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Impact of Entrepreneurial Orientation Dimensions-Innovation, proactiveness and Risk-taking on Social Performance of Small and Medium Enterprises: Does Charismatic Leadership Moderate These Relationships?

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ABSTRACT

Most studies on entrepreneurial orientation (EO) have examined its effects on financial performance, leaving a gap in understanding EO's dimensions and their impact on SMEs' social performance, particularly in developing economies. Additionally, the moderating role of charismatic leadership (CHL) on the EO-social performance (SOP) relationship remains underexplored. This study, based on the resource-based view theory and employing a multidimensional EO approach, investigates how the dimensions of EO—innovation (INNOV), proactiveness (PROA), and risk-taking (RIS) influence SOP, examining the moderating effects of CHL in manufacturing SMEs in Yemen. An analysis of data from 200 manufacturing SMEs was conducted using partial least squares (PLS) to test the hypotheses. The results reveal that PROA significantly enhances SOP, with CHL moderating this relationship, while INNOV and RIS do not significantly impact SOP, and CHL has no moderating effect on these dimensions. This study contributes to EO literature by examining EO through a multidimensional lens, highlighting its implications for SOP within SMEs, particularly in developing countries, and introducing CHL as a novel moderator. Practically, the findings suggest that manufacturing SME owners and managers should recognize that not all EO dimensions benefit social performance and that CHL can enhance social outcomes.

Keywords: Social Performance, Charismatic Leadership, Innovation, Proactiveness, Risk-Taking, Entrepreneurial Orientation
JEL Classification: Q56, M31, D12

1. INTRODUCTION

Small and medium-sized enterprises (SMEs) comprise over 90% of global enterprises and are critical to poverty reduction and economic development (ALDHobee et al., 2024). SMEs are acknowledged as essential for job creation (Rigtering et al., 2014) and advancing social and economic progress. Both developing and developed nations depend on SMEs for economic growth, emphasizing their key role in promoting societal well-being (Jin and Hurd, 2018). Although SMEs may contribute to sustainable development (ALDHobee et al., 2024), they face challenges in financial, technical, and managerial capacities that may hinder their performance (Singh et al., 2008; ALDHobee et al., 2024). Thus, effective strategies and innovative approaches are urgently needed to attain SMEs' resilience and sustainability.

Entrepreneurial orientation (EO) is regarded as a critical factor in enhancing SME performance (Gupta and Batra, 2016; Kiyabo and Isaga, 2020). EO, encompassing dimensions like innovativeness, proactiveness, and risk-taking, equips SMEs to pursue sustainability and address social issues through innovation, sustainable practices, and community-focused

initiatives. Scholars contend that strategic EO enables SMEs to optimize resource use, especially in dynamic, developing country environments (Hossain and Azmi, 2020). However, the impact of EO on firm performance is inconsistent, reflecting a theoretical and empirical divergence that may stem from variations in firm context, size, and external conditions (Covin and Miller, 2014; Wales et al., 2013; Wales, 2016; Wales et al., 2019). This variability suggests that EO's impact on performance may require moderating or mediating variables to capture its complexity (Wahyuni and Sara, 2020). Lumpkin and Dess (1996) proposed a multidimensional EO approach to examine the individual effects of EO dimensions, as these may independently influence outcomes, contrasting with Miller's (1983) unidimensional construct that examines shared EO variance. They interpreted the diversion of EO impact on firm performance may be due to the different impact of each dimensions of EO. Lomberg et al. (2017) suggest that commonality analysis can clarify highly correlated variables, emphasizing that EO's impact may vary by industry, underscoring the need to explore EO dimensions across different sectors.

Despite substantial EO research, literature gaps persist regarding EO's influence on firm performance as some of which being identified by this study research as follows:

First, the literature on entrepreneurial orientation (EO) has primarily focused on the relationship between EO and financial performance, particularly in contexts where SMEs face challenging environments (Covin and Wales, 2012; Lumpkin and Dess, 1996). However, the social impact of EO within SMEs, especially in manufacturing sectors, remains underexplored. This gap is significant because while financial performance is crucial, the social performance of SMEs contributes to sustainable development goals and community well-being (Wales et al., 2013).

Second, despite the recognition of EO as a driver of innovation and responsiveness to market demands and profit, only limited research has explored how the EO dimensions innovativeness, proactiveness, and risk-taking specifically enhance or hinder social performance of SMEs (Kraus et al., 2012). In addition, that current research has largely neglected how EO in SMEs can facilitate socially responsible practices, such as employee well-being, environmental consciousness, and ethical supply chain management (Gupta and Wales, 2017; Lumpkin et al., 2013).

Third, previous studies have often employed a unidimensional EO construct, which may fail to capture the unique influences of each EO dimension on firm performance (Miller, 1983). Consequently, researchers have called for a multidimensional approach to understanding EO's impact on social outcomes, as the effects of innovativeness, proactiveness, and risk-taking may vary independently and interactively depending on the specific industry context (Wales, 2016). Gupta and Wales (2017) criticized prior EO research for focusing predominantly on financial indicators, leading to ambiguous performance measures. This is beside to there is limited exploration of charisma as a potential moderator in the EO-performance relationship.

Lastly, studies focusing on developing economies, such as Yemen, are scarce, yet these contexts present unique challenges and opportunities for SMEs regarding social responsibility and community engagement (Hossain and Azmi, 2020). EO studies have yet to provide sufficient empirical insights into how manufacturing SMEs in developing economies leverage EO to achieve social goals. Doherty et al. (2014) have suggested that future research in SE should focus on developing countries including those in the Middle East.

Based on the mentioned above, this research responds to calls for understanding the influence of dimensions of EO on firm outcomes such as social performance (Wales et al., 2013) furthermore, this paper intends to check if EO's dimensions can influence performance in this context, as the above mentioned research gaps underscores the need for further studies on EO's social impact in these environments, considering the potential for SMEs to contribute to sustainable social outcomes beyond mere economic performance (Kiyabo and Isaga, 2020; Hossain and Azmi, 2020).

To address these gaps, this study focuses on manufacturing SMEs in Yemen, a developing economy, to investigate each EO dimension separately to test for positive effects with social enterprises' performance with charismatic leadership' moderation see Figure 1. As to the best of the authors' knowledge, no study has specifically explored how EO dimensions influence the social performance of Yemeni manufacturing SMEs. Grounded in EO literature and the resource-based view, this study seeks to answer the following research questions:

1. Does innovativeness have a direct relationship with the social performance of manufacturing SMEs in Yemen?
2. Does proactiveness have a direct relationship with the social performance of manufacturing SMEs in Yemen?
3. Does risk-taking have a direct relationship with the social performance of manufacturing SMEs in Yemen?
4. Does charismatic leadership has a moderating relationship on EO' dimensions and social performance of manufacturing SMEs in Yemen?

2. THEORETICAL AND HYPOTHESES DEVELOPMENT

2.1. Entrepreneurial Orientation (EO)

Entrepreneurial Orientation (EO) is a foundational construct for understanding firm-level entrepreneurship and its implications on performance and competitive positioning. Miller (1983) defines an entrepreneurial firm as one engaged in product-market innovation, willing to take on risk, and capable of proactive strategic moves to outpace competitors, thereby establishing EO's three core dimensions: innovativeness, proactiveness, and risk-taking. Each of these dimensions uniquely influences firm strategies and performance outcomes. The literature suggests that EO not only drives business performance but can also shape a firm's social orientation and corporate social responsibility (CSR). For instance, Perera et al. (2024) demonstrate that innovation and proactiveness foster organizational adaptability and drive socially responsible initiatives, particularly in resource-constrained

contexts. Similarly, Kihm (2019) finds a positive correlation between innovation, proactiveness, and CSR, while noting that risk-taking often introduces firm-level risk, underscoring the need to balance EO dimensions with social goals. Moreover, Sajid et al. (2021) highlight that EO-oriented firms adopting people-centered management and an adaptive culture achieve greater social and organizational success in sectors like construction, where EO dimensions directly impact social performance outcomes.

2.2. Social Performance (SOCAIL)

Social performance lacks a universally agreed-upon definition, as its conceptualization varies across research contexts. Social performance generally refers to the extent of a firm's contributions to social good, encompassing societal benefit through ethical practices, community engagement, environmental sustainability, and employee welfare (Gupta and Batra, 2016). Clarkson (1995) describes social performance as a firm's commitment to positive societal impact, emphasizing that it extends beyond profitability to encompass benefits for the broader community. For SMEs, particularly in manufacturing, social performance may involve environmentally responsible practices, workforce development, and safe working conditions, all of which bolster brand reputation and legitimacy (Lumpkin et al., 2013). However, many SMEs face financial and resource constraints that can hinder prioritizing social initiatives over immediate economic challenges (Singh, 2008). Thus, employing EO as a strategy may empower SMEs to innovate, proactively address societal expectations, and take calculated risks in adopting sustainable practices, ultimately enhancing social outcomes (Hossain and Azmi, 2020). While the existing literature emphasizes the importance of social performance, empirical studies exploring how EO within manufacturing SMEs especially in developing countries affects social outcomes remain limited. Further research is necessary to identify which EO practices most effectively enhance social performance across different contexts and industries (Wales et al., 2013; Kraus et al., 2012).

2.3. Theoretical Foundation: Resource-Based View (RBV)

The Resource-Based View (RBV) offers a robust theoretical foundation for analyzing the relationship between EO and social performance in SMEs. RBV posits that firms gain competitive advantage through valuable, rare, inimitable, and non-substitutable (VRIN) resources (Barney, 1991). In SMEs, EO's dimensions innovativeness, proactiveness, and risk-taking—can function as dynamic capabilities that optimize resource use and strategic choices, aligning economic and social goals. For instance, Baquero (2024) shows that resource orchestration in green EO improves corporate social performance (CSP), especially when firms invest in green knowledge to meet sustainability demands. Miragaia et al. (2023) illustrate that in professional sports, combining EO with market and learning orientations enhances resource adaptability and competitive advantage. Reyna-Castillo et al. (2023) expand RBV by showing that a social-resource-based view (SRBV) integrates social resources as critical for operational and social performance in emerging markets, emphasizing social resources' importance in performance within developing economies.

2.4. Hypotheses Development

2.4.1. Impact of EO dimentions on SOCIAL performance

Few several studies have explored the relationship between EO and social performance across various organizational settings. For example, Riwu Kore et al. (2024) find that EO enhances social performance in Indonesian microfinance institutions (MFIs), and, indirectly, financial performance, highlighting EO's role in social outreach as a driver for financial gains. Similarly, Gali et al. (2020) shows that social entrepreneurial orientation (SEO) has a positive mediated effect on financial performance through social performance, despite a negative direct effect on financial outcomes. Löffel and Gmür (2024) demonstrate that EO in entrepreneurial cooperatives enhances market-related and indirectly member- and social-related performance. Alarifi et al. (2019) reveal that innovativeness and proactiveness within EO positively impact firm performance in Saudi social enterprises, while risk-taking shows no effect—a finding consistent with Hu and Pang's (2013) study on Chinese non-profits and Tindiwensi et al.'s (2020) research on Ugandan social entrepreneurship. Additionally, Sharippudin et al. (2024) highlights that innovativeness positively impacts both business and social performance, while proactiveness enhances business but negatively affects social performance, and risk-taking adversely affects both. The following hypotheses are therefore proposed in this study:

H_1: There is a direct positive relationship between the EO dimension of innovativeness and SMEs' social performance.

H_2: There is a direct positive relationship between the EO dimension of proactiveness and SMEs' social performance.

H_3: There is a direct positive relationship between the EO dimension of risk-taking and SMEs' social performance.

2.4.2. Moderating role of charismatic leadership on EO SOCIAL performance

Charismatic leadership has been shown to enhance firm performance and drive EO-related outcomes by creating a supportive organizational culture. Wilderom et al. (2012) highlight that while charismatic leadership improves financial performance, its influence extends to perceived organizational performance through an aligned culture. Eikelenboom and de Jong (2019) find that integrative dynamic capabilities, supported by charismatic leadership, foster social, environmental, and economic outcomes in SMEs. Phillips et al. (2019) argue that charismatic leaders cultivate organizational capabilities that foster social responsibility. Haroon and Siddiqui (2019) show that charismatic leadership within culturally endorsed environments enhances EO by encouraging socially responsible practices, aligning with findings by Martínez-Climent et al. (2019), who suggest that charismatic leadership fosters a social performance culture within EO frameworks, advancing sustainable goals. Razi et al. (2022) further underscore that entrepreneurial leaders with visionary traits enhance social innovation outcomes by interpreting social opportunities a key aspect of charismatic leadership. Based on the mentioned above the fallowing hypotheses are therefore proposed in this study:

H_4: Charismatic leadership positively moderates the relationship between innovation and the social performance of manufacturing SMEs in Yemen.

H_5: Charismatic leadership positively moderates the relationship between proactiveness and the social performance of manufacturing SMEs in Yemen.

H_6: Charismatic leadership positively moderates the relationship between risk-taking and the social performance of manufacturing SMEs in Yemen.

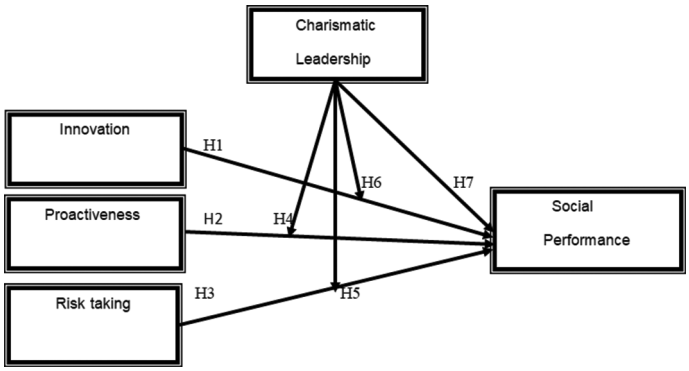
H_7: There is a direct positive relationship between charismatic leadership and SMEs' social performance.

3. METHODOLOGY

3.1. Data Collection

The primary data for this study was collected through a structured questionnaire, designed specifically to target manufacturing SMEs in select Yemeni cities. SME owners and managers completed the questionnaire, which proved challenging due to logistical and situational difficulties. Initially, 400 questionnaires were distributed, but only 160 were returned. To improve response rates, additional methods included distributing the questionnaire electronically via Google Forms and WhatsApp, targeting contact numbers of SME owners and managers. Ultimately, 200 completed questionnaires were retained for analysis, deemed adequate based on Roscoe's (1975) sample size rule of 30 to 500 participants for a research. Although many items in the questionnaire were validated in prior studies as it is adopted from them, a preliminary pre-test with 20 respondents was conducted to further ensure validity and reliability without including them in the final analyzing. Data collection lasted six months, from June to December 2023.

Figure 1: Conceptual model



3.2. Population and Sample

This study aims to examine how the dimensions of entrepreneurial orientation innovation, proactiveness, and risk-taking affect the social performance of manufacturing SMEs, with a focus on the moderating role of charismatic leadership. A quantitative research approach was applied, with random sampling across the target population. Questionnaires were completed by SME owners and managers, distributed physically and digitally. PLS-SEM was employed for data analysis using 5,000 bootstrapped subsamples (Hair et al., 2017). As sixth-point Likert scale does not allow participant to give a neutral answer Kalton et al., 1980), data were gathered on a seveth-point Likert scale, from 1 (strongly disagree) to 7 (strongly agree) because it spreads the accuracy of measurement and it is important to have a midpoint, because a substantial minority of people do appear to hold attitudinal positions which are genuinely neutral(Sturgis et al., 2014).

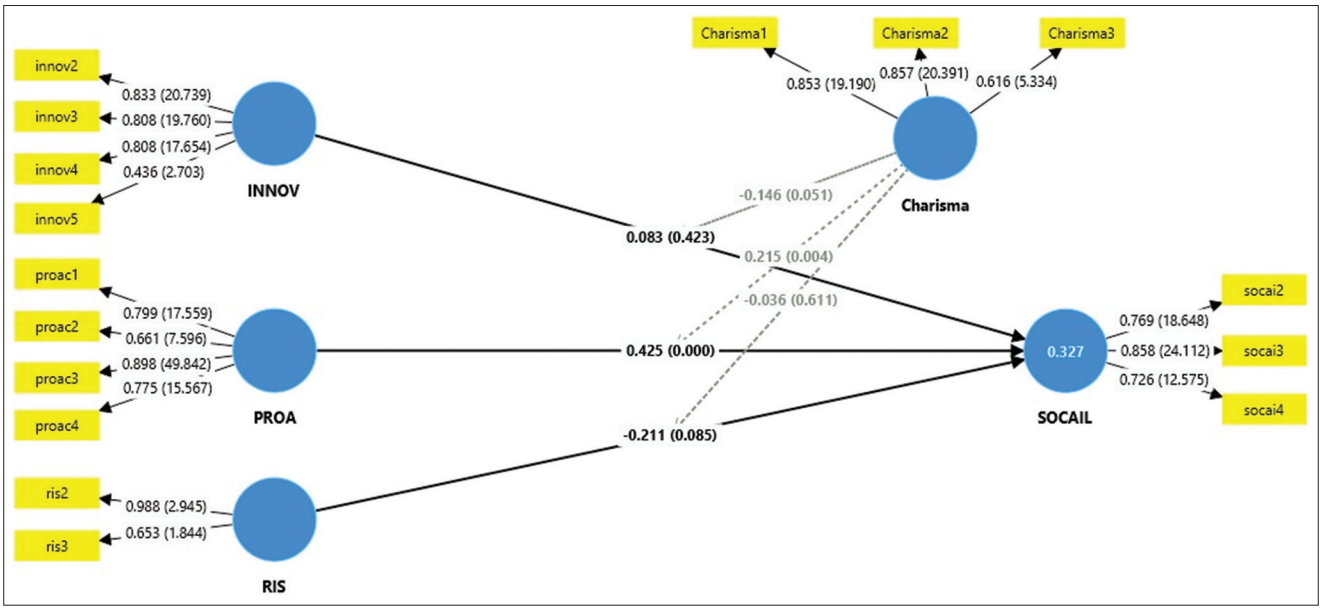
3.3. Measurements

Charismatic leadership was measured with three items from the Multifactor Leadership Scale (MLQ) by Bass (1985). Thirteen items measured entrepreneurial orientation dimensions—innovation, proactiveness, and risk-taking—adapted from Covin and Slevin (1989). The social performance construct was assessed using four items from prior studies (Abdul-Rashid et al., 2017; Zhu et al., 2008).

3.4. Data Analysis and Results

PLS-SEM was employed for data analysis as it is suitable for small sample sizes and capabile to reduce estimation bias through bootstrapping further it is suitable (Hair et al., 2022; Sarstedt and Liu, 2023). PLS-SEM's is suitable in testing a theoretical framework from a prediction perspective and when the structural model is complex and includes many constructs, indicators and/or model relationships (Hair et al., 2019). And it's flexibility in

Figure 2: Bootstrapping and hypotheses results



handling complex models with various variable types made it especially appropriate for this study, given its widespread use in research on entrepreneurial orientation and social performance (Sharippudin et al., 2024; Löffel and Gmür, 2024).

3.5. Measurement Model Evaluation

The study evaluated the measurement model using a series of steps to ensure the model's reliability and validity. First, convergent validity was assessed through outer loading factors, with a threshold criterion of 0.60. One item in risk-taking (ris2**)** construct was removed because it's very low loading which was < 0.4 (Hair et al., 2022). The other outer loadings exceeded 0.615, ranging from 0.616 to 0.988, except for one item (Innov5) with a loading of 0.436. Following the recommendation by Hair et al. (2022), this item was retained as the average variance extracted (AVE) was above 0.5. Second, internal consistency reliability was measured using composite reliability (CR), with a threshold of 0.7. CR values ranged from 0.818 to 0.866, indicating strong internal consistency across the constructs. Third, convergent validity was further confirmed by ensuring that each construct's AVE was greater than 0.5, with values between 0.547 and 0.701, as shown in Table 1, indicating that the model met convergent validity standards.

In the fourth stage, discriminant validity was evaluated. The study used the recognized three method of evaluating discriminant validity. Therefore, discriminant validity is assessed through the cross-loading matrix, Fornell-larcker criterion and the heterotrait-to-monotrait ratio (HTMT). Henseler et al. (2015) proposed the heterotrait-monotrait ratio (HTMT) as a robust measure, with a cutoff of 0.90. As presented in Table 2, all HTMT values were below this threshold, confirming discriminant validity and indicating that each construct was distinct from the others The results of the cross-loadings of the items indicated that all items loaded more on their corresponding constructs than others see Table 3, and the square root of AVE as the diagonal elements is greater than the off-diagonal correlation in the rows and columns, signifying the fulfillment of Fornell-larcker criterion see Table 4. Hair et al. (2022)

Table 1: Measurement model analysis

Construct	Items	Outer loadings	CR (rho_c)	AVE	Cronbach's alpha
SOCAIL	SOCAIL2	0.769	0.828	0.618	0.692
	SOCAIL3	0.858			
	SOCAIL4	0.726			
INNOV	Innov2	0.833	0.821	0.547	0.712
	Innov3	0.808			
	Innov4	0.808			
	Innov5	0.436			
PROAC	Proac1	0.799	0.866	0.620	0.803
	Proac2	0.661			
	Proac3	0.898			
	Proac4	0.775			
RIS	Ris2	0.988	0.818	0.701	0.691
	Ris3	0.653			
Charisma	Charisma1	0.853			
	Charisma2	0.857			
	Charisma3	0.616	0.823	0.614	0.680

CR: Composite reliability, AVE: Average variance extracted, INNOV: Innovation, PROA: Proactivness, RIS: Risk-taking, SOCAIL: Social performance

Table 2: Discriminant validity: HTMT

	Charisma	INNOV	PROA	RIS
Charisma				
INNOV	0.390			
PROA	0.340	0.763		
RIS	0.170	0.510	0.374	
SOCAIL	0.377	0.447	0.575	0.083

HTMT: Heterotrait-Monotrait ratio, INNOV: Innovation, PROA: Proactivness, RIS: Risk-taking, SOCAIL: Social performance

Table 3: Discriminant validity: cross-loading

Dimension	Charisma	INNOV	PROA	RIS	SOCAIL
Charisma1	**0.853**	0.348	0.260	0.118	0.231
Charisma2	**0.857**	0.222	0.191	0.092	0.215
Charisma3	**0.616**	0.111	0.173	–0.024	0.146
Innov2	0.284	**0.833**	0.476	0.259	0.305
Innov3	0.249	**0.808**	0.425	0.158	0.244
Innov4	0.251	**0.808**	0.473	0.334	0.255
Innov5	0.055	**0.436**	0.239	0.177	0.125
Proac1	0.199	0.384	**0.799**	0.107	0.402
Proac2	0.123	0.492	**0.661**	0.252	0.154
Proac3	0.267	0.439	**0.898**	0.276	0.483
Proac4	0.214	0.549	**0.775**	0.268	0.336
Ris2	0.114	0.281	0.280	**0.988**	–0.053
Ris3	–0.049	0.355	0.129	**0.653**	–0.011
Socai2	0.150	0.299	0.457	–0.034	**0.769**
Socai3	0.229	0.214	0.353	–0.040	**0.858**
Socai4	0.239	0.249	0.285	–0.043	**0.726**

INNOV: Innovation, PROA: Proactivness, RIS: Risk-taking, SOCAIL: Social performance. Loadings of the indicators of each model construct are denoted with bold

Table 4: Discriminant validity: Fornell-larcker criterion

	Charisma	INNOV	PROA	RIS	SOCAIL
Charisma	**0.783**				
INNOV	0.306	**0.740**			
PROA	0.268	0.561	**0.788**		
RIS	0.092	0.316	0.273	**0.837**	
SOCAIL	0.256	0.327	0.476	-0.050	**0.786**

INNOV: Innovation, PROA: Proactivness, RIS: Risk-taking, SOCAIL: Social performance. Square root of AVE as the diagonal elements is denoted with bold.

Table 5: Variance inflation (VIF) values

Items	VIF
Charisma1	1.563
Charisma2	1.633
Charisma3	1.158
Innov2	1.588
Innov3	1.626
Innov4	1.587
Innov5	1.098
Proac1	1.632
Proac2	1.494
Proac3	2.163
Proac4	1.685
Ris2	1.385
Ris3	1.385
Socai2	1.271
Socai3	1.871
Socai4	1.560

VIF: Variance inflation factor

Table 6: Q2 values

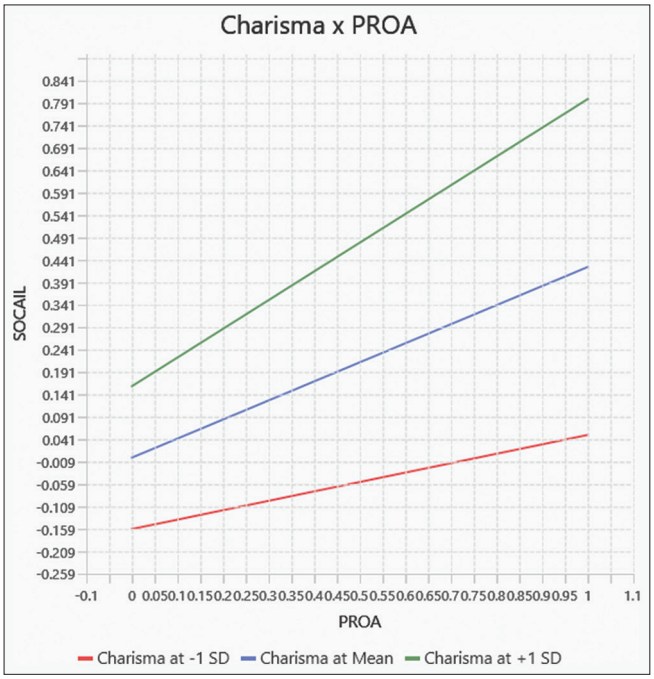
Dependent construct	Q^2predict
SOCAIL	0.234

Table 7: Structural model analysis

Hypotheses	Relationship	β	S E	T values	P values	Decision
H_1	INNOV -> SOCAIL	0.083	0.104	0.801	0.423	NOT supported
H_2	PROA -> SOCAIL	0.425	0.091	4.677	000***	Supported
H_3	RIS -> SOCAIL	-0.211	0.122	1.724	0.085	NOT supported
H_4	Charisma x INNOV -> SOCAIL	-0.146	0.075	1.950	0.051	NOT supported
H_5	Charisma x PROA -> SOCAIL	0.215	0.074	2.895	004**	Supported
H_6	Charisma x RIS -> SOCAIL	-0.036	0.070	0.509	0.611	NOT supported
H_7	Charisma -> SOCAIL	0.159	0.068	2.329	020*	Supported

***P<0.001, **P<0.005, *P<0.05

Figure 3: The interaction between the charismatic leadership and proactiveness on social performance



affirmed that these metrics support the constructs' reliability and validity. Before estimating the structural model, multicollinearity was examined using variance inflation factor (VIF) values, with a recommended maximum of 5 (Hair et al., 2012). Table 4 shows that all VIF values were below Table 5, confirming no multicollinearity among variables. Furthermore, the model's explanatory power was assessed by examining the Q2 value, which was found to be greater than zero as shown in Table 6; thus, the model has adequate predictive quality, as suggested by Hair et al. (2011).

3.6. Hypothesis Testing Results

3.6.1. Direct effects of structural model

A structural equation model was used to test research hypotheses. According to Table 4 and Figure 2, Innovation does not have a significant effect on social performance (β = 0.083, P > 0.05). Thus, hypothesis 1 was rejected. Proactiveness has a significant positive effect on social performance (β = 0.425, P < 0.000). In other words, if the level of proactiveness increases, social performance also increases. Thus, hypothesis 2 gained support. Risk-taking does not have a significant effect on social performance (β = –0.211, P > 0.05) Thus, hypothesis 3 was rejected. Charisma has a significant positive effect on social performance (β = 0.425, P < 0.05). In other words, if the level of Charisma increases, social performance also increases Thus, hypothesis 7 gained support.

3.6.2. Moderating role of Charima leadership in a research model

The moderator variable role of Charisma leadership on the relationship between EO' dimensions named innovation, proactiveness and risk-taking and social performance was tested. Analyses were carried out to test the hypotheses to determine the effect. The result of the analyses as shown in Table 4, reflected that Charisma leadership not significantly moderates the effect of innovation (β = –0.146, P > 0.005), risk-taking (β = –0.036, P > 0.005) on social performance. Hence, H_4 and H_6 were not supported while H5 was supported (β = 2.895, P < 0.005). Table 7 and Figure 2 and 3 shows that Charisma leadership strenghten the positive relationship between proactiveness and social performance. This situation indicates how charismatic leadership should be to ensure the social performance of manufacturing SMEs.

4. DISCUSSION AND CONCLUSION

There is growing interest in examining the dimensions of Entrepreneurial Orientation (EO) as drivers of improved social performance in firms (Riwu Kore et al., 2024; Sharippudin et al., 2024; Löffel and Gmür, 2024). However, research has not consistently demonstrated how these dimensions individually or collectively impact various aspects of firm performance, such as social performance, which can vary significantly based on context and industry. Grounded in the Resource-Based View (RBV), this study investigates the effects of EO dimensions—innovation, proactiveness, and risk-taking—on social performance, with a focus on the moderating role of charismatic leadership. Using data collected from senior managers of manufacturing firms in Yemen, this study emphasizes the role of social performance in SMEs as a strategy for promoting sustainable development and poverty reduction in a developing nation. The findings contribute to the EO literature by providing an empirical analysis with theoretical and practical implications for future research. Specifically, this study finds that while innovation and risk-taking do not positively influence social performance in SMEs, proactiveness does exert a positive impact. This finding aligns with the studies by Alarifi et al. (2019) and Kihm (2019) on risk-taking but diverges with Alarifi et al. (2019) on innovation, which found it to be impactful. In addition, it is in consistent with the study of Abbade et al. (2014), in the negative impact of innovation and risk- taking on social performance. Furthermore, this study is in consistence with findings from Sharippudin et al. (2024) regarding the non-significant impact of risk-taking on social performance, however, it is not in consistence with it by showing the negative impact of proactiveness on social performance, as our study shows a

positive impact of proactiveness in soccail performance. The study also is in consistence with Brändle et al. (2019) and Kihm (2019) in identifying a non-significant impact of innovation on social performance.

The absence of a positive effect of innovation on social performance may stem from challenges unique to SMEs in developing economies, where factors such as social motivations, limited support for experimentation, the complexity of social issues, and stakeholder resistance to novelty can restrict innovation (Lumpkin et al., 2013). Regarding risk-taking, addressing social challenges often requires caution, as high-risk strategies may impede an organization's capacity to effectively address social issues. In developing economies, institutional funders may discourage high-risk initiatives, compelling SMEs to prioritize economic sustainability over social objectives (Aldhobee et al., 2024). Conversely, proactiveness positively influences social performance by enabling firms to anticipate future needs and engage actively with diverse stakeholders—such as volunteers, funders, and community networks—thereby enhancing their ability to meet stakeholder expectations through early and proactive actions (Lumpkin et al., 2013). This proactive stance aligns with RBV by positioning SMEs to preemptively integrate social goals into their business models, creating a competitive advantage through sustainable practices and corporate responsibility.

Finally, charismatic leadership is found to significantly moderate the relationship between proactiveness and social performance, strengthening this positive association, as evidenced by slope analysis (Figure 3). At higher level of charisma, the proactiveness-social performance relationship is amplified, suggesting that charismatic leaders foster a proactive and socially responsible organizational culture (Bass & Avolio,1993; Bateman 2000). Leaders who balance flexibility with accountability can cultivate a culture of social responsibility, aligning EO with sustainable outcomes (Martínez-Climent et al., 2019).

4.1. Theoretical Contribution

This study hypothesizes that charismatic leadership amplifies the positive impact of Entrepreneurial Orientation (EO) on social performance by aligning entrepreneurial initiatives with social objectives, particularly within the socio-economic context of Yemen. This research makes three key contributions to EO literature. First, it addresses a gap by quantitatively analyzing the EO dimensions—innovation, proactiveness, and risk-taking—and their influence on social performance using a novel dataset. Second, while EO is generally linked to enhanced performance, its specific impact on social outcomes remains underexplored (Lumpkin et al., 2013), and this study aims to investigate this relationship. Third, most EO scholars have used a unidimensional approach to assess the EO–firm performance relationship, rather than a multidimensional one. This study responds to calls for a multidimensional approach (Kraus et al., 2012) to better understand this relationship. By examining each EO dimension individually, the study argues that a unidimensional EO construct may not fully capture the unique influence of each dimension on social outcomes (Miller, 1983).

4.2. Practical Contribution

Practically, this study offers a framework for decision-makers and stakeholders to leverage proactiveness and charismatic competencies to balance financial and social performance in SMEs, thus contributing to sustainable development goals and community well-being (Wales et al., 2013). The findings inform strategy development aimed at achieving these dual outcomes and emphasize the importance of strengthening strategic entrepreneurial skills among SME managers and owners through targeted training programs. Additionally, this study draws attention to the critical issue of social performance in manufacturing firms in developing nations, highlighting its role in achieving sustainable development and poverty reduction. This research fills a gap in EO studies, which frequently overlook how manufacturing SMEs in developing economies leverage EO to attain social objectives. This underscores the need for further research, as SMEs hold potential to contribute to sustainable social outcomes beyond economic performance alone (Kiyabo and Isaga, 2020; Hossain and Azmi, 2020).

4.3. Conclusions, Limitations, and Future Research

This paper makes a distinct contribution by finding that the EO dimensions of innovation and risk-taking do not have a significant positive impact on the social performance of manufacturing firms, while charismatic leadership does not significantly mitigate the relationships between these dimensions (innovation and risk-taking) and social performance. In contrast, proactiveness positively influences social performance, although charismatic leadership significantly moderates the relationship between proactiveness and social performance by strengthening its positive impact. Like similar studies, this research has limitations, underscoring the need for further research to confirm these findings and broaden the scope. First, the study's data were collected from a subset of manufacturing SMEs in specific Yemeni cities, which may limit the generalizability of the results. Second, reliance on cross-sectional data prevents causal inference; thus, future research should employ longitudinal data to capture conditional effects. Expanding the geographical scope and timing of data collection would also provide insights into Yemen's unique challenges. Additionally, replicating this research across other sectors, such as service-oriented SMEs, could yield broader insights. Finally, while this study examines the moderating role of charismatic leadership on the EO–social performance relationship, future research could investigate alternative moderating and mediating variables to further generalize the findings.

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