Risk Taking, Innovation and Proactiveness in the Age of AI: The Mediating Role of Entrepreneurial Motivation in Driving Business Success

ISSN (Online): 3007-1038
Pages: 193–203
DOI: 10.55737/rl.2025.42096

https://regionallens.com

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Abstract: This study examined how three entrepreneurial traits—risk-taking, innovation, and proactiveness—affected business success in the evolving business environment influenced by artificial intelligence (AI). It further investigated the mediating role of entrepreneurial motivation in translating these traits into improved performance among small and medium-sized enterprises (SMEs) in Lahore, Pakistan. A quantitative survey design was employed, collecting data from 350 SME owner-managers operating in the retail, service, and manufacturing sectors of Lahore. Standardized questionnaires measured entrepreneurial traits, entrepreneurial motivation, AI adoption level, and business success. Structural equation modeling (SEM) was applied to test the hypothesized mediation model, and bootstrapping with 5,000 resamples was used to assess the significance of indirect effects. The study found that risk-taking, innovation, and proactiveness significantly enhanced entrepreneurial motivation among SMEs. In turn, entrepreneurial motivation positively influenced business success. The analysis also confirmed that entrepreneurial motivation acted as a partial mediator, linking these entrepreneurial traits to improved business outcomes. The findings suggested that programs designed to enhance entrepreneurial motivation, alongside AI and digital skills training, could substantially improve SME performance in emerging economies. Policymakers, incubators, and entrepreneurship support agencies should integrate personality development, motivational strategies, and technology adoption training into SME development initiatives. This study contributed to the entrepreneurship and technology adoption literature by demonstrating how entrepreneurial traits and motivation interact within an AI-driven context to influence business success. It provided empirical evidence from an emerging market setting, highlighting the importance of both human and technological capabilities in achieving sustainable performance.

Key Words: Risk Taking, Innovation, Proactiveness, AI, Entrepreneurial Motivation, Business Success

Introduction

Entrepreneurship has always been seen as a key catalyst to economic growth, innovation and competitive positioning in various economies. Its relevance has been magnified in modern times by the extent of disruptions caused by the digital technologies which are widespread. The current trends in the area of artificial intelligence (AI) have significantly transformed organizational activities, reimagining efficiency, redefining the ways of making decisions, and opening new opportunities of growth in various industries. In this changing environment, small and medium-sized enterprises (SMEs) in emerging economies face unprecedented challenges whilst at the same time having unprecedented opportunities. In comparison with large firms that are advantaged by having abundant resources, SMEs are forced to rely mainly on the entrepreneurial orientation of the owner-managers to maneuver through uncertainty, remain competitive, and use

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Citation: Awan, H., Idrees, F., Hussain, K., Ramay, S., & Hussain, S. K. (2025). Risk Taking, Innovation and Proactiveness in the Age of AI: The Mediating Role of Entrepreneurial Motivation in Driving Business Success. *Regional Lens, 4*(1), 193-203. https://doi.org/10.55737/rl.2025.42096

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emergent technologies as a means of growth (Breit & Volkmann, 2025). As a result, risk-taking, innovation and proactiveness become some of the key behavioural dimensions that determine SME reactions to environmental changes and technological developments. However, these characteristics might not guarantee success without operationalization of the driving force behind them, which is the psychological drivers, especially entrepreneurial motivation. It, therefore, follows that an explanation of how motivation mediates the nexus between entrepreneurial traits and business outcomes, especially in the AI era, cannot do without an explanation of why some SMEs thrive and others fail even when they operate under similar conditions (Carayannis et al., 2024).

Entrepreneurial characteristics are well discussed in the entrepreneurship literature, often included in the concept of entrepreneurial orientation (EO). Risk-taking refers to the readiness of an entrepreneur to take part in activities that have uncertain prospects and it involves investing resources in projects that cannot be assured returns. Innovation embodies the ability to be creative, experiment, and to create new solutions, products, services, or processes that give a unique competitive advantage. Proactiveness refers to the futuristic approach that is typified by a forward-oriented position that involves foresight of future market trends, opportunity recognition and the readiness to shape the business environment (Huber & Lyytinen, 2025). Together, these three dimensions provide the entrepreneurs with adaptive abilities to manage turbulence and take opportunities in the face of uncertainty. Their effectiveness, however, depends on the strength of the entrepreneurial motivation, without which risk-taking can be reduced to recklessness, innovation not realized, and proactiveness turn into passive vigilance instead of executing a strategy. In this way, entrepreneurial motivation is the psychological process that changes traits into actions that have a concrete performance result (Yang et al., 2022).

Entrepreneurial motivation is theorised as a personal incentive that motivates one to start, persist and succeed in entrepreneurship. It includes intrinsic (achievement needs, passion and personal development) and extrinsic (financial rewards, recognition and social impact) motivators. Motivation directs entrepreneurial characteristics towards purposeful behaviour, which decides whether entrepreneurs seek challenging goals, whether they commit resources wisely and whether they persevere in the face of challenge. This role is particularly consequential in SMEs, where there is disproportionate effect of owner-manager actions on institutional consequences (Prouska et al., 2023). Inspired entrepreneurs become more willing to engage in measured risks, invest in creative projects and take initiative to identify and capitalize on new opportunities. In line with this, the entrepreneurial motivation is conceptualised to mediate the relationship between the entrepreneurial traits and the commercial success, hence, ensuring that individual attributes are converted into sustainable firm-level performance (Rathee et al., 2025).

The success of businesses in the SME environment is generally multidimensional and is comprised of financial and non-financial results. Non-financial indicators involve customer satisfaction, employee involvement, the ability to innovate and long-term sustainability, and financial ones involve profitability, growth in sales and market share. Researchers argue that financial measures are not sufficient in assessing success especially when dealing with SMEs that are limited in resources and thus require expansion of performance appraisal (Melo et al., 2023). In this connection, success is an indication of the ability of an enterprise to survive, adapt and grow in a competitive environment. The successful implementation of new technologies becomes a prerequisite to success in the era of the adoption of AI. Thus, the analysis of the channels in which entrepreneurial characteristics and motivation lead to business success provides a more sophisticated picture of the performance of SMEs in the modern economies (Gunawan, 2024).

As an emergent technological paradigm, artificial intelligence can be transformative to SMEs. AI will provide companies with advanced data mining, predictive customer behaviour, operational efficiencies and innovative product/service development. However, the implementation of AI does not only need technical capabilities but also entrepreneurial qualities that will support experimentation, risk management, and opportunity recognition. Risk-taking entrepreneurs have a higher likelihood of investing in AI in spite of uncertainties about cost and returns (Williams et al., 2021). The innovative orientation is a better position in terms of discovering new AI applications, whereas proactive entrepreneurs are more likely to gain competitive advantage by implementing AI-driven solutions before they are accepted as industry standards. Entrepreneurial motivation also strengthens these processes by energising

entrepreneurs to face AI-adoption pressures, financial limitations, knowledge deficiencies, and organisational resistance, which enhances the effect of AI as a contextual force that increases the effects of entrepreneurial characteristics and motivation on commercial achievement (Önaçan & Önel, 2025).

The theoretical foundations of the connections between these constructs can be referred to the resource-based view (RBV) and dynamic capabilities theory. RBV assumes that companies acquire competitive advantage through resources that are valuable, rare, inimitable, and non-substitutable; resources in SMEs are intangible resources such as entrepreneurial characteristics and motivation. Dynamic capabilities theory is an extension of RBV, which focuses on the ability of the firm to combine, develop and reengineer both internal and external capabilities to adapt to changing quickly evolving environments (Land et al., 2022). Dynamic capabilities can be interpreted in terms of risk-taking, innovation, and proactiveness that allow SMEs to feel the opportunities and threats, capture new markets, and change the organisational processes. Entrepreneurial motivation is the input, which triggers these capabilities, and AI adoption provides the technological framework in which proper exploitation can be achieved. As a whole, these views explain the interrelation between entrepreneurial characteristics, motivation, and adoption of AI to increase the success of SMEs (Vrontis et al., 2022).

Despite pervasive research on entrepreneurial orientation and business performance, several lacunae persist. To begin with, most current research focuses on developed economies, in which institutional, financial, and technological infrastructure is relatively well-developed. On the other hand, developing economies (like Pakistan) where SMEs are limited to working with severe constraints should be researched further, especially in terms of nascent AI adoption. Second, much attention is paid to entrepreneurial orientation, whereas little empirical attention is paid to the mediating role of entrepreneurial motivation. It is important to understand how motivation changes traits into performance in explaining heterogeneity among SMEs (Diéguez-Soto et al., 2022). Third, there is little research on the convergence of entrepreneurial behaviour and AI adoption; the current body of work tends to evaluate technology adoption through a resource or capability lens that fails to adequately capture the human aspects of entrepreneurial qualities and motivation. This paper fills these gaps by offering a combination of entrepreneurial characteristics, motivation, and the adoption of AI in a single framework and, therefore, provides a comprehensive description of SME success in an AI-driven setting (Carayannis et al., 2024).

The research question, therefore, revolves around explaining the translation of entrepreneurial characteristics, namely, risk-taking, innovation, and proactiveness, into business success among SMEs in emerging economies, as well as defining the role that entrepreneurial motivation plays in the process in the context of AI adoption. Traits determine the behavioural orientation, and the technological infrastructure is offered by AI but motivation is the key element that makes these orientations realised into substantive action (Al-Mamary, 2024). This is especially acute in Pakistan where SMEs play an important role in the economy but have a high failure rate because of limited resources, intense competition, and low integration of technology. The lack of motivational impetus means that SME owner-managers cannot achieve sustainable success and restrict the potential input of the sector into the national economic development (Querbach et al., 2022).

This study has the value of theoretical, practical and policy contributions. In theory, it streamlines the entrepreneurship scholarship by showing how entrepreneurial qualities and motivation interrelate in the context of AI adoption to affect business success, therefore, expanding the EO-performance discourse to make motivation an important mediator process and not only a personal trait. Practically, the results provide the SME owner-managers with information about the need of promoting the entrepreneurial motivation along with risk-taking, innovation, and proactiveness, which is why it is important to focus on the specific training and development programmes aimed at improving both psychological and technological skills. Policy-wise, the study provides recommendations to entrepreneurship support agencies, incubators, and policymakers to develop interventions that combine motivational strategies with training digital skills to enhance the resilience and competitiveness of SMEs in emerging markets. Overall,

this study fills knowledge gaps that are critical to the SMEs and highlights the challenges that are facing SMEs, the role of human and technological capabilities to the success of businesses in the era of AI.

Literature Review

The study of entrepreneurship has always been based on theoretical viewpoints that describe the interaction of individual characteristics, organizational behaviour, and other external factors that affect firm performance. Resource-based view (RBV) asserts that the unique, rare, and inimitable resources generate sustained competitive advantage in the firm when it uses them to compete effectively in dynamic markets. There have been empirical studies that have always emphasized the importance of risk-taking in the success of an entrepreneur. The competitive advantage is frequently attained when entrepreneurs demonstrate readiness to invest in uncertain ventures, bear ambiguity, and invest resources into high-risk projects and, therefore, enter the new markets earlier than the competitors. In the absence of innovative tendencies, the adoption of AI is at risk of being superficial, resulting in a minimum strategic impact (Celestin & Gidisu, 2025).

Another entrepreneurial characteristic that is critical is proactive, which is a forward-looking orientation that involves anticipating the needs of customers, taking the initiative to make changes, and taking advantage of any emerging opportunity before the competitors respond. The empirical study supports the assumption that the proactive companies have higher chances of launching innovative products, gaining first-mover advantages, and surviving in the turbulent environment. Proactiveness in the digital age allows SMEs to implement AI technologies at an early stage, hence establishing them as market leaders and not followers in their respective fields (Chooset & Sukhabot, 2025). By keeping track of technological and market trends, proactive entrepreneurs can adjust to the changing consumer preference and competition, thereby aligning the use of AI. However, the research suggests that proactiveness is not sufficient because entrepreneurs need the drive to take persistence and consistent action toward their vision. In this manner, motivation comes out as a central variable between the characteristics of entrepreneurs and their performance results (Kyal et al., 2022).

In recent literature, entrepreneurial motivation has been given growing attention as a device that transforms traits into actions. Motivation defines the ability of entrepreneurs to persist despite the challenges, invest in learning, and to follow difficult objectives. Studies based on the self-determination theory emphasize that intrinsic motivation which is motivated by passion, purpose, and personal fulfilment results in increased creativity, persistence and long-term success. A significant role is also played by extrinsic motivation, such as financial gain and social prestige, but may not be sustainable in the long run in an entrepreneurial activity (Ivasciuc & Ispas, 2023). This can be empirically proven when motivated entrepreneurs have higher chances of innovating, taking risks and pursuing market opportunities. Motivation has been observed to mediate the connection between entrepreneurial orientation and firm performance in SMEs, meaning that the behavioural patterns of entrepreneurs cannot be realised without effective motivation drivers. Such mediating effect is especially important in the emerging economies where environmental uncertainty and structural issues tend to strain entrepreneurial survival (Renko et al., 2021).

The fast spread of AI and digital technologies has become an additional layer in the study of entrepreneurship. Research indicates that SMEs embracing the use of AI to analyze their data, manage customer relationships, and automate their processes gain enhanced efficiency and decision-making. Nevertheless, the adoption of technology is not a technical choice and needs entrepreneurial qualities to overcome the obstacles, including expenses, competencies shortage, and organisational resistance. High-risk-taking entrepreneurs are more prone to investing in AI when it is not clear whether they will gain returns, and innovative thinkers can see innovative ways of using AI in their organizations (Wamba-Taguimdje et al., 2020). Being proactive means that businesspeople forecast and react promptly to trends in technology and thus enjoy the benefits in advance. It has been empirically indicated that entrepreneurial motivation often mediates the successful adoption of AI because motivated entrepreneurs are resilient in implementing and scaling digital solutions even in the absence of resources. Therefore, AI is both a contextual moderator and performance enhancer that increases the effect of entrepreneurial motivation and traits on business performance (Upadhyay et al., 2023).

Although the connections between entrepreneurial characteristics, motivation, and company performance are well established in the developed economies, the gaps still exist in the emerging market settings. Previous research has mainly concentrated on resource-rich contexts where SMEs have high levels of institutional support, but little information is available about the dynamics of these processes in contexts of resource scarcity, institutional gaps, and technological gap. Furthermore, despite the substantial research on entrepreneurial orientation, there is a gap in research on the mediating role of entrepreneurial motivation in the process, in the context of AI. Current studies of AI adoption tend to focus on technical preparedness and infrastructure without paying due attention to the human and psychological aspects of adoption that determine the final results (Paul, 2020). This oversight creates a significant knowledge gap in the effect of a combination of entrepreneurial attributes, motivation, and technology uptake on business success in resource-bound settings like Pakistan. Filling this gap not only adds to the body of literature but also gives a clue on how policymakers and practitioners can assist SMEs to utilise entrepreneurial behaviour and motivation in technological progress (Kuik et al., 2023).

Based on this theoretical and empirical ground, the current study formulates a few hypotheses to test the relationships proposed among the entrepreneurial traits, motivation, adoption of AI, and business success. As risk-taking has been found to moderate entrepreneurial motivation by motivating people to take risks with uncertain but rewarding outcomes, it is hypothesised that risk-taking has a positive effect on entrepreneurial motivation. Since innovation facilitates creativity and seeking new solutions, it is also likely to have a positive effect on the entrepreneurial motivation since motivated entrepreneurs will be more prone to apply the new ideas. Likewise, the hypothesised positive influence on entrepreneurial motivation is borne by proactiveness, meaning to anticipate opportunities and take steps before other businesses may. Entrepreneurial motivation, in its turn, should have a positive effect on business success because motivated entrepreneurs are more likely to translate traits into sustained performance-driving actions. Besides, the influence of entrepreneurial motivation between business success and entrepreneurial traits is assumed to redirect behavioural tendencies into valuable results. Lastly, since AI adoption increases firm capabilities and increases the strength of the entrepreneurial actions, it is anticipated that the SMEs with greater AI adoption will receive better positive influence of entrepreneurial motivation on business success. All these hypotheses offer an overarching picture of how entrepreneurial characteristics, motivation, and the adoption of AI interact to promote the success of SMEs in the emerging economies.

Methodology

The methodological design of this research was carefully designed to achieve rigor, reliability and validity in the achievement of the research objectives. Under the philosophy of quantitative research, the study assumed the positivist philosophy, which emphasises on objectivity, measurement, and determination of causal relationship between variables. According to positivism, social phenomena are examinable with the help of systematic observation and empirical testing, thus helping to study hypothesised relationships among entrepreneurial traits, entrepreneurial motivation, adoption of artificial intelligence, and business success. The study adopted a systematic and quantitative approach thus attempting to reduce bias and increase the overallisability of the results thus enabling the derivation of conclusions without any doubts based on the empirical results obtained.

The study population consisted of small and medium sized enterprise (SME) owner-managers in Pakistan, and especially in the city of Lahore. Pakistan presents a unique case of entrepreneurship study since it is an emerging economy with a fast-growing business environment, high involvement of SMEs in national GDP and exposure to digital technologies, including artificial intelligence. Islamic cities such as Lahore which is known to be one of the most dynamic commercial and industrial cities in the country was chosen due to the fact that it is a diverse and competitive setting where SMEs in the retail, service, and manufacturing industry face technological disruptions and market pressures. The focus on SME owner-managers made sure that data were collected on people who are directly involved in strategic decision-making, innovation, and technology adoption, thus fitting into the focus of the study relating to the entrepreneurial characteristics and motivation.

The research design used in the study was survey-based research design which helped to collect standardised data in a large number of respondents in a cost-effective and methodical way. The sample size of 350 SME owner-managers was considered sufficient to conduct structural equation modelling (SEM), a statistical method that needs quite large samples to produce credible estimates of parameters and to conduct tests of mediation. A purposive sampling approach was used to identify the participants because the study required answers to the question only of those who could own and/or have management control over SMEs. In this purposive method, convenience selection was also applied, as there were some practical limitations related to the accessibility of SME owner-managers within a busy commercial area like Lahore. This approach meant that the respondents had the knowledge and experience needed to give relevant data and it was also manageable given the time and other resources that the study had.

A structured questionnaire was used to collect data that included measures of entrepreneurial traits, entrepreneurial motivation, adoption of AI, and business success. Scales used in previous validated studies were modified to suit the local setting in order to guarantee reliability as well as comparability with the existing literature. The respondents were requested to evaluate their level of agreement with a sequence of statements on a Likert -type scale thus allowing the measurement of latent constructs of risk-taking, innovation, proactiveness and motivation. The questionnaire was administered in the face-to-face and online formats, maximising response rates and the representation of owner-managers working in different sectors and different firm sizes. Before the main survey, a pilot test was carried out using a small sample of SME managers to ensure that the wording, format and clarity of the items were fine thus making it culturally appropriate and comprehensible to the Pakistani context. The pilot feedback was also used to improve the precision and practicability of the final instrument.

To analyse data, the most suitable method was chosen as structural equation modelling (SEM) because of its ability to test various relationships between variables at once, direct and indirect effects, and mediation models. SEM has a specific applicability in research that explores latent constructs using multiple indicators because it considers measurement error and offers a complete test of the theoretical models in comparison to the conventional regression methods. SEM allowed testing the hypothesised mediating role of entrepreneurial motivation between entrepreneurial traits and business success in this study, as well as the moderating effects of AI adoption. The statistical significance of the mediation effects was tested using bootstrap with 5,000 resamples, thus making the results robust. Before hypothesis testing, descriptive statistics, reliability analysis, and confirmatory factor analysis were done to test the measurement model, the internal consistency and to determine the applicability of the data to structural analysis.

Results

Measurement Model

Table 1

Reliability Analysis

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Business Success	0.77107	0.78105	0.82674	0.52743
Entrepreneurial Motivation	0.70991	0.71271	0.80247	0.50792
Innovation	0.7332	0.74134	0.80857	0.58695
Proactiveness	0.84958	0.85343	0.89009	0.57741
Risk Taking	0.7646	0.80398	0.83453	0.51104

Table 1 indicate the reliability analysis of the study. The findings reported that all the values of Cronbach's alpha are higher from threshold i.e., 0.70 which clearly indicated the reliability used in this study. Furthermore, the table also demonstrated that rho_A and Composite reliability value are also high showing reliability of the data. Lastly, AVE values show the convergent validity of the data as all the values are above the threshold of 0.5. In conclusion all the data statistical values showing reliable results.

Table 2

Validity Analysis (HTMT)

	Business Success	Entrepreneurial Motivation	Innovation	Proactiveness	Risk Taking
Business Success					
Entrepreneurial Motivation	0.62268				
Innovation	0.58962	0.64854			
Proactiveness	0.64487	0.57098	0.31166		
Risk Taking	0.68155	0.63201	0.65714	0.64596	

Table 2 indicated the validity analysis of the study. The findings indicated that entrepreneurial motivation, innovation, proactiveness and risk-taking are closely related to business success. The entrepreneurial motivation has been identified as a key driver, and is strongly correlated with innovation and risk-taking which in turn have a positive impact on business performance. Overall, the results indicate that motivated entrepreneurs who are innovative, risk-taking, and proactive are more likely to succeed over time in the age of AI.

Figure 1

Measurement Model

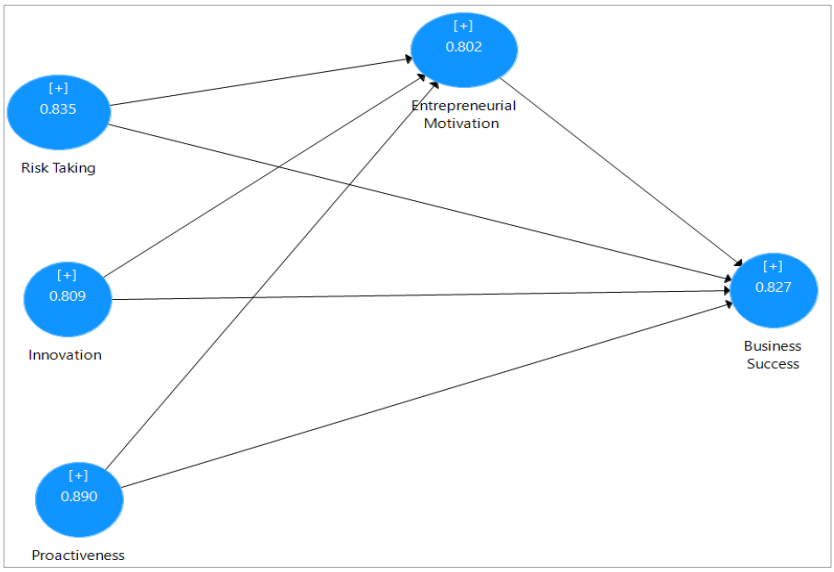


Table 3

Structural Equational Model

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Entrepreneurial Motivation -> Business Success	0.11681	0.11528	0.03474	3.36278	0.00721
Innovation -> Business Success	0.2237	0.19362	0.04708	4.75153	0.00078
Innovation -> Entrepreneurial Motivation	0.19998	0.19649	0.04367	4.57948	0.00101
Proactiveness -> Business Success	0.39546	0.40116	0.02936	13.47129	0
Proactiveness -> Entrepreneurial Motivation	0.2242	0.21563	0.04108	5.45691	0.00028
Risk Taking -> Business Success	0.10885	0.10896	0.04584	2.37472	0.03896
Risk Taking -> Entrepreneurial Motivation	0.40961	0.41676	0.04058	10.09476	0

The results show that entrepreneurial motivation, innovation, proactiveness and risk-taking are all significant determinants of business performance. Proactiveness is the strongest and positive influence, whereas innovation and

risk-taking also have significant positive influences on performance. Importantly, entrepreneurial motivation is the factor that connects the dots between innovation, proactiveness and risk-taking to a positive contribution to business performance.

Table 4

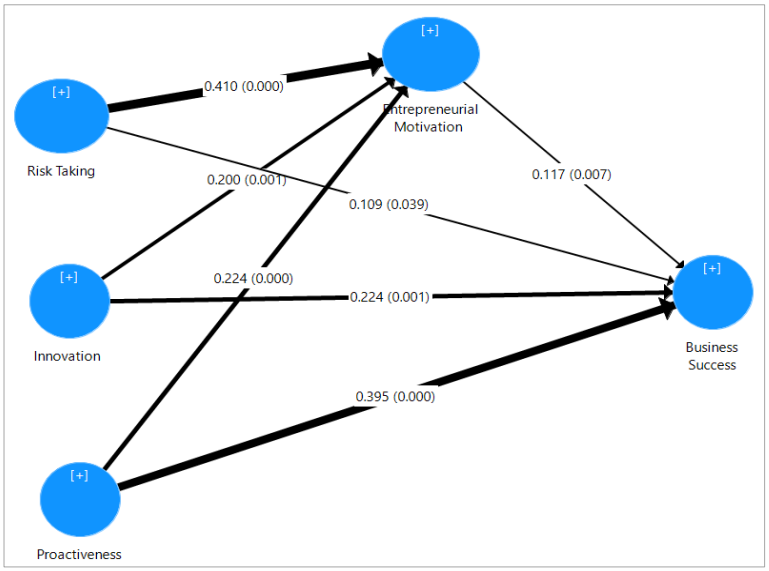
Mediation Analysis

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Innovation -> Entrepreneurial Motivation -> Business Success	0.02336	0.02229	0.00789	2.96085	0.01427
Proactiveness -> Entrepreneurial Motivation -> Business Success	0.02619	0.02491	0.00775	3.37966	0.00701
Risk Taking -> Entrepreneurial Motivation -> Business Success	0.04785	0.04865	0.01755	2.72704	0.0213

The results show that entrepreneurial motivation mediates the relationship between innovation, proactiveness, and risk-taking with business success. This means these entrepreneurial traits strengthen business outcomes more effectively when driven by motivation. In other words, motivation acts as a catalyst, transforming innovative, proactive, and risk-taking behaviors into greater business success.

Figure 2

Structural Equational Model



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Discussion and Conclusion

According to this study, the findings suggest that entrepreneurial qualities like innovation, proactiveness and risk-taking remain important drivers of business success, especially as we enter an era where artificial intelligence (AI) can possibly influence every business in some way. However, their effect is not exclusively direct, but rather attains greater power and significance as mediated through entrepreneurial motivation. The evidence points to the notion that entrepreneurial motivation is the internal factor that converts creative ideas, pro-active behaviour, and risk-taking behaviours to concrete

business results. For example, while innovation generates novel methods and solutions, it is motivation that continues to fuel the necessary effort needed to turn these ideas into deliverables that consider everyone's interests. Likewise, entrepreneurs can think ahead in order to prepare for changes on the market, but without the motive, they might not translate that insight into actual benefits. There is also a motivational base for risk-taking, as the uncertainty and possible reverses involved in risk require stamina and resilience to succeed ultimately.

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