

Entrepreneurial Orientation and Financial Performance of SMEs in Construction Industry: Role of Governance Mechanisms

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ABSTRACT

Financial performance could help to increase the decision-making process of stakeholders through providing reliable data which helps them to take their better investment decisions. Entrepreneurial orientation can further strengthen this process by leveraging improved governance structures. Therefore, the study objective was to test influence of entrepreneurial orientation on improving financial performance through governance mechanisms for enhancing stakeholders' decision making in making their investment in constructions SMEs. To test this objective, data were collected from 380 construction SMEs employees in Saudi Arabia. Hypothesis results exhibited that entrepreneurial orientation dimensions significantly and positively increase both financial performance and governance mechanisms of the construction industry in Saudi Arabia. Governance mechanisms also significantly increase the financial performance. Further indirect effect also shown that the governance mechanism significantly mediated between entrepreneurial orientation and financial performance. Theoretically, study with the significant findings contributed a unique model to improve the decision making process of stakeholders in their investment after analyzing the company's financial performance that could be improve through effective entrepreneurial orientation and governance structure. Practically, the study also contributed to know the significance of a

strong enterprenuerial orientation and governance framework to improve the financial performance. This enhancement in performance could support sustainable growth and strengthens the overall decision-making efficiency within Saudi Arabia's construction SMEs.

Keywords: Decision Making, Entrepreneurial Orientation, Financial Performance, Governance Mechanisms, Construction SMEs

INTRODUCTION

Construction SMEs played an significant role in the country economic and social developmet because it contribute significantly to employment generation, providing jobs to skilled and unskilled workers and supporting livelihoods in both urban and rural area (Nowotarski & Paslawski, 2017). Constructions SMEs are often more flexible to adopt the quickly changes as per market demands and technological advancements (Tezel et al., 2020). Form other perspctives, constructions SMEs are also crucial for infrastructure development which are essential for national growth. They also support supply chain networks through engaging local suppliers, contractors, and service providers, thereby stimulating local economies (Chen et al., 2025). In this regdards, construction SMEs strengthen the economic foundation, promote sustainable development, and play a significant role in achieving national development goals (Rayter et al., 2024). Therefore, to improve the stakeholders decision making process of constructions SMEs is important to keep sustainablility of this sectors in social and economic development (Rayter et al., 2024) that is only possible when companies financial performance is improved. Strong financial performance (FP) provides construction SMEs with reliable data and insights that support better investment decision-making because it provides quantitative data that supports data-driven which helps to the individuals to evaluate organizations more efficiently through forecasting, and choose optimal strategies (Madhavika et al., 2024). Consequently, to improve the stakeholders better decision making in their investment, constructions SMEs should focus to improve FP becaue a better FP will provide a accurate data, measurable outcomes, and evidence-based insights for optimal decision making of stakehoderls (Sucena et al., 2025).

Consequently, to improve firms stakeholders decision making process, FP played a key role in determining the companies stability, and competitiveness (Bhakar et al., 2024). It played a key measure to know how resources are efficiently utilized for generating profit, and manage cost to improve the sharehoders wealth (Morrison et al., 2024; Zhao et al., 2024). To enforce this, an efficient FP also contribute to building investor trust, improving creditworthiness, and attracting further investments for future expansion (Kusa et al., 2024). Furthemore, a sustain FP also also allows companies to increase their market reputation, support innovation, and respond proactively as per environmental conditions (Morrison et al., 2024). Besides, organizations with robust FP are better positioned to implement corporate social responsibility (CSR) initiatives, support employee welfare, and contribute to broader economic development, all of which strengthen their sustainability and long-term viability (Agazu et al., 2025). Enforcing to prior studies, study on the FP is essentiall to improve the decision making process for sustaining organizations because it played an effect role in increasing profitability, operational efficiency, and resilience in dynamic market.

Various indicators improve the FP of the organizations, and from those entrepreneurial orientation (EO) is an important factor which increases the FP (Liew et al., 2024). EO helps to the companies through increasing proactiveness, innovation, and risk-taking which is enabling firms to respond effectively to dynamic market conditions (Morrison et al., 2024). This strategic mindset leads to improved FP through better opportunity recognition and resource utilization. Other study also highlighted that EO increase the FP through raising innovations and proactive strategies which leads to strengthen the FP through increasing innovation and proactive strategies, which in turn strengthen the firm's decision-making process through data-driven and opportunity-focused choices (Aftab et al., 2022). Other study also enforced that EO helps to promote the optimization in resources, which significantly leads to improve FP efficiently to improve firms financial stability (Zeng, 2024). Other researchers also highlighted that EO is a key driver of organizational success through innovativeness and risk taking to improve FP (Covin & Wales, 2018). EO also helps to the firms in capitalizing the market opportunities and navigate competitive landscapes effectively. Further empirical researches also consistently confirmed a positive relationship between EO and FP across diverse contexts, including SMEs and large corporations (Aftab et al., 2022; Tian et al., 2024). For instance, EO enhances FP through innovation-led market positioning and performance adaptability (Susanto et al., 2021). Additionally, firms exhibiting high EO tend to experience sustained growth and resilience even under turbulent environmental conditions, reinforcing its significance as a determinant of financial success (Tian et al., 2024). These prior studies highlighted that EO in the companies is a significant predictor in increasing companies FP which in turn strengthen the firm's stakeholders decision-making process through data-driven and opportunity-focused choices. Therefore, the study focused on how the EO improves the FP.

Yet, the influence of EO on the FP is still not uniformed in the context of decision sciences in the prior literature and it could be influenced from various factors (Alshagawi & Mabkhot, 2024; Wales et al., 2011). From those factors, governance mechanism (GM) decisions are vital for improving FP as they ensure transparency, accountability, and strategic control, which together enhance the company's overall stakeholders decision-making process (Huse & Minichilli, 2020). GM are also essential in ensuring accountability, transparency, and strategic alignment within organizations. They serve as a framework that supports the implementation of EO by facilitating decision-making processes and resource allocation (Irma et al., 2021). EO can play integral part in enhancing GM, which in turn strengthens FP. Organizations with high EO encourage proactive innovation, and strategic risk management, fostering a governance culture that emphasizes accountability, transparency, and adaptability (Gomes et al., 2023) to improve FP. Entrepreneurial leaders often promote participatory governance structures, empowering managers and employees to contribute innovative ideas and make agile decisions aligned with long-term financial goals (Kromidha et al., 2024). This proactive governance approach ensures that firms are better equipped to respond to market uncertainties, mitigate agency problems, and align managerial interests with shareholder value creation (Omri et al., 2024). Because the governance helps to improve the companies FP through providing effective utilization of resources, innovation in operations, and long-term value creation. Consequently, stronger performance provides stakeholders with reliable information and confidence in managerial decisions which helps in improving the overall quality of the company's strategic decision-making (Almaiman et al., 2024). These prior studies highlight that when EO effectively enhances the governance quality, it consequently leads to improved

FP to increase the stakeholders investment decision making in the organizations. Therefore, in this study effect of EO on FP through GM is being explored.

Despite extensive research highlighting the significance of EO and CG in shaping FP, the relationship between these constructs remains inconclusive and underexplored in the context of decision sciences. Some studies have demonstrated relation between EO and FP where suggested that innovations and risk-taking increase the FP (Khan et al., 2022; Urban & Kanguwe, 2024; Wang et al., 2023). However, other findings reveal weak or non-significant relationships, implying that contextual factors such as governance quality, firm size, or environmental uncertainty may moderate these effects (Ibrahim et al., 2024; Jiang et al., 2023; Wu et al., 2024). Similarly, while GM is generally associated with improved FP through enhanced accountability and transparency (Alshdaifat et al., 2024; Putra, 2024), empirical results remain inconsistent across industries and regions (Aibar-Guzmán et al., 2023). On the other hand, limited studies on the mediating effect of GM has been explored between EO and FP along with the theoretical arguments suggesting that EO-driven governance mechanisms could translate entrepreneurial strategies into better FP (Saha & Khan, 2024; Stock et al., 2024). Furthermore, prior studies also has limited attention on explaining the implications of FP in shaping the decision-making processes of internal and external stakeholders. Therefore, this research gap calls for further empirical investigation to clarify the mediating effect of GM in strengthening the impact of EO on FP linkage in the context of decision sciences.

Within the construction SMEs context of Saudi Arabia, a better governance is integral due to the country's unique culture where the companies are operated as compare to other countries. Therefore, in the constructions SMEs, a better governance structure could help in leveraging governmental support, navigate regulatory challenges, and optimize their entrepreneurial strategies to enhance FP (Aloulou, 2019). Despite the recognized importance of EO and governance in the SME sector, research examining their interaction and combined impact on FP in Saudi Arabia remains limited to improve the overall decision making process of internal and external stakeholders. As a result, study aimed to test EO effect on FP with mediating effect GM in constructions SMEs of Saudi Arabia. The study with the objective fills the gap through exploring how GM mediate between EO and FP in Saudi construction SMEs to improve the stakeholders investment decisions in SMEs. This research will not only helps to business leaders, policy makers, and regulators of construction SMEs of Saudi Arabia to improve the FP but it will also lead to improving their decision-making process to improve the constructions SMEs investment. Further paper divided into four chapters namely literature review of both theoretical and empirical, research methodology where discussed the sampling technique and research design. Further data analysis and results were interpreted. Lastly discussion and implications of the study were discussed.

LITERATURE REVIEW

Entrepreneurial orientation and the financial performance

Entrepreneurial orientation (EO) encompasses a firm's strategic posture, which includes dimensions like as innovativeness, and risk-taking behavior (Stock et al., 2024). EO with these factors contribute to a firm's capacity to exploit new opportunities in enhancing financial performance (FP) (Al-Mamary et al., 2020). Other studies also highlighted that EO

significantly improves the FP (Albasri, 2020; Ali et al., 2020; Elrayah et al., 2024). This is because EO drives firms to innovate and take calculated risks, which are essential for gaining FP. Saad and Mohamed (2024) explore the impact of EO on FP and found significant impact on FP. Other study also explore the significant role of O in enhancing the FP (Al-Mamary et al., 2020). Additionally, EO's dimensions such as proactiveness and competitive aggressiveness, are linked to improved market positioning and competitive advantage. Other authors also suggested that further empirical testing of the proposed model on EO and FP for Saudi Arabia SMEs (Nasrallah & El Khoury, 2021). These previous studies shown that EO enables firms to not only innovate but also align their operations with market demands and quality standards, thereby maximizing FP and hence study hypothesis is,

H1: Innovativeness positively influences the financial performance.

H2: Risk-taking positively influences the financial performance.

Entrepreneurial Orientation and Governance Mechanisms

EO and governance mechanism (GM) association has been identified in the literature. Research indicates that effective CG, characterized by attributes such as regulatory quality and control of corruption, positively influences various outcomes, including environmental performance and the successful implementation of e-government initiatives (Lee & Chu, 2017). Other study also highlighted that EO plays an important role in shaping entrepreneurial activities by reducing uncertainty, fostering trust, and enabling efficient allocation of resources to improve the GM (Deslatte & Swann, 2019). Further empirical study also highlighted that EO with the innovativeness and risk taking helps to increase the GM by improving the companies better structure which supports to the organizations in improving the better decision making process to improve FP (Tsai, 2021). Further study also shown that EO dimensions also encourage to improve a dynamic approach to governance, raising an environment conducive to both internal efficiency and external competitiveness (Al-Mamary et al., 2020). These researches enforced that EO improves the effectiveness of effective governance system which improves in the organizations an entrepreneurial culture to enhance FP. In other study, also found that effect EO significantly increases the better governance structures of the organizations (Zeng, 2024). In this regards, hypothesis is below,

H3: Innovativeness positively influences the governance mechanisms.

H4: Risk-taking positively influences the governance mechanism.

Governance mechanisms and financial performance

GM is vital for financial performance as it ensures in the companies better decision through the accountability and transparency (Saha & Khan, 2024). It enhances managerial oversight, minimizes risks, and promotes ethical business conduct (Ahdadou et al., 2024). Strong governance structures ultimately improve operational efficiency, stakeholder trust, and long-term financial sustainability (Al-Shaer et al., 2024). Further research indicates that effective GM can lead to improved FP through increasing interest of managers with the companies interest (Al-Mamary et al., 2020). For instance, better governance able to provide in strategic guidance and oversight, which is essential for the sustainable growth. Additionally, the implementation of sound operational practices, a component of GM, has been shown to positively contribute to financial performance (Rajabalizadeh, 2023). Other study also

highlighted that GM play a important role in determining FP (Aldaarmi, 2023). Studies have shown that companies with the strong GM emphasize accountability and transparency which improves the FP (Almutairi et al., 2022; Nasrallah & El Khoury, 2021; Paterson et al., 2019). These studies emphasized that GM is significant predictor of FP and accordingly hypothesi is,

H5: Strong governance mechanisms positively influence the financial performance.

Mediating effect

Prior studies shown that association between EO and FP is not clear which is enforcing to conduct research in other context. Literature highlighted that GM significantly improves the FP when the entrepreneurial effectively provided the innovative environment (Huse & Minichilli, 2020). GM consisted of formal like as board of director and informal practices such as stakeholder engagement and strategic alliances. This is the reason, the CG is essential in those organizations which are small because played a crucial role due to the companies flat organizational structure and the need for agile decision-making (Alshebami et al., 2024). An effect GM also served as a critical framework that can enhance the effectiveness of EO by providing strategic direction and mitigating risks associated with entrepreneurial activities. This argument is supported with the prior studies where they highlighted that an innovative EO can provide a well structure board that could offer a diverse expertise and strategic guidance through a proper innovation and risk-taking (Aloulou, 2019). In the study also emphasized that an effective EO provides a governance practices such as stakeholder engagement can lead to better resource allocation and alignment with market demands (Ben Hamad & Karoui, 2011) to improve the FP. EO is shaped by unique cultural and economic factors. It is also highlighted in the vision of 2030 that importance of EO in achieving these goals when the companies have stronger GM to improve FP (Ali et al., 2020). GM helps to improve the regulatory environment through providing access capital which increase the FP (Aloulou, 2019). In conclusion, EO played an integral role to improve GM to improve companies FP. Through raising a robust governance framework, SMEs in Saudi Arabia could better align their entrepreneurial activities with strategic objectives, thereby enhancing their competitiveness and growth potential. Thus, based on prior studies, hypothesis are,

H6: Governance mechanisms has a mediating role between innovativeness and the financial performance.

H7: Governance mechanisms has a mediating role between the risk-taking and financial performance.

As Figure 1 shows, proposed model is developed from the extant literature review, which illustrates the mediating role of GM between EO and the FP of construction SMEs in the Kingdom of Saudi Arabia in the context of decision sciences. The above model comes under several theories. From the agency theory perspective, Jensen and Meckling (1976) GM help reduce information asymmetry and align managers' entrepreneurial actions with firm objectives, ensuring that risk-taking and innovation contribute effectively to performance which improves the positive behavior of investors in making effective decision making in their investments. Additionally, resource-based view (RBV) theory, Madhani (2010) also supported the view that EO is being as a better way in improving the decision making of managers through improving better resources which increase companies FP. Equally, further

through of Stewardship which is developed by Davis et al. (1997) highlighted that effective governance raises trust and accountability, enabling entrepreneurs to act in the firm's best interest, thereby improving FP through improving better decision making in the organizations. Thus, GM serve as a vital link that translates entrepreneurial behavior into sustainable performance outcomes for SMEs to improve stakeholders decision making. All above relationships are highlighted in Figure 1.

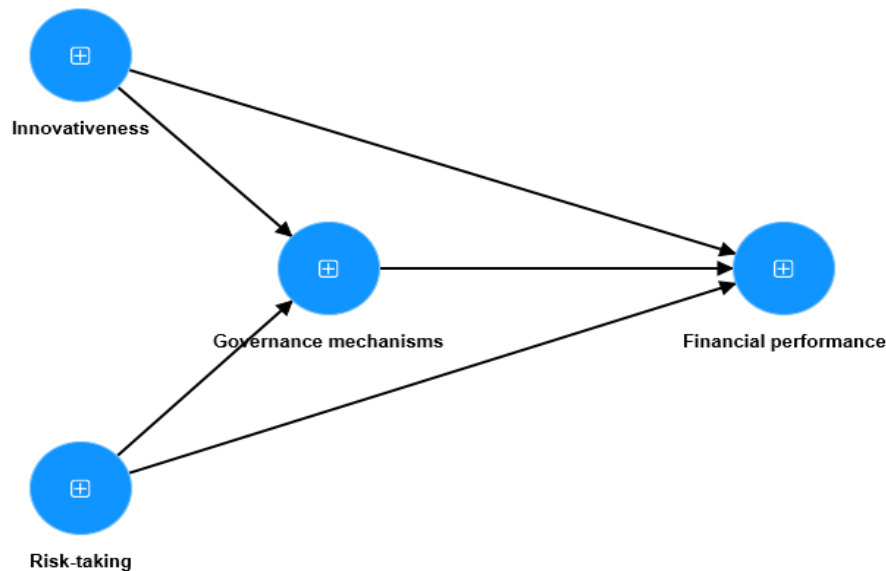


Figure 1: Conceptual Model

RESEARCH METHODOLOGY

Research approach was the cross sectional quantitative approach. The strength of the quantitative approach lies in its ability to provide statistically reliable evidence for testing relationships between variables (Pilcher & Cortazzi, 2023). The study focuses on construction SMEs in Saudi Arabia. Construction SMEs performance in Saudi Arabia play a crucial role in the decision-making process by driving efficient resource allocation, project management, and innovation in the rapidly growing infrastructure sector. Their strategic decisions significantly influence national development goals and the success of **Vision 2030** initiatives. Therefore, collected data from construction SMEs employees. 380 employees were selected from various construction SMEs across Saudi Arabia. Among those 320 responses were returned back. A self-administered questionnaire through the simple random sampling were employed to collect the data, allowing for probabilistic sampling that gives researchers direct access to willing participants. It was reviewed by experts for content validity and underwent a pilot study with 20 respondents. Research instrument comprises from prior studies. Entrepreneurial orientation comprises from two dimensions namely innovation and risk-taking dimensions of (Leng et al., 2021). The measure financial performance measures were based on the study of (Nasrallah & El Khoury, 2021). Five point Likert Scale used for construct measurement.

FINDINGS AND ANALYSIS

This section shown the results of the study which is conducted in two two softwares SPSS and Smart PLS.

Descriptive Statistics

Table 1 presented the descriptive statistics. Table 1 shows the descriptive data where the variable governance mechanism has the highest mean (4.0) and standard deviation (.66), followed by financial performance, which has a mean (of 3.9) and standard deviation (of .44), risk taking has the smallest mean (3.7), Innovativeness has a mean (3.8) and standard deviation (.76).

Table 1: Descriptive statistics

Factors	N	Minimum	Maximum	Mean	Std. Deviation
IN	320	2.00	5.00	3.8412	.76319
RT	320	2.25	5.00	3.7618	.58159
GM	320	2.00	5.00	4.0632	.66377
FP	320	2.67	4.67	3.9053	.44164

Measurement Model

The measurement model validation confirms that variables are accurately measured to the constructs (Hair, 2014). It consisted of convergent validity which showed constructs are correlated and discriminant validity which shown constructs is not correlated. Average Variance Extracted (AVE) above 0.5 is acceptable which is indicating that more than 50% is being highlighted from construct. All constructs (FP, GM, IN, RT) meet this criterion, demonstrating good convergent validity (Hair, 2014). Composite reliability (CR) greater than 0.7 indicates good reliability, which is suggesting that the construct's items consistently measure the same concept. All constructs exceed this threshold, confirming strong reliability. Cronbach's alpha (CA) > 0.6 is generally acceptable, and >0.7 is preferred for mature constructs (Hair, 2014). All constructs meet this threshold indicating internal consistency and results are in Table 2 below

Table 2: Construct Convergent Validity Results

Constructs	Items	Loadings	AVE	CR	CA
FP	FP1	0.645	0.601	0.816	0.675
	FP2	0.910			
	FP3	0.748			
GM	GM1	0.822	0.715	0.834	0.604
	GM2	0.869			
IN	IN1	0.787	0.623	0.832	0.697
	IN2	0.852			
	IN3	0.723			
RT	RT1	0.801	0.594	0.853	0.772
	RT2	0.659			
	RT3	0.819			
	RT4	0.792			

Discriminant validity shown the constructs is different from other construct. It shown that constructs diagonal values are greater from below values that is the saure root of AVE (). Table 3 results shown that all diagonal values are higher from below values.

Table 3: Discriminant validity

Constructs	1	2	3	4
FP	0.775			
GM	0.591	0.846		
IN	0.588	0.691	0.789	
RT	0.612	0.759	0.739	0.77

Structural Model

The study findings highlighting that innovativeness significantly increase the financial performance (FP) ($\beta = 0.234$, $p = 0.007$). This finding suggests that when construction SMEs in Saudi Arabia engage in innovative practices then they experience improved performance outcomes. Similarly, risk-taking (RT) also significantly positively effect to financial performance ($\beta = 0.267$, $p = 0.000$). This indicates that SMEs willing to make bold yet calculated decisions tend to perform better. The findings also reveal that both innovativeness and risk-taking significantly influence the governance mechanism (GM). Innovativeness also positively influence to governance mechanism ($\beta = 0.286$, $p = 0.000$). Likewise, risk-taking exhibits a strong positive effect on governance mechanism ($\beta = 0.547$, $p = 0.000$), indicating that firms engaging in risk-taking behaviors tend to develop governance systems that manage uncertainties, ensure regulatory compliance, and maintain project quality. This reflects how entrepreneurial characteristics contribute to stronger internal governance in Saudi SMEs.

Moreover, the governance mechanism effect to financial performance significantly ($\beta = 0.226$, $p = 0.021$). The mediation analysis provides further insight into the indirect pathways. Innovativeness also significantly effect to financial performance through governance mechanism ($\beta = 0.065$, $p = 0.048$), demonstrating that governance serves as a mediating factor that enhances the positive influence of innovativeness on performance. In other words, when innovative practices are supported by robust governance structures, their contribution to performance becomes even more pronounced. Similarly, risk taking also effects significantly with mediating effect of governace mechanism ($\beta = 0.124$, $p = 0.028$), highlighting that risk-taking behaviors contribute more effectively to financial performance when mediated by strong governance systems. Table 4 and Figure 2 depicted hypothesis findings.

Table 4: Structural Model

	Path	Coefficients	SE	T Statistics	Sig. value	Decison
H1	IN -> FP	0.234	0.087	2.697	0.007	Significant
H2	RT -> FP	0.267	0.071	3.752	0.000	Significant
H3	IN -> GM	0.286	0.061	4.691	0.000	Significant
H4	RT -> GM	0.547	0.059	9.325	0.000	Significant
H5	GM -> FP	0.226	0.098	2.313	0.021	Significant
H6	IN ->GM-> FP	0.065	0.033	1.974	0.048	Significant
H7	RT -> GM-> FP	0.124	0.056	2.201	0.028	Significant

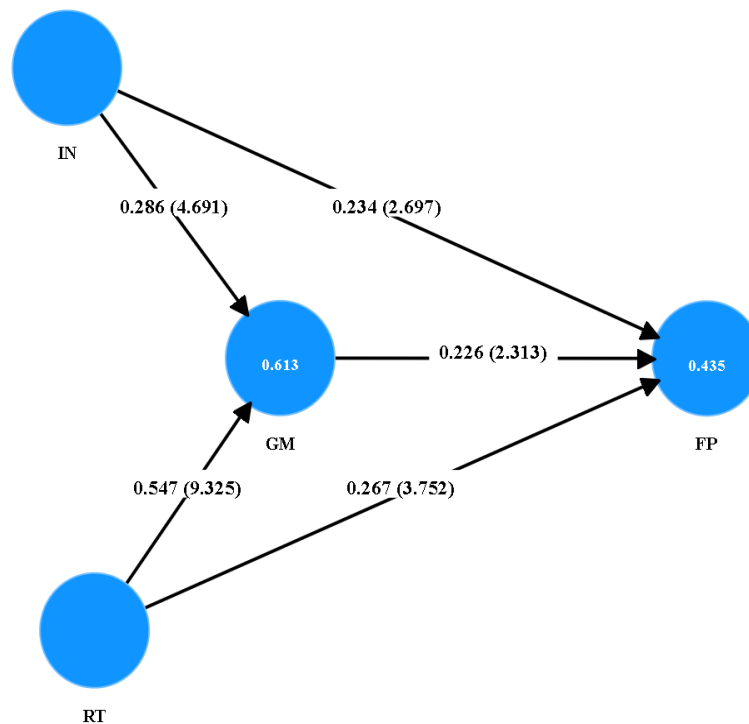


Figure 2: Structural Model

The results in Table 5 collectively indicate that the structural model has an adequate fit to the data, and the SRMR (0.088) supports an acceptable fit. The d_ULS (0.748) and d_G (0.313) confirm low discrepancies between the observed and model-implied data. Although the NFI (0.672) is below the optimal threshold, it aligns with the broader context of acceptable model performance. The fit indices validate that the structural model is suitable for analyzing the relationships among constructs and provides reliable insights for hypothesis testing and interpretation.

Table 5: Model fit

	Saturated model	Estimated model
SRMR	0.088	0.098
d_ULS	0.748	0.748
d_G	0.313	0.313
Chi-square	526.498	526.498
NFI	0.672	0.672

Source: primary data.

DISCUSSION

Improvement in financial performance could help to increase the decision making process of stakeholders through providing a reliable data which helps to their better investment decisions. Entrepreneurial orientation can further strengthen this process by leveraging improved governance structures, which channel financial gains into innovation, risk-taking, and sustainable firm growth. Therefore, study objective was to test influence of enterprenuerial orientation on improving financial performance through governance mechanism for enhancing

stakeholders decision making in making investment in constructions SMEs. The results reveal innovativeness has positive effect on financial performance. This emphasizes significance of innovation which is enabling firms to gain a competitive edge in dynamic markets. By introducing creative solutions and staying ahead of industry trends, organizations enhance their market positioning and profitability. This finding aligns with prior studies emphasizing that continuous innovation leads to sustainable growth and improved financial outcomes ([Alqahtani et al., 2024](#); [Alwehabe, 2024](#); [Rain & Khawaja, 2023](#)). Further results demonstrated a strong positive effect of risk taking on financial performance. This finding reflects the importance of balancing risk-taking with strategic planning, where organizations can harness entrepreneurial initiatives without exposing themselves to excessive vulnerabilities. In highly competitive markets, calculated risk-taking can be a differentiator, enabling firms to innovate and capitalize on emerging opportunities, robust risk assessment frameworks are essential to maximize the benefits of this approach ([Alshebami, 2023](#); [Mabkhot et al., 2024](#); [Syed et al., 2019](#)).

In other perspectives, innovativeness also significantly improves the GM of construction SME's in Saudi Arabia. This findings reveals that an effective innovativeness that is being characterized by high levels of innovativeness are able to develop governance structures that support dynamic and adaptive decision-making. Results are supported with the prior studies ([Alfalah et al., 2022](#); [Tarifi, 2024](#)) where highlighted the significant influence of innovative on GM. On the other hand, risk taking also significantly increase the GM which is emphasizing its pivotal role in shaping governance practices. This result is highlighted that companies with a better culture which reduce the embraces risk are more inclined to establish comprehensive governance frameworks designed to manage uncertainties and capitalize on entrepreneurial opportunities. This finding suggests that GM act as strategic safeguards, empowering firms to take calculated risks while minimizing potential downsides. current study results and arguments are supported with prior studies ([Al-Faryan, 2020](#); [Boshnak et al., 2023](#)). These findings emphasizing that companies should strongly focused on the EO in the construction SMEs of Saudi to improve the FP through improve GM.

In addition to previous findings, strong GM also positively improves the FP. This results shown that construction SMEs have a greater GM to increase the FP. The results is supported with the prior studies ([Ploypailin et al., 2024](#); [Shalhoob & Hussainey, 2022](#)). These findings confirmed that companies with a stronger GM encompassing accountability, transparency, and structured decision-making significantly enhance operational efficiency and risk management, ultimately driving superior financial outcomes. These findings enforces the perspectives that GM serve not only as pillars of organizational stability but it also as catalysts for growth by ensuring optimal resource allocation and strategic decision alignment, thereby maximizing SME performance and sustainability. Lastly, GM also significantly mediates between EO and FP of Saudi Arabia constructions SMEs. These findings highlighting that in the Saudi Arabia construction SMEs EO are integral to improves the GM which significantly improves the FP. These findings are in line with prior studies where EO effects tested significantly to improve FP with other variable ([Bashir et al., 2023](#); [Shalhoob & Hussainey, 2022](#)). This mediation highlights the importance of combining creativity with strategic oversight to maximize the impact of innovation. This indicates that GM amplify the positive effects of risk-taking by providing the necessary oversight and strategic alignment. Organizations that integrate governance with risk-taking are better positioned to translate entrepreneurial initiatives into actionable strategies, driving financial success. This results significantly highlighted the

significance of governance for managing the complexities associated with risk-taking while ensuring sustainable growth.

IMPLICATIONS

Various implications are according to study results. Firstly, this study contributed in the literature through providing empirical findings on the role of innovativeness (IN) and risk-taking (RT) in shaping financial performance (FP) in the perspectives of construction SMEs of Saudi Arabia in the decision sciences perspectives. While previous studies have primarily examined these dimensions in manufacturing or service sectors, limited attention has been given to their application in the construction industry FP to improve the stakeholders decision making process. The study findings extend the theoretical understanding that EO helps to increase innovation, strategic thinking, and proactive management which enables organization to improve the FP which enables to the organization to make informed decisions to the stakeholder in making their investments. Secondly, the study advances theoretical knowledge by establishing the governance mechanism (GM) as a mediating construct that links entrepreneurial orientation to financial performance. Extant studies has often focused on governance as a control variable or an outcome, but its mediating role has rarely been explored in construction SMEs. The significant indirect effects reveal that good governance acts as a conduit through which entrepreneurial traits translate into superior performance outcomes. This enriches both entrepreneurship and governance theories by integrating them within one conceptual framework. Thirdly, study also contributed that n also increase the entrepreneurial behaviors can strengthen governance structures rather than undermine them. This challenges the traditional view that risk-taking increases managerial uncertainty and supports a more contemporary perspective that controlled risk and innovation promote accountability, transparency, and ethical oversight in SMEs. Lastly, this study offers context-specific theoretical advancement by situating the model within the Saudi Arabian construction sector, an area that has received limited scholarly focus despite its economic significance. By integrating EO, GM, and FP, the research provides a comprehensive framework in decision sciences which is being applicable to emerging economies characterized by regulatory transformation. This contextual contribution deepens theoretical understanding of how institutional changes interact with organizational capabilities to enhance SME growth in decision sciences.

There are various paractical implications of this study. Firstly, the study findings contributed that Saudi Arabian construction industry managers and owners should strengthen their FP after focusing on entrepreneurial orientation practices that could improve the investors convidence in increasing their investment decsions in Saudi Arabia constructions SMEs. Secondly, the study suggests that risk-taking should be managed strategically rather than avoided. This study finding contributed to helps to managers in establishing a risk assessment frameworks that balance opportunity and control because the effective management of risk after improving performance could increase the investment decision-making by providing greater financial stability and predictive confidence. Thirdly, the significant mediating role of governance indicates that strong governance mechanisms amplify the benefits of entrepreneurial behavior. Construction SMEs should formalize governance practices, such as transparent reporting, internal audits, and clear accountability structures, to convert innovative and risk-oriented actions into measurable performance gains. Lastly, for professional associations and business

incubators, the results underline the need to integrate governance training with entrepreneurship development programs. This will equip SME leaders with the managerial and ethical tools required to sustain innovation and manage risks effectively in construction projects.

CONCLUSION AND FUTURE DIRECTIONS

The study aimed to test the influence of entrepreneurial orientation on financial performance, with the mediating effect of governance mechanisms. Data was collected from 380 employees of construction SMEs of Saudi Arabia using a simple random sampling technique. Key findings showed that entrepreneurial orientation dimensions significantly and positively increase both financial performance and governance mechanisms of the construction industry in Saudi Arabia. Governance mechanism also significantly increases the financial performance. Further indirect effect also shown that governance mechanism significantly mediated between entrepreneurial orientation and financial performance. The study with specific results contributed to the decision sciences through the demonstration of an effective governance structure that served as a significant mediator that increases the quality and outcomes of organizational decision-making, ultimately improving financial performance in construction SMEs. Practically, the study also emphasizes the significance of a strong governance framework and increasing entrepreneurial decision-making behaviors to promote data-driven, accountable, and strategically informed choices. This integration supports sustainable growth and strengthens the overall decision-making efficiency within Saudi Arabia's construction sector.

With the significant contributions, study still has some of the limitations. Firstly, study limited on one construction sector SMEs which results could not be generalized on other manufacturing SMEs. To increase this scope, further research could be explored on manufacturing sector to show the changes in the results. Secondly, study limited on mediating influence while this relationship could also be tested with the moderating effect with following indicators namely organizational culture, or institutions quality to know the effectiveness of EO for the financial performance. Thirdly, study focused on indirectly improvement of decision making in improving investment in the SMEs while ignored on decision making variables like stakeholders involvement, and risk management strategies. Therefore, future study could explore these variables to improve the FP of construction SMEs. Lastly, this study adopted a cross-sectional research design and did not include a longitudinal approach, where data are collected at multiple points in time. Future studies could adopt a longitudinal research design to examine how the results change over time.

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