

A Contingency Approach to Proactiveness - Business Performance Relationship

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Abstract

The proactiveness - business performance relationship was examined in this study by adopting a descriptive and cross-sectional research design. Structural equation modeling was applied on a purposive sample of 457 North Indian firms to assess the impact of proactiveness on business performance. Moderating effect of environmental turbulence on proactiveness – business performance relationship was also assessed. The study found proactiveness as a significant predictor of business performance. The study revealed that firms operating in a dynamic environment were likely to be benefitted more from the pursuit of proactiveness. The findings provoke managers and entrepreneurs to adopt forward-looking and opportunity-seeking perspectives to achieve robust business performance. Managers of Indian firms can draw insights from this study and can better decide the strategic posture of their firms.

Keywords: proactiveness, business performance, environmental turbulence, moderation analysis

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The business environment in the 21st century has undergone a major transformation (Popadiuk & Choo, 2006). Enhanced global trade has made the market more competitive and organizations are performance driven than ever before. Rapid technological changes have shortened product life cycles (Vij & Bedi, 2016a). Relaxation of trade restrictions has changed the face of market competition. The advent of e-business makes consumers more aware and informed. Heightened volatility, demographic changes, and knowledge-based competition have increased the uncertainty of future profit streams and have rendered traditional business management practices obsolete (Chandel & Sharma, 2014; Hough & Scheepers, 2008). To cope up with the uncertainty of today's business environment, a firm needs to adopt a perspective which not only anticipates changes in a firm's environment, but it also helps a firm in finding an attractive niche for its future growth and profits (Kreiser & Davis, 2010).

Proactiveness is one of the key factors of firm success. Many studies found that proactive firms perform better (Lumpkin & Dess, 2001; Vij & Bedi, 2012; Wiklund & Shepherd, 2005). However, few studies (Gonzalez - Benito & Gonzalez - Benito, 2005; Smart & Conant, 1994) found an insignificant relationship between proactiveness and business performance. Zehir, Can, and Karaboga (2015) found an indirect effect of proactiveness on the financial performance of a firm. According to Hart (1992), the pursuit of proactiveness, under some situations, may lead to poor performance. Tang, Tang, Marino, Zhang, and Li (2008) suggested an inverted U-shaped relationship between proactiveness and business performance. According to Kreiser, Marino, Kuratko, and Weaver (2013), there is a non-linear relationship between these constructs. Lumpkin and Dess (2001) revealed a contextual relationship between proactiveness and business performance. The diversity in the reported relationship between proactiveness and business performance demands further investigation.

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Nevertheless, the review of the extant literature reveals two notable limitations. First, business performance has traditionally been measured through simple outcome - based accounting indicators, for example, Dimitratos, Lioukas, and Carter (2004) relied upon sales growth for the assessment of business performance. Studies such as the ones conducted by Zahra and Gravis (2000) ; Matsuno, Mentzer, and Ozsomer (2002) ; Antonicic and Hisrich (2004), etc. used indicators like the return on assets (ROA), return on sales (ROS), return on investment (ROI) etc., for the measurement of business performance. Though these financial indicators successfully assess the economic performance of a firm, these measures provide little indication about how performance is achieved or how it can be improved (Kaplan & Norton, 2000; Kennerley & Neely, 2003).

Second, the vast majority of studies tend to describe proactiveness - business performance relationship by taking firms specifically from developed economies and departs from other contexts. The social, cultural, and economic environment of emerging economies differs from developed economies (Vij & Bedi, 2016b). Here, in general, the business environment is complex and hostile (Bedi & Kaur, 2016). Rural markets constitute of a significant portion of total market and provide different challenges (Suharwardi & Hakim, 2014). Institutional support is lacking. Inadequate measures to protect patent and copyright reduce firms' competitiveness and discourage novel actions. Firms, in developing economies, tend to follow global brands rather than acting as a world leader. India, as the second largest emerging economy, provides a compelling context to refine the understanding about the proactiveness - business performance relationship.

In an attempt to address the above limitations, this study applies contingency approach to proactiveness - business performance relationship. Environmental turbulence is considered as a moderating variable. The study considers financial as well as non-financial measures of business performance. This study generates empirical evidence, by drawing on Indian firms, in the favor of contextual nature of proactiveness - business performance relationship. The study may help in the generalization of the proactiveness construct.

This study is organized as follows. The next section defines proactiveness construct, reviews the literature on proactiveness - business performance relationship, and reveals the relevance of contingency framework in the said relationship. It presents hypotheses and provides a framework for the study. The third section outlines the methodological aspects. It discloses research design, describes the sample, validates measures, assesses the impact of proactiveness on business performance, and measures the moderating impact of environmental turbulence on proactiveness - business performance relationship. The concluding section provides managerial implications, outlines limitations, and provides a scope for future research.

Literature Review

Success and survival in the business environment of today requires a firm to adopt those managerial practices, which not only differ from others, but also provide a competitive edge to a firm (Bedi, 2016a). Proactiveness is an opportunity seeking and forward looking perspective involving introducing new products or services ahead of the competition and acting in anticipation of future demand to create, change, and shape a firm's environment in its favor (Feifei, 2012 ; Lumpkin & Dess, 2001). It reflects a firm's willingness and capability to anticipate new developments as early as possible and to act as a first mover rather than to wait for new developments and then react to them (Bedi & Vij, 2015 ; Zehir et al., 2015).

Proactiveness is an organizational pursuit for favorable business opportunities (Kreiser & Davis, 2010). It is a process of considering the prospective outcome of an action in advance of a course undertaken. Covin and Slevin (1989) described proactiveness as the capacity of a firm to initiate action to which competitors then respond to. According to Tang and Tang (2012), proactiveness is :

Anticipating and acting on future needs by seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and

brands ahead of competition, strategically eliminating operations, which are in the mature or declining stages of life cycle. (p. 415)

It depicts a firm's ability to seize new opportunities - by the way of experimentation and new discoveries (Antoncic & Hisrich, 2004; Zhao, Li, Lee, & Chen, 2011). Proactiveness, therefore, pertains to (a) a strong tendency to be successfully ahead of competitors ; (b) a precise growth, innovation, and development orientation instead of only being satisfied with or surviving in status quo ; (c) a rigid undo-the-competitor's posture with less intention to collaborate or coexist.

✍ **Proactiveness – Business Performance Relationship :** Proactiveness is a futuristic approach of business management. It reflects the ability of a firm in envisioning its future towards one's own chosen field (Muthee - Mwangi & Ngugi, 2014). According to Oni (2012), “Proactiveness is a state of mind and the will, largely driven by one's consciousness, to sustain a vision, to fulfill a mission, to attain a self-defined challenging goal” (p. 94). Knight (1997) found that, “The emphasis of proactiveness is on aggressive execution and follow-through, driving toward achievement of the organizational objectives by whatever reasonable means are necessary” (p. 214). Lumpkin and Dess (2001) used the term proactiveness to depict a firm that is “quickest to innovate and first to introduce new products or services” (p. 442). According to Wiklund and Shepherd (2003), proactive firms seek out ways not only to future challenges but by introducing new products and services ahead of their competitors, these firms change the very nature of competition. Lieberman and Montgomery (1988) described proactiveness as the, “Ability of the pioneering firm to earn super normal profits through technological leadership and increased buyer switching cost” (p. 1113). According to Vij and Bedi (2012), proactiveness helps a firm in “targeting premium market segments, charging high prices, and to skim the market ahead of the competition” (p. 22). Kreiser et al. (2013) were of the opinion that firms, which adopt a forward-looking perspective, introduce new products and services ahead of their competitors and are first to adjust their marketing and management activities to the changing market needs, and are more likely to gain over their competitors.

Proactiveness lays the foundation for generation of new ideas, products, or services (Bashir, Yousaf, & Verma, 2016 ; Bedi, 2016b ; McDermott & O'Connor, 2002). According to Sandberg (2008), “proactive behavior towards the environment, especially customers in terms of anticipating and influencing their needs may play an important role in building bridges between innovation and firm success” (p. 2). In fact, the study by Atuahene - Gima and Ko (2001) concentrated on the role of market visioning in introducing unique products, services, or processes. Other studies such as the ones conducted by O'Connor and Veryzer (2001) ; Tang, Kreiser, Marino, Dickson, and Weaver (2009) ; Murthy and Kumar (2015) ; Bedi (2017) ; etc. also revealed the significance of anticipated prospective use in the process of exhilarating radical innovation. Chandel and Sharma (2014) described proactiveness as an essential attribute of entrepreneurship and innovation.

Proactiveness reflects the responsiveness of a firm towards market actions (Lumpkin & Dess, 2001). The focus of proactiveness is not only on anticipating and acting on future needs, but also on aggressive follow through (Kreiser & Davis, 2010). According to Covin and Slevin (1989), proactiveness is the propensity of a firm to dominate competitors by proactive and innovative measures; by initiating actions that competitors then respond to; by being the first to introduce new techniques or products; and by demonstrating an extremely competitive posture. Leaders of proactive firms often see environmental changes as opportunities rather looking at them as a trouble (Taylor, 2013), therefore, firms with higher proactive propensity have a higher tendency of being leaders in the marketplace.

Proactiveness is a tool to align organizational actions with environmental changes (Dimitratos et al., 2004). According to Oni (2012), “proactive companies focus on the past, the present, and the future with equal zeal, using history to explain, fully understand the present, and concentrate on future challenges” (p. 95). Proactive firms adopt a comprehensive approach in collecting knowledge from different sources, in different forms, and exhibit a

goal - directed behavior (Surie & Ashley, 2008). These firms scan their environment, collect and evaluate information on technological advancements, cultural trend shifts, current and future needs of customers, and respond rapidly to these emerging opportunities by introducing new products/services, administrative techniques, and operating technologies (Wang, 2008). Proactiveness not only provides a solution for unmet market needs, but it also enhances organizational effectiveness by detecting and eliminating errors by aligning organizational capabilities with environmental requirements (Bedi, 2017) and by simplifying processes (Soininen, Puumalainen, Sjögrén, & Syrjäm, 2012). Hence, the study proposes the following hypothesis :

➤ **H1** : Proactiveness is a significant determinant of business performance.

Proactiveness is a significant predictor of firm success ; however, the adoption of a contingency framework better describes this relationship (Bedi, 2016b, 2017). In strategic management literature, a central theme is congruence or fit, that is, alignment of a firm's efforts with its environment (Prajogo, 2016). Organizational success does not depend upon environmental attributes alone or just strategic choices ; rather, a fit between strategic choices and environmental attributes is an important measure of a firm's performance (Dubey, Sonwaney, Aital, Venkatesh, & Ali, 2015 ; Singh & Aggarwal, 2017).

A firm's environment impacts its performance (Kreiser & Davis, 2010 ; Prajogo, 2016). Uncertainty about environmental factors often erodes managers' ability to predict the future, and consequently, increases the chances of business failure (Prasad & Sharma, 2016). The pursuit of proactiveness might be a conscious strategic response to environmental challenges (Boujelben & Fedhila, 2010 ; Gupta & Pandit, 2012 ; Kreiser et al., 2013). According to Chandel and Sharma (2014), organizations which frame their strategies by anticipating environmental changes not only ensure their survival, but many a times, become the market leaders. Tidd, Bessant, and Pavitt (2005) highlighted the importance of a firm's environment in business success by quoting that a firm needs to be entrepreneurial and proactive in an uncertain environment in order to remain competitive and to improve performance.

The perception of organizational leaders towards the degree of environmental uncertainty and turbulence plays a major role in shaping the strategic posture of a firm. Perceived decline of an industry, as well as high growth prospects, push companies towards the pursuit of proactiveness (Prasad, 2011). According to Wiklund and Shepherd (2005), a high degree of environmental turbulence is conducive for the pursuit of entrepreneurship as it tends to create more opportunities in a firm's market environment. Lumpkin and Dess (2001) revealed that the degree of firm level proactiveness is dependent upon the stage of an industry life cycle. According to them, in an early stage of an industry life cycle, a firm is likely to be benefited more from proactiveness than responsiveness.

The contingency theory suggests that congruence or fit among key variables such as environmental conditions and organizational processes is critical for obtaining optimal performance, and the relationship between two variables may depend upon the interference of a third variable. Performance can be improved when key variables are correctly aligned and the role of moderating and mediating variables is rightly defined. Hence, the study proposes the following hypothesis :

➤ **H2** : Environmental turbulence moderates the proactiveness - business performance relationship.

Methodology

The study is descriptive and cross-sectional in nature. A purposive sample of 457 North Indian organizations was taken for conducting this study. The senior - level key executives, who had decision-making power in the organization, were considered as key informants. Data were collected through a personal survey in the year 2016. Sample characteristics revealed that out of 457 organizations, 201 organizations were listed on BSE/NSE and 256

organizations were non - listed; 68.27% of the organizations belonged to the manufacturing sector ; non-manufacturing organizations comprised of 31.73% of the total sample. 155 firms had a turnover more than ₹ 500 crores and 68.08% of the organizations had a turnover of ₹ 50 - ₹ 500 crores ; 80.53% firms fell in the age group of more than 15 years. Only 89 organizations had an age of less than 15 years ; 74.84% firms had an employee strength of more than 250 and only 115 firms had up to 250 employees. The sample data tends to be biased towards large firms.

Analysis and Results

(1) Proactiveness : A 7 - item seven point scale (where, 1 = *strongly disagree*, 2 = *disagree*, 3 = *more or less disagree*, 4 = *neither agree nor disagree*, 5 = *more or less agree*, 6 = *agree*, and 7 = *strongly agree*) was developed for the operationalization of the proactiveness construct. All the scale items have been sourced from the literature (Appendix Table A1). These items reflect the ability of a firm to capitalize emerging opportunities. These items also reveal the inclination of a firm to lead their industry by anticipating and acting early on future needs of customers.

To estimate the adequacy with which a set of observed empirical indicators describe the latent construct, a uni-dimensional confirmatory factor analysis (CFA) model has been conceptualized (Figure 1) and tested for its significance and fit. The results of CFA model reveal a chi-square index = 20.82 ; $df = 14$; normed chi - square = 1.487 with p - value = 0.106 ; GFI = 0.987; AGFI = 0.975; NFI = 0.993; CFI = 0.995; RMR = 0.017 ; and RMSEA = 0.033. All these indices are acceptable and signify a good fit. All standardized residuals fall below 2.5,

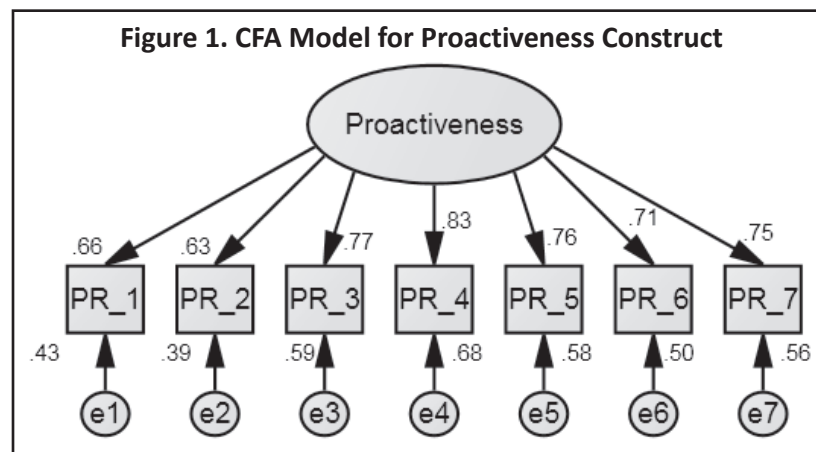


Table 1. Psychometric Properties of Proactiveness Construct

Item Code	SFL	Standardized Residual Covariances							AVE	CR
		PR_1	PR_2	PR_3	PR_4	PR_5	PR_6	PR_7		
PR_1	0.66	0							0.53	0.88
PR_2	0.63	0.72	0							
PR_3	0.76	-0.48	-0.19	0						
PR_4	0.83	0.75	-0.62	0.21	0					
PR_5	0.76	-0.46	0.91	0.02	-0.10	0				
PR_6	0.71	-0.48	-0.42	0.14	-0.15	0.05	0			
PR_7	0.75	-0.18	0.08	-0.05	-0.13	-0.13	0.60	0		

Note. SFL stands for Standardized Factor Loadings.

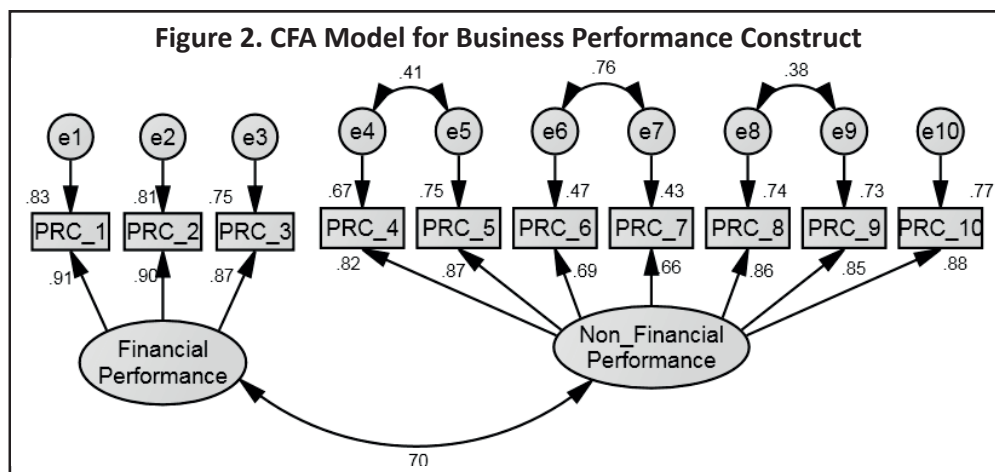
and all standardized factor loadings are significant (Table 1). High score of standardized factor loadings not only affirms the convergence of the scale items towards the underlying construct, but also acknowledge the appropriateness of scale items for the measurement of the proactiveness construct. AVE score of 0.53 provides sufficient evidence in the support of convergent validity. High score of CR (i.e. 0.89) proves the internal consistency of the scale items.

(2) Business Performance : Business performance has been assumed as a multi-faceted construct having financial performance and non-financial performance as its integral components. Subjective assessment of key informants has been taken on 10 unique indicators of business performance (Vij & Bedi, 2016b). Scale items such as sales growth, market share, and return on investment have been considered as indicators of subjective financial performance. Relative performance on dimensions like service quality, customer satisfaction, employee satisfaction, employee turnover, product innovation, process innovation, and product quality have been considered for the assessment of non-financial performance (Appendix Table A2). The respondents were asked to compare the performance of their firms with their major competitors over the past 3 years on a 7-point scale (where, 1 = *significantly bad*, 2 = *moderately bad*, 3 = *slightly bad*, 4 = *almost same*, 5 = *slightly better*, 6 = *moderately better*, and 7 = *significantly better*).

CFA model for business performance construct (Figure 2) reveals a chi-square index = 69.51; $df=31$; normed

Table 2. Psychometric Properties of Business Performance Construct

Construct	Item Code	SFL	Standardized Residual Covariances										AVE	CR
			PRC_10	PRC_9	PRC_8	PRC_7	PRC_6	PRC_5	PRC_4	PRC_3	PRC_2	PRC_1		
Non	PRC_10	0.88	0										0.80	0.93
Financial	PRC_9	0.85	0.12	0										
Performance	PRC_8	0.86	0.23	0	0									
	PRC_7	0.66	-0.95	0.76	0.52	0								
	PRC_6	0.69	-1.14	0.43	0.16	0	0							
	PRC_5	0.87	0.31	-0.24	-0.33	-0.07	0.44	0						
	PRC_4	0.82	0.31	-0.40	-0.28	-0.21	-0.05	0	0					
Financial	PRC_3	0.86	-0.05	0.26	0.34	1.06	1.26	0.13	0.83	0			0.89	0.92
Performance	PRC_2	0.90	-1.10	-0.30	-0.28	0.96	1.36	-0.50	0.11	0.05	0			
	PRC_1	0.91	-0.52	0.28	0.17	0.86	1.77	-0.04	0.46	-0.11	0.05	0		



chi-square = 2.24 ; GFI = 0.970 ; AGFI = 0.947 ; NFI = 0.984 ; CFI = 0.991; RMR = 0.034 ; and RMSEA = 0.052 and standardized residuals of less than 2.5. All these indices are significant and reveal a good model fit. Standardized factor loadings (Table 2) are significant and above the threshold of 0.50. AVE score of 0.89 (for financial performance construct) and 0.80 (for non-financial performance construct) acknowledge the convergence of scale items towards their underlying constructs. High indices of CR (0.92 for financial performance construct and 0.93 for non-financial performance construct) support the internal consistency of scale items. A significant and high degree of correlation (0.70) has also been observed between the latent construct of financial performance and non-financial performance.

(3) Environmental Turbulence : To operationalize environmental turbulence, an eight-item seven point bipolar scale refined by Naman and Slevin (1993) - based upon the earlier work of Khandwalla (1977), Miller and Friesen (1982), and Covin and Slevin (1989) was adopted (Appendix Table A3). These items disclose the rate of change and innovation in an industry as well as the uncertainty or unpredictability of the actions of competitors and customers.

The CFA model for environmental turbulence construct (Figure 3) reveals a chi-square index = 58.25; $df=19$; normed chi-square of 3.06 ; GFI = 0.967 ; AGFI = 0.938 ; NFI = 0.980 ; CFI = 0.987 ; RMR = 0.050 ; RMSEA=0.067 ; and standardized residuals of less than 2.5, which are all acceptable and signify a good model fit. Standardized factor loadings exceed the cutoff of 0.50 (Table 3). An AVE score of 0.65 supports the convergent validity. CR of 0.94 supports internal consistency of the scale items.

Table 3. Psychometric Properties of Environmental Turbulence Construct

Item Code	SFLStandardized Residual Covariances								AVE	CR
	ENV_1	ENV_2	ENV_3	ENV_4	ENV_5	ENV_6	ENV_7	ENV_8		
ENV_1	0.84	0.00							0.65	0.94
ENV_2	0.56	-0.76	0.00							
ENV_3	0.86	0.03	0.96	0.00						
ENV_4	0.87	0.06	1.24	0.00	0.00					
ENV_5	0.90	0.42	-0.06	0.22	-0.03	0.00				
ENV_6	0.85	-0.28	-0.22	-0.14	-0.23	-0.15	0.00			
ENV_7	0.89	-0.20	-0.47	-0.18	0.06	-0.15	0.41	0.00		
ENV_8	0.60	0.12	-0.86	-0.71	-0.60	-0.57	0.98	0.78		

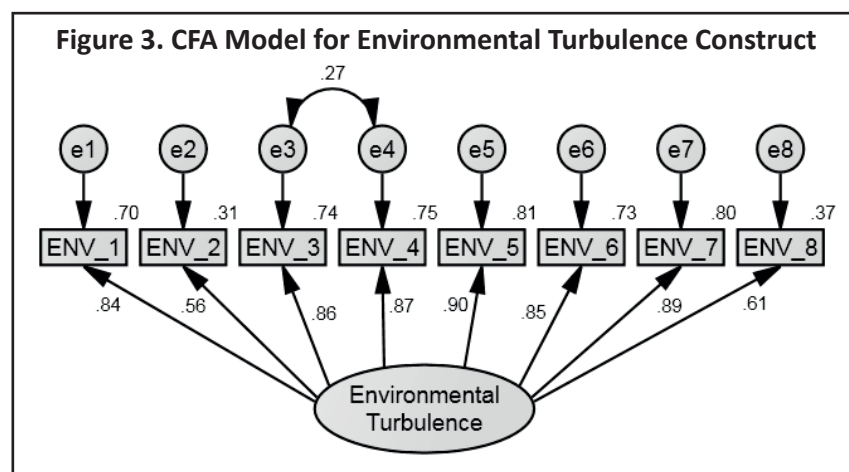


Figure 4. Structural Model for Proactiveness – Business Performance Relationship

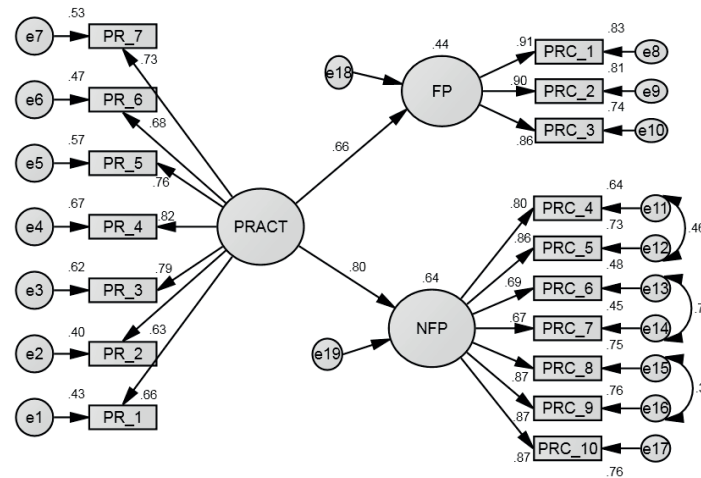
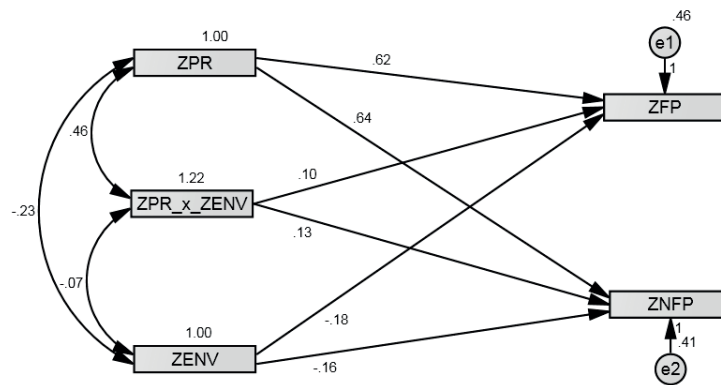


Figure 5. Interaction Effect of Environmental Turbulence on Proactiveness - Business Performance Relationship



Note. ZPR = standardized score for Proactiveness ; ZENV = standardized score for Environmental Turbulence; ZPR_X_ZENV = interaction term; ZFP = standardized score for Financial Performance ; ZNFP = standardized score for non-financial performance

Figure 6. Moderating Effect of Environment Turbulence on Proactiveness - Financial Performance Relationship

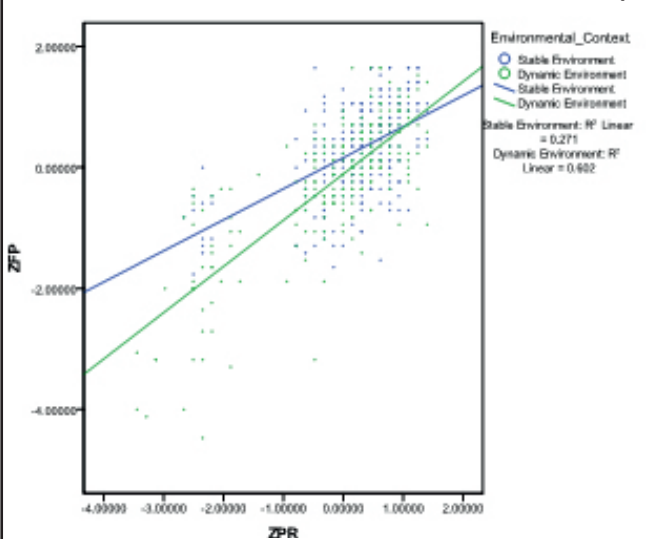
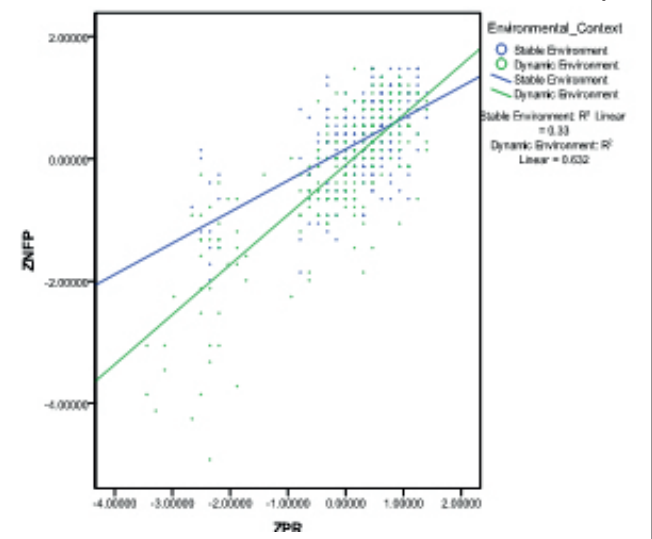


Figure 7. Moderating Effect of Environment Turbulence on Proactiveness - Non-Financial Performance Relationship



(4) Proactiveness - Business Performance Relationship : The causal relationship between proactiveness and business performance has been assessed through path analysis under the framework of structural equation modeling. In the path diagram (Figure 4), proactiveness has been considered as an exogenous variable (predictor); financial performance as well as non-financial performance act as endogenous variables (dependent) ; and the structural relationship between these constructs is reflected through single-headed arrows in the path diagram. The structural relationship has been examined for three issues : (a) model fit - as a measure of acceptance of the proposed model; (b) significance of the structural parameter estimates, that is, the relevance of the predictive variables in the model; and (c) *R* - square, that is, the degree of variance of the endogenous variables, which can be explained by the latent constructs that predict it.

The results of the structural model reveal a good fit. Normed chi-square = 2.43; GFI = 0.931; AGFI = 0.908 ; NFI = 0.955; CFI = 0.973; RMR = 0.070; and RMSEA = 0.056 are all significant. Path coefficients remain high and significant. Proactiveness predicts both financial performance (*R* square = 0.44) and non financial performance (*R* square = 0.64). Hence, H1 is accepted.

To assess the moderating effect of environmental turbulence on the proactiveness - business performance relationship, the moderator, that is, environmental turbulence and the interaction term, that is, product of environmental turbulence and proactiveness have been added to the structural model (Figure 5). The standardized scores for proactiveness, environmental turbulence, financial performance, non-financial performance, and interaction term have been considered for moderation analysis.

The results of interaction effect are significant (*t* - statistic of interaction term for financial performance = 3.31; *t* - statistic of interaction term for non-financial performance = 4.24). The Figure 6 and Figure 7 reveal that the slope of regression fit lines, predicting business performance from low and high scores of proactiveness differ in different environmental contexts. The regression fit lines indicate that in a stable business environment, proactiveness influences business performance (R^2 Linear = 0.27 and 0.33, respectively for financial and non-financial performance). There is a considerable degree of correlation between proactiveness and business performance for dynamic environmental conditions (R^2 Linear = 0.60 and 0.63, respectively for financial and non-financial performance). Hence, H2 is accepted.

Discussion

This study applies contingency approach to proactiveness - business performance relationship. The study finds proactiveness as an important attribute of firm's success.

Firms with high proactive orientation better understand consumer needs and develop new products and services to gain competitive advantage. Introduction of new products and services ahead of competitors enhances the market share of a firm and consequently, results in higher business performance.

Proactiveness makes a firm responsive toward market signals and enhances the competitiveness of an organization. Firms with high proactive propensity question and abandon the existing or given circumstances and create room for creativity, new ideas, and experimentation (Tang et al., 2008). The advent of new technology accelerates the pace of product development to the marketplace and strengthens an organization's competitiveness by hindering or deterring rivals' willingness to introduce similar products and services, penetrate the market, or attract customers by blocking the move or making it costly (Kreiser et al., 2013).

The study acknowledges the contextual nature of proactiveness - business performance relationship. The findings support the moderating effect of environmental turbulence on the strength of proactiveness - business performance relationship. The study suggests that firms operating in a dynamic environment are likely to be benefited more from proactiveness than firms operating in a stable environment. In a dynamic environment, where conditions change rapidly and opportunities emerge on a continuous basis, firms that have the ability and courage to anticipate future demand and to commit a significant amount of resources in the name of pioneering behavior,

that is, introduction of new products and services ahead of competitors, are likely to achieve higher business success.

Managerial Implications

This study has important managerial implications. The findings attempt to provoke policy makers and managerial personnel for the pursuit of proactiveness. The results imply that the pursuit of proactiveness could be financially worthwhile and might be a source of sustainable competitive advantage. The pursuit of proactiveness may help decision makers in reconfiguring the behavior of their members and renewing their resources and capabilities according to industry needs.

Research Implications

This study makes significant academic and research contribution. The results of this study may extend proactiveness literature by providing empirical evidence in support of proactiveness - business performance relationship in the Indian context. This study also attempts to contribute to the scholarly conversation about contextual nature of the proactiveness construct by providing valuable insights regarding the moderating role of environmental turbulence in proactiveness - business performance relationship. The proposed theory and inventory may motivate academicians and researchers for further exploration of the underlying constructs.

Limitations of the Study and Scope for Future Research

The findings of the study are based on input from Indian firms, and generalization of the findings is not claimed. Future researchers may study the moderation effect of organizational and external environmental factors in the context of other emerging economies. The findings of the current study are based on a heterogeneous sample of 457 North Indian firms. The homogeneity of the population is one of the significant factors, which could affect the findings of any study. It is quite possible that the relationship between proactiveness and business performance varies from sector to sector and by restricting the scope of the study to a particular sector, industry specific inferences can be drawn. The comparison of two or more industries could be another area of investigation. Similarly, the comparison of large, medium, and small-scale industries might provide additional insight about the proactiveness - business performance relationship. Future researchers may wish to conduct comparative studies on proactiveness - business performance relationship. The mediating effect of various elements of the organizational and industrial environment may provide more insights about the proactiveness - business performance relationship.

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APPENDIX

Appendix Table A1. Items Selected for Measuring Proactiveness

Sr. No.	Statement	Item Code
1	In dealing with its competitors, my firm typically initiates actions which competitors respond to.	PR_1
2	In dealing with its competitors, my firm is very often the first business to introduce new products/services, administrative techniques, operating technologies, etc.	PR_2
3	In general, the top management of my firm spends time discussing customer future needs.	PR_3
4	My firm actively collects and evaluates information on consumer needs and preferences.	PR_4
5	In general, my firm actively collects and evaluates information on technological developments.	PR_5
6	My firm actively collects and evaluates information on interest rate, exchange rate, industry growth rate, and inflation rate, etc.	PR_6
7	In general, there is an ongoing, active search for big opportunities in my firm.	PR_7

Source: Items 1 & 2 are taken from Covin and Slevin (1989); Item 3 is taken from Jaworski and Kohli (1993); Item 4 is sourced from Gonzalez - Benito, Gonzalez-Benito, and Munoz-Gallego (2009) ; Items 5 & 6 are taken from Zhao et al. (2011) ; and Item 7 is from Soininen et al. (2012).

Appendix Table A2. Scale of Business Performance

Sr. No.	Construct	Statement	Item Code
	Financial Performance	Compared to the major competitor, our business has obtained	
1		Sales Growth	PRC_1
2		Market Share	PRC_2
3		Return on Investment	PRC_3
4	Non Financial Performance	Service Quality	PRC_4
5		Customer Satisfaction	PRC_5
6		Employee Satisfaction	PRC_6
7		Employee Turnover	PRC_7
8		Product Innovation	PRC_8
9		Process Innovation	PRC_9
10		Product Quality	PRC_10

Source: Vij and Bedi (2016b)

Appendix Table A3. Scale of Environmental Uncertainty

Sr. No.	Statement	Item Code
	In general.....	
1	Our business unit needs to rarely change its marketing practices to keep up with the market and competitors vs. our business unit needs to change its marketing practices extremely frequently (e.g., semi-annually).	ENV_1
2	The rate at which products/ services are getting obsolete in the industry is very slow vs. the rate of products/ services obsolescence is very high.	ENV_2
3	Actions of competitors are quite easy to predict vs. actions of competitors are unpredictable.	ENV_3
4	Demand and consumer tastes are fairly easy to forecast vs. demand and tastes are almost unpredictable.	ENV_4
5	The production/service technology is not subject to much change and is well established vs. the modes of production/service change often and in a major way.	ENV_5
	The external environment in which my business unit operates....	
6	Very safe, little threat to the survival and well-being of my business unit vs. very risky, one false step can mean my business unit's undoing.	ENV_6
7	Rich in investment and marketing opportunities vs. very stressful, challenging, hostile; very hard to keep afloat.	ENV_7
8	An environment that my business unit can control and manipulate to its own advantage, such as a dominant firm has in an industry with little competition and few hindrances vs. a dominating environment in which my business unit's initiatives count for very little against the tremendous political, technological, or competitive forces.	ENV_8

Source: Naman and Slevin (1993)

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