004), entrepreneurs could be viewed as instrumental risk-takers geared towards exploiting identified opportunities. Entrepreneurs act on opportunities to minimize or eliminate losses that they would incur if they acted otherwise (Mor et al., 2020). In doing so, entrepreneurs risk their time and resources to take advantage of opportunities. By confirming the moderating role of instrumental risk-taking, the study suggests how individual differences in appetite for risk-taking shapes the discontinuation of ownership in rapidly evolving business contexts. Existing research has reported the positive effect of risk-taking behavior on firm performance, itself a factor in the choice to continue/discontinue a business (Pratono, 2018). Therefore, understanding the factors that influence the appetite for risk by business owners is equally important. Gaganis et al. (2019) reported that risk-taking was associated with factors such as individualism, uncertainty avoidance, and power distance. These factors permeate the entire business and shape the firm's orientation towards risk-taking.

As expected, see Hypothesis 5, the mediated relationship between opportunity recognition and discontinuation of ownership was negative and significant among owners who successfully innovated coupled with high instrumental risk-taking. On the lower end of the spectrum, some owners did not innovate (or minimally did so) because they were

risk-averse. Such a posture stifles the effective exploitation of opportunities. From a strategic leadership perspective, such an approach creates organizational inertia in a sea of change, thus constraining the firm's ability to survive the natural selection challenges. This culminates in the choice to abandon ownership. Innovations in the presence of high instrumental risk-taking oxygenate the business, i.e., the appetite to discontinue ownership wanes significantly. The results suggest that innovation and instrumental risk taking are critical elements that significantly influence opportunity exploitation and ownership-related choices when faced with natural selection challenges.

By rejecting Hypothesis 6, the results suggest that discontinuation of ownership is not a gendered phenomenon, that is, the intentional and purposeful behaviour of an owner is based on their character and does not carry a gender lens. (Abbas, 2018). The results are consistent with the submissions of Watson (2010, 2020). The self-determination theory (SDT; see Deci & Ryan, 1985) and the theory of reasoned action (see Ajzen, 2011) strongly suggest the role of individual-level motivation and cognitive processes in shaping the choice to continue/discontinue ownership, beyond the gender veil (Al-Jubari, 2019). Viewed in this way, the results suggest that the men/women dichotomy may no longer serve as a valuable conduit for understanding the entrepreneurship phenomenon (Watson, 2020). It may be time to consider gender-neutral psychological attributes when assessing individual differences related to aspects such as the discontinuation of ownership.

Implications for Practice

Although several authors have highlighted the importance of financial relief for SMEs to combat the disruptive effects of the pandemic (see Pu et al., 2021; Rabbani et al., 2021), the results of this investigation suggest that such an approach may, in isolation, be insufficient. The building of intra-organizational ecological processes related to opportunity recognition, innovation, effective exploitation of opportunity, and risk-taking is viewed as a key need. Collaborations with higher education institutions (HEIs) could be an important channel to develop sustainable dynamic capabilities to address gaps in opportunity recognition, innovation, effective exploitation of opportunity, and risk-taking at the firm level. This is important because, in chaotic environments, it is no longer about competitive advantages; rather, it is about the sustained generation of new and unique sources of value (Zenger, 2013).

Crises are the adrenaline of strategic entrepreneurial action (Davidsson et al., 2021). Creating markets for ideas, nurturing innovative mindsets, and developing teams of dynamic (vs. inert) entrepreneurs and intrapreneurs is the next biggest challenge that SMEs face moving forward. Collaborations with HEIs and other like-minded institutions could build sustainable pipelines for strategic and entrepreneurial leadership in SMEs and create conditions that nurture and harness opportunities through innovation and instrumental risk-taking, thus ensuring that firms remain sustainably future-fit. This will also ensure that should an owner decide to voluntarily dispose of ownership, the choice is rewarding.

Limitations and future scope

The phenomenon of ownership discontinuation is complex. This study is not exhaustive in that sense and does not disregard the role of other factors in explaining the phenomenon. The use of mixed methods approaches can provide additional useful insights when exploring such a complex phenomenon. When testing a structural model, several assumptions limit the extent to which a model can be easily replicated in another setting. The use of a convenient sample is one of the major assumptions that constrain such capabilities. The business environment continues to evolve significantly. Effectively understanding the context-specific factors that explain the continuation and discontinuation of ownership among different types of owners, beyond gender, will continue to be an important topic for researchers.

Conclusion

At the heart of the structural model evaluated in this study was the recognition that business exits are value-based mechanisms, and hence the choice to discontinue ownership could be explained by the interactive effects of value-adding and value-reducing intra-organizational capabilities and processes. The study model offers a useful pathway for businesses, researchers, financial institutions, and policymakers to use when exploring and tackling issues of natural selection within SMEs.

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