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Ahmed Adel Tantawy, Joseph Amankwah-Amoah & Pushyarag Puthusserry

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Founders' political ties and new venture performance: the enabling role of absorptive capacity

Ahmed Adel Tantawy [a], Joseph Amankwah-Amoah [b] and Pushyarag Puthusserry [c]

[a]Sheffield Business School, Sheffield Hallam University, Sheffield, UK; [b]Durham University Business School, Durham University, Durham, UK; [c]Kent Business School, University of Kent, Canterbury, UK

ABSTRACT

Despite a growing body of research on political ties and firm performance, our understanding of the mechanisms through which founders' political ties affect new venture performance (NVP) in developing markets remains limited. Drawing on resource dependency theory, we examine the mediating role of absorptive capacity (ACAP) in the relationship between founders' political ties and NVP, and how environmental dynamism moderates this pathway. Using unique survey data from 309 Egyptian new ventures, we find that ACAP mediates the relationship between founders' political ties and NVP. Moreover, the relationships between founders' political ties and ACAP are strengthened under higher levels of environmental dynamism. These findings have important implications for research on political ties and entrepreneurship, providing valuable insights into the roles of ACAP and environmental dynamism in the context of new ventures.

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Developing countries; founders' political ties; absorptive capacity; new venture performance; environmental dynamism

SUSTAINABLE DEVELOPMENT GOALS
SDG 17: Partnerships for the goals

Introduction

New ventures often face 'liabilities of newness' and are more likely to fail due to their limited access to resources and underdeveloped connections various stakeholders (Soto-Simeone, irén, and Antretter 2020; Stinchcombe 1965). Research suggests that cultivating relationships with political ties, defined as personal and informal social connections that firms can build with various levels of government officials (Peng and Luo 2000; Sheng, Zhou, and Li 2011), play a crucial role in enhancing venture performance (Hiatt, Carlos, and Sine 2018; Luo, Yang, and He 2020; A. A. Tantawy, Amankwah-Amoah, and Puthusserry 2025). This problem is particularly acute in developing economies, which are characterized by institutional voids (IVs), such as a lack of access to institutional support, inefficient and bureaucratic government agencies and weak legal enforcement mechanisms (Baron et al. 2018; Desai 2025; Khanna and Palepu 2010). These voids can impede new ventures from gaining access to resources and market opportunities (Amankwah-Amoah et al. 2019; Luo and Chung 2013; Luo, Yang, and He 2020) which are crucial for firm survival (Boso et al. 2023; Fogel et al. 2006). However, the literature on political ties has obtained mixed findings regarding their role in enhancing new venture performance (NVP).

Political ties offer ventures institutional support by providing access to a range of resources and valuable information, thereby facilitating opportunity recognition and impacting new venture

CONTACT Joseph Amankwah-Amoah joseph.amankwah-amoah@durham.ac.uk Durham University Business School, Durham University, Mill Hill Lane, Durham DH1 3LB, UK
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growth (Anwar and Ali Shah 2020; Ding, Li, and Wu 2018; Faccio 2006; Hiatt, Carlos, and Sine 2018; J. J. Li, Poppo, and Zhou 2008; H. Li and Zhang 2007; Peng and Luo 2000). However, other studies have focused on the 'dark side' of political ties, highlighting issues such as governmental interference in employment, obstruction of information flow, and conflicts of interest (Bruton, Su, and Filatotchev 2018; Sheng, Zhou, and Li 2011; Tsang 1998; Yeniaras, Kaya, and Ayan 2020). It has been argued that the relationship between founders' political ties and firm performance depends on different contingencies such as resources and capabilities (H. Li and Zhang 2007; Peng and Luo 2000; T. Wang et al. 2021).

Pinho and Prange (2016) proposed that dynamic capabilities serve as the driving force for SMEs to effectively utilize and reconfigure the resources obtained from network relationships that help them to capitalize on opportunities and therefore enhance their performance. Research on the dynamic capability field has suggested that one of the critical dynamic capabilities for firms is absorptive capacity (ACAP) (Floyd and Lane 2000; S. Zahra and George 2002). ACAP, defined as a firm's ability to recognize, acquire and assimilate external knowledge and apply it commercially (Cohen and Levinthal 1990) allows firms to create value by acquiring, assimilating, transforming, and exploiting external knowledge (S. Zahra and George 2002). However, the political ties-capabilities link remains poorly understood within the context of new ventures (H. Li and Zhang 2007). Therefore, to extend the current literature, ACAP was used as a mediating mechanism for the founder's political ties-NVP relationship. We propose that ACAP enables firms to better utilize the resources and information that may be crucial in converting the benefit of political ties into enhanced performance (Kotabe et al. 2017).

Despite research on the interaction between social ties and firm capabilities (Lee, Lee, and Pennings 2001), the contextual mechanisms that might this relationship remain unclear. It has been argued that the impact of political ties may be contingent upon the level of environmental dynamism (Gao et al. 2017; J. A. Zhang, O'Kane, and Chen 2020), defined as the degree of unpredictable and unstable changes in a firm's external environment (Dess and Beard 1984), which can significantly affect a new venture's ability to develop and utilize ACAP (Ensley, Pearce, and Hmieleski 2006; D. J. Teece, Pisano, and Shuen 1997). We further propose that the relationship between founders' political ties ACAP will be stronger in environments with higher levels of dynamism.

This leads us to the following research questions:

and !

" To answer these research questions and validate our theoretical arguments, we focus on the institutionally voided context of new ventures in a developing economy, specifically Egypt, for several reasons. Egypt is one of the largest economies in the Middle East, in which entrepreneurial activities have a major effect on economic development (Adel, Mahrous, and Hammad 2020; A. A. Tantawy, Elaasi, and Elshawadfy 2025, 2021). Egypt provides an ideal context, as political ties are prevalent due to the insufficient role of formal institutions in supporting SMEs (Narooz and Child 2017). Additionally, there remains a pervasive influence of political actors, such as regulators and governments, in business activities and access to entrepreneurial and market opportunities (BBC 2024; Zoubir 2000). Typified by institutional voids, such as weak enforcement structures and an underdeveloped financial system (Zoubir 2000), local authorities exert strong control over sectors such as traditional and social media, as well as other market segments (BBC 2024). Therefore, Egypt's strategic location at the intersection of Africa, the Middle East and Europe has made it a central player in a host of international business issues.

This study makes three key contributions to the entrepreneurship and nonmarket strategy research. First, we theorize and test ACAP as a dynamic capability through which founders' political ties enhance NVP. By identifying how external political connections are transformed into internal value, the study advances a process-oriented account of how nonmarket strategies influence outcomes at the firm level (Tzokas et al. 2015). Second, we develop and validate a moderated mediation model that shows how environmental dynamism conditions the political ties – ACAP linkage, thereby shaping the strength of the indirect relationship between political ties and NVP. In doing

so, we clarify how dynamic capabilities operate under conditions of volatility, contributing to ongoing debates about capability-environment alignment (Barreto 2010; Kotabe, Jiang, and Murray 2017; T. Wang et al. 2021). Third, drawing on data from Egypt, we contribute to the contextualization of nonmarket strategy by examining early-stage ventures in a developing economy, where institutional voids and founder centrality intensify the relevance of relational and capability-based strategies (A. A. Tantawy, Amankwah-Amoah, and Puthusserry 2025). Collectively, these contributions provide a capability-based explanation of how and when political ties enhance NVP and clarify the boundary conditions under which this process is most effective.

Theoretical background

Resource-Dependence Theory (RDT) views new ventures as resource-dependent on their environment through the main stakeholders of government and other organizations (Hillman, Withers, and Collins 2009; Pfeffer and Salancik 1978). In this regard, RDT posits that 'firms may use political means to alter the condition of the external economic environment' (Pfeffer and Salancik 1978, 190). Consequently, building good relationships with stakeholders is important in order to gain access to such resources (Yan et al. 2023). The government is a primary source of valuable resources and plays a critical role in guiding business policies and corporate operations for firms (Sheng, Zhou, and Li 2011). Since the government controls vital resources and can adopt policies that affect firms' survival and efficiency, it is the main source of uncertainty and constraint for businesses (Luo, Yang, and He 2020). Political ties are considered as a non-market strategy, aimed at increasing firm performance through engaging with the government (Adel Jean, Sinkovics, and Zagelmeyer 2018; A. Tantawy, Amankwah-Amoah, and Puthusserry 2023). Such ties refer to 'personal ties with government officials as connections with political leaders in various levels of the government, officials in industrial bureaus, and officials in regulatory and supporting organizations such as tax bureaus, state banks, and commercial administration bureaus' (Peng and Luo 2000, 491). Relationships with governmental officials provide new ventures with access to valuable information and knowledge and facilitate opportunity recognition (Katic and Hillman 2023; Wei, Jia, and Bonardi 2023; X. Zhang et al. 2016). This is particularly important in developing markets, as strong political ties can help firms update information and policies related to institutional change, allowing new ventures to discover opportunities in the environment in which they operate (A. A. Tantawy, Amankwah-Amoah, and Puthusserry 2025). Recent studies on political ties use the RDT to examine how firms interact with the government (Bai, Chang, and Li 2019; Dieleman and Widjaja 2019; Krammer and Jimenez 2020; J. A. Zhang, O'Kane, and Chen 2020). Research has emphasized the importance of maintaining political ties for entrepreneurship, particularly in developing economics. New ventures vary from existing firms as they lack legitimacy and access to resources (Aldrich and Fiol 1994). Therefore, new ventures can reduce their dependence on the government by building and maintaining a good relationship with various governmental officials and other regulatory organizations (W. Zheng, Singh, and Mitchell 2015).

Ties with governmental officials give new ventures access to valuable resources and allow them to gain institutional support to deal with uncertainties, thus enhancing new venture growth (X. Zhang et al. 2016). Previous research has focused on how political ties affect new ventures' survival in developing markets (Bruton, Su, and Filatotchev 2018; H. Li and Zhang 2007). However, mixed findings have been obtained on the effect of political ties on NVP. Prior research presents mixed findings on the effect of political ties on NVP. While several studies have reported a positive relationship (Anwar, Rehman, and Shah 2018; Hiatt, Carlos, and Sine 2018; H. Li and Zhang 2007; Lin, Chen, and Lin 2014), others highlight the potential liabilities of political ties that undermine firm performance (Bruton, Su, and Filatotchev 2018; Yeniaras, Kaya, and Ayan 2020). Although Tocher et al. (2012) focused on political skill rather than political ties, their findings highlight the importance

of founder-level capabilities in shaping how political-level engagement translates into firm-level performance outcomes. These findings suggest that the relationships between managerial political ties and NVP are more complicated than simple direct ones (Lin, Chen, and Lin 2014). Research on the political ties-performance relationship has identified various mediating variables that inhibit or facilitate it (A. Tantawy, Amankwah-Amoah, and Puthusserry 2023). Recently, firm capabilities and internal resources have gained attention, and it has been demonstrated that they have an impact on the political ties- NVP relationship (T. Wang et al. 2021).

The reasoning on why resources and capabilities are critical for the political ties-performance relationship is based on the RDT, which theory proposes that resourcing factors and interdependent network relationships affect firms' decisions and outcomes (Pfeffer and Nowak 1976). New ventures rely on valuable resources provided by external stakeholders as they cannot competently manage the resources required for their survival and growth (Pfeffer and Salancik 1978). In this regard, Kotabe et al. (2017) argue that firms should utilize the resources and knowledge obtained from their ties with governmental officials to enhance their performance. Therefore, it is critical for new ventures to acquire and retain valuable and rare resources to face environmental uncertainty and gain competitive advantage. Political ties cannot be realized in the absence of resources. New ventures need to develop and improve certain capabilities to better seize opportunities in the dynamic environment and convert these opportunities into goods/services (Lichtenthaler 2009).

ACAP, a concept first proposed by Cohen and Levinthal (1990), is defined as a firm's ability to recognize, acquire and assimilate external knowledge and apply it in a commercial way. S. Zahra and George (2002) expanded the concept and suggest the four main dimensions of ACAP to be acquisition, assimilation, transformation and exploitation. These dimensions have been discussed in terms of two constructs:1) potential absorptive capacity, which refers to a firm's capacity to acquire and assimilate external information; and 2) realized absorptive capacity, which concerns the function of transforming and exploiting such external knowledge. Therefore, our study builds on the definition of ACAP of S. Zahra and George (2002) as 'a set of organizational routines and processes by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic organizational capability' (S. Zahra and George 2002, 186). This is because the four dimensions of ACAP play a complementary role in examining how it can affect organizational outcomes. In addition, it is suggested that the four organizational capabilities of knowledge acquisition, assimilation, transformation and exploitation are interconnected (S. Zahra and George 2002) and that these various capabilities provide firms with a competitive edge that will lead to superior performance (Barney 1991). As a result, we examine how these dimensions contribute to NVP enhancement.

ACAP enables firms to maintain, assimilate and utilize external knowledge, which is critical for converting the resources and information from connections with political officials into enhanced firm performance (Gölgeci and Kuivalainen 2020; Kotabe et al. 2017). The ACAP construct is rooted in two essential components: an outward-looking aspect focused on identifying and generating valuable external knowledge; and an inward-looking one concerned with its analysis and integration with existing knowledge, together with its implementation into new organizational capabilities and products/services (Cohen and Levinthal 1990). This duality ensures a holistic approach to leveraging external insights, while effectively integrating them into an organization's internal operations, which thereby enables a comprehensive strategy to be developed. According to the dynamic capabilities view, a firm's sustained performance relies on its capacity to adapt and reconfigure its capabilities in response to environmental changes (D. J. Teece, Pisano, and Shuen 1997). Dynamic capabilities enable firms to make internal changes and remain relevant over time, by reconfiguring and deploying resources in a dynamic environment (Eisenhardt and Martin 2000; D. J. Teece, Pisano, and Shuen 1997). However, the topic of dynamic capabilities has been ignored in networking research. This

observation was supported by Pinho and Prange (2016), who propose that dynamic capabilities serve as the driving force for SMEs to effectively utilize and reconfigure the resources obtained from network relationships that help them to capitalize on opportunities and therefore enhance their international performance. Research on the dynamic capability field has suggested that one of the critical dynamic capabilities for firms is ACAP (Floyd and Lane 2000; S. Zahra and George 2002). Therefore, to extend the current literature, ACAP was used as a mediating mechanism for the founder's political ties-NVP relationship.

ACAP is a critical dynamic capability for firms (Floyd and Lane 2000; S. Zahra and George 2002), which allows them to create value by acquiring, assimilating, transforming and exploiting external knowledge (S. Zahra and George 2002). Such a capability is relevant to political ties, as ACAP enables firms to better utilize the resources and information that may be crucial in converting the benefit of political ties into enhanced performance (Kotabe et al. 2017). Therefore, we adopt the ACAP concept, due to the critical nature of absorptive capacity in enabling new ventures' adaptation and enhancement of their performance. In early-stage ventures, particularly those operating in institutionally constrained environments, founder-level attributes often define the architecture of firm-level capabilities (Webb, Khoury, and Hitt 2020; C. Zheng, Ahsan, and DeNoble 2020). As central decision-makers, founders shape not only strategic direction but also the relational routines and cognitive filters through which external knowledge is acquired and assimilated (Salvato and Vassolo 2018; Teece 2007; S. A. Zahra, Sapienza, and Davidsson 2006). Political ties, though personally held, are operationalized through the firm's systems for sensing and integrating information. In this context, absorptive capacity reflects the institutionalization of founder competencies into firm-level processes (A. Tantawy, Amankwah-Amoah, and Puthusserry 2023). Thus, founder political ties are not peripheral signals – they function as embedded inputs that structure how ventures engage, evaluate, and apply politically derived knowledge.

Despite research on the interaction between external ties and firm capabilities (Lee, Lee, and Pennings 2001), the contextual mechanisms that might affect those networking ties remain disconnected from research on the dynamic capabilities view of firms. Given that the founder is a key part of SMEs and that their competencies often lead to firm-level capabilities that shape firm-level outcomes, we contend that ACAP is a firm-level capability that mediates the relationship between the founder's political ties and NVP.

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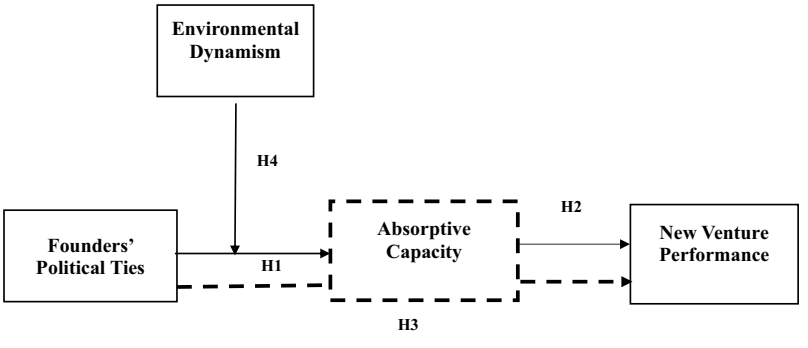
Figure 1 presents the conceptual framework. Solid arrows indicate the direct hypothesized relationships (H1, H2, and H4), while the dotted arrow (H3) captures the indirect effect of founders' political ties on NVP via absorptive capacity (ACAP). We theorize that founders' political ties enhance NVP



Conceptual model.

through the mediating mechanism of ACAP, as this enables firms to acquire, assimilate, and utilize external knowledge – critical for converting the resources and information from connections with political officials into improved firm performance (Gölgeci and Kuivalainen 2020; Kotabe et al. 2017). This mediating effect is contingent on environmental dynamism, which moderates the strength of the political ties – ACAP relationship. In volatile settings, the ability to translate relational resources into firm-level capability becomes more critical. The resulting framework reflects a moderated mediation structure in which ACAP operates as a dynamic capability and environmental dynamism defines the boundary conditions shaping its effectiveness (S. A. Zahra, Sapienza, and Davidsson 2006).

"

Political ties provide firms with rare resources and knowledge, which enhance their performance and enable them to gain institutional support (Katic and Hillman 2023; A. Liu, Shu, and Xiao 2024; Peng and Luo 2000). Social ties play an important role in building firm resources and capabilities (Tsai and Ghoshal 1998; J. A. Zhang, O'Kane, and Chen 2020). In addition, these ties are viewed as an antecedent of dynamic capacities, which help managers to adapt to changes in the environment (Blyler and Coff 2003). Accordingly, we propose that such ties may play a critical role in enhancing a new venture's absorptive capacity for the following reasons. First, in order to exploit dynamic capabilities resources effectively, firms must utilize political connections (Greven et al. 2022). Political ties facilitate the sharing of knowledge, the exchange of information, and the assessment of external knowledge (Inkpen and Tsang 2005; Tsai 2001). Research indicates that firms benefit from social ties as they gain knowledge and new ideas that can be integrated and utilized internally (Colyvas et al. 2002). By integrating external information and knowledge, firms can increase their knowledge stock, allowing them to exploit external information more effectively (Gölgeci and Kuivalainen 2020). Second, studies have demonstrated that firms can develop their absorptive capacity by accessing external knowledge via social capital (Gölgeci and Kuivalainen 2020). This is because absorptive capacity is largely determined by the ability to acquire and manage external information (Salvato and Vassolo 2018). Ties with government officials help firms acquire tacit knowledge, which leads to stronger knowledge exchange and sharing (Inkpen and Tsang 2005).

Zhao, Wang, and Arkorful (2025) suggested that political networks have a positive impact on absorptive capacity which emphasizes how broad political links are critical for increasing an organization's capacity to absorb information. By facilitating the acquisition of resources and knowledge integration, political ties improve firms' absorptive capacity, especially through highly skilled human resource slack, whose absorptive capacities differ depending on the level of knowledge and experience of their personnel, resulting in distinct firm performance outcomes (T. Chen, Park, and Rajwani 2024). In other words, Firms with political ties acquire knowledge from their relationships and exploit this knowledge, confirming that regular interactions facilitate learning. Those with higher levels of such ties are better able to absorb knowledge (Yli-Renko, Autio, and Sapienza 2001). Therefore, a new venture's ability to acquire and assimilate external knowledge may be enhanced by political ties, which in turn affects its ability to develop its absorptive capacity. We therefore propose that:

H1: # ! $

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ACAP is a knowledge-based capability that allows new businesses to rapidly observe and learn about their external environment, which facilitates the discovery and capture of entrepreneurial opportunities (Cui et al. 2018). In dynamic environments, new ventures need this capability to adapt to

changing market conditions, innovate, and maintain competitive advantage. Scholars have suggested that ACAP provides firms with the ability to create value through acquiring, assimilating, transforming and exploiting external knowledge (Floyd and Lane 2000; S. Zahra and George 2002). Through the assimilation, transformation, and application of acquired knowledge, ACAP helps to create new products and services, accelerate knowledge creation, and improve the performance and competitiveness of ventures (Y. S. Chen, Lin, and Chang 2009). It is crucial that a firm maintains and continuously develops its knowledge base to prosper and remain competitive (Griffiths-Hemans and Grover 2006; Wales, Parida, and Patel 2013). Studies have considered ACAP to be one of the most important drivers of firm performance, and that firms should manage all aspects of ACAP simultaneously (Wales, Parida, and Patel 2013; S. Zahra and George 2002). In line with this argument, we propose that there is a link between ACAP and NVP.

Previous research suggests that ACAP and firm performance are positively correlated (Y. S. Chen, Lin, and Chang 2009; Tsai 2001; Wales, Parida, and Patel 2013). In SMEs, the ability to translate market changes into competitive products requires constant analysis and interpretation of changing market demands. Firms need to increase their ability to absorb, assimilate, transform and exploit external knowledge in order to create organizational innovations (Y. S. Chen, Lin, and Chang 2009). Moreover, firms need to be able to translate knowledge into new products and services in order to apply and use knowledge effectively (Tzokas et al. 2015). It has been suggested that ACAP contributes to firm innovation and facilitates sustainable competitive advantage, as new knowledge acquired by a firm contributes to innovation success and therefore may serve as a potential source of competitive advantage (Y. S. Chen, Lin, and Chang 2009; Wales, Parida, and Patel 2013). Firms should invest in exploring, developing and exploiting new products and services to generate profitability (Cohen and Levinthal 1990). By utilizing this capability, firms can extend their knowledge base across organizational boundaries and achieve their objectives (Flor, Cooper, and Oltra 2018). It is suggested that ACAP enhances the performance of new ventures. Tzokas et al. (2015) argue that it plays a positive role in enhancing SMEs' overall performance in terms of profitability, new product development (NPD), and customer satisfaction. According to Gray (2006), ACAP contributes significantly to the innovation performance of small entrepreneurial businesses. As ACAP is considered a critical dynamic capability in enhancing firm performance (S. Zahra and George 2002), firms that invest in enhancing their capacity to discover, create and utilize novel goods and services are more likely to generate additional financial benefits (Wales, Parida, and Patel 2013). We propose that ACAP can influence NVP positively. It is therefore posited that:

H2: ! $

!

Recent studies have shown that firm capabilities and resources have a mediating role in the relationship between political ties and firm performance (Heirati and O'Cass 2016; T. Wang et al. 2021; Zhou et al. 2014; Zhu, Su, and Shou 2017). Building upon the proposition that ACAP is a critical dynamic capability for firms (S. Zahra and George 2002; Zhao, Wang, and Arkorful 2025), we propose that it mediates the relationship between political ties and NVP. Additionally, our argument is based on the assumption that firms must utilize their underlying capabilities and resources effectively to fully capitalize on their social networks (Wu 2007). In order to maintain and assimilate external knowledge, the interaction between political ties and ACAP is crucial (Gölgeci and Kuivalainen 2020). The use of ACAP can help firms take advantage of social ties to achieve positive outcomes, as it helps them utilize knowledge and information critical to converting the benefits of political ties into higher performance (Kotabe et al. 2017). Through network channels, ideas and information are accumulated into crucial knowledge resources. To acquire and harvest these resources, firms must possess specific capabilities and processes (Gölgeci and Kuivalainen 2020). ACAP can then be deployed in networks

as a knowledge-centred capability (S. Zahra and George 2002). It has been suggested that integrating internal capabilities with external ties could significantly improve the performance of new ventures (Lee, Lee, and Pennings 2001). While social ties provide firms with access to external knowledge, which they can then integrate and utilize internally (Colyvas et al. 2002), such knowledge must be acquired and processed through ACAP to adapt to uncertainty and changes in the external environment (Marrucci, Daddi, and Iraldo 2022). These processes must therefore be supported by ACAP to expand the knowledge base that can be used to achieve organizational objectives (Flor, Cooper, and Oltra 2018).

Recently, research has shown that firms involved in a political network can benefit from their higher absorptive capacity by better absorbing information and resources from the network, identifying knowledge that is beneficial to their own development, transforming it, and enhancing their performance (Zhao, Wang, and Arkorful 2025). Political ties enhance firms' absorptive capacity by facilitating resource acquisition and knowledge integration, particularly through highly skilled human resource slack which have different levels of absorptive capacities depending on the knowledge and experience of the personnel involved, leading to distinct outcomes on firm performance. The greater the venture's ability to acquire resources through political ties, the greater its need for ACAP to recognize, assimilate and transform external knowledge, which ultimately improves its performance. Therefore, we propose that:

H3: ! $

! # ! ! !

We suggest that a high level of environmental dynamism motivates new ventures to devote more time and effort to building trusting relationships with government officials. This allows them to obtain unique resources and information, which contribute to the growth of their ACAP increase. We suggest that environmental dynamism positively moderates the relationship between founders' political ties and ACAP, based on the idea that ACAP is a valuable capability to adjust to external contexts as a dynamic capability (Barreto 2010; Ferreira, Coelho, and Moutinho 2020; Kotabe, Jiang, and Murray 2017; Qu and Mardani 2023).

Environmental dynamism refers to the degree of unpredictable and unstable changes in a firm's external environment (Dess and Beard 1984). It is characterized by rapid changes in technologies, customer demands, product designs, competitor actions, and regulatory policy (Baron and Tang 2011; J. A. Zhang, O'Kane, and Chen 2020). In order to respond to uncertainty in the external environment, firms must build their dynamic skills to deal with quick changes. This allows them to reconfigure their knowledge base to adapt to changes (D. J. Teece, Pisano, and Shuen 1997; Warner and Wäger 2019). Studies have suggested that firms' acquisition of resources through relationships with government officials is influenced by their external environment (Gao et al. 2017). Such unpredictable changes in environmental conditions affect exchanges of valuable resources and information through political ties (Sheng, Zhou, and Li 2011; J. A. Zhang, O'Kane, and Chen 2020). Firms with political ties acquire knowledge and also utilize it, which confirms the fact that firms with higher levels of such ties are better able to absorb knowledge (Yli-Renko, Autio, and Sapienza 2001). Based on the increasing need to seize new opportunities and the importance of rare resources and information gained from political ties, J. A. Zhang, O'Kane, and Chen (2020) found that such ties enhance firm performance with high levels of environmental dynamism. Research has suggested that ACAP provides firms with strategic capability and flexibility to adapt to turbulent environments by enabling them to quickly seize and identify emerging opportunities, using their capabilities and resources to create competitive advantage (S. Zahra and George 2002). In addition, ACAP enables firms to renew their skills and knowledge base by increasing their understanding of developing market trends in the external environment in order to avoid competency traps that may hinder

performance (Volberda, Foss, and Lyles 2010). Studies have highlighted that dynamic capabilities play a critical role in turbulent environments, as they enable firms to effectively respond to uncertainty in the external environment by restructuring their knowledge base to adapt to ACAP (Eisenhardt and Martin 2000), which suggests that ACAP may provide the greatest value in the relationship between founders' political ties and NVP, particularly in turbulent markets. As discussed above, environmental dynamism supports the relationship between founders' political ties and ACAP. It is therefore posited that:

H4: % ! ! & ' ' ! $

Methods

The study hypotheses were tested using a sample of new ventures in Egypt. The country was used as the main research context for the following reasons. First, it is a developing country, whose economy is one of the largest in the Middle East, while its start-up ecosystem is the second fast-growing economy in the North Africa (MENA) region (Adel, Mahrous, and Hammad 2020). Since gaining independence in 1922 (although it is worth noting that British influence persisted until the mid-1950s), the country has become a pivotal feature in Middle Eastern politics and the African economy (BBC 2024). Besides its rich cultural heritage and attractiveness as a destination for tourism, the country has also experienced rapid economic growth in recent decades. With a population of 116,841,351 in 2024, projected to increase to 161,630,192 by 2050, Egypt is one of the most populous countries in the Middle East and North Africa (MENA) and is regarded as a major player on the African continent (Worldometers 2024). Second, recent research has also highlighted the importance of entrepreneurship in enhancing Egypt's economic development (A. A. Tantawy, Elaasi, and Elshawadfy 2021). Third, Egypt provides an ideal context, as political ties are prevalent in the country due to the weak institutional environment characterized by institutional voids and the insufficient role of formal institutions in supporting SMEs in the country (Narooz and Child 2017). In addition, political actors play a significant role in shaping firms' competitive moves and actions, making it productive ground for exploring the interaction between politics and business (Pesu 2022). In Egypt, SMEs account for 80% of its gross domestic product, with 76% of Egyptians considering entrepreneurship a worthy career (Adel, Mahrous, and Hammad 2020). The study selected new ventures based on recent findings that political ties are positively associated with NVP in the Egyptian context (A. A. Tantawy, Amankwah-Amoah, and Puthusserry 2025). Therefore, the Egyptian data will contribute to the literature on political networking by exploring how founders' political ties affect NVP in developing markets.

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The data were collected between December 2021 and June 2022 at two separate times, from new ventures located in different regions of Egypt. To construct the sample, we first selected new ventures whose founders reported active engagement with government officials, such as representatives from ministries, governorates, legislative bodies, political parties, and towns and city offices. This criterion ensured the relevance of political ties to the study context. Second, to capture the different stages of venture development, we selected ventures that were eight years old or less, as well as those that were still identifying prospective opportunities at the beginning of their development (Adomako et al. 2019). While the classification of 'new' ventures varies across studies (T. Wang and Bansal 2012; S. A. Zahra et al. 2000), we follow prior work that treats eight years as a valid

threshold for capturing firms still undergoing organizational development and founder-led strategy formation (Atuahene-Gima and Li 2004; H. Li and Zhang 2007; McDougall et al. 1994; A. A. Tantawy, Amankwah-Amoah, and Puthusserry 2025; S. A. Zahra 1996). Third, as the population size of new ventures was unknown and absence of a formal sampling frame for Egyptian new ventures (Adel, Mahrous, and Hammad 2020), we employed a convenience sampling approach. While this limits generalizability, such practices are common and accepted in quantitative field research where theoretical relationships are being tested and access to target populations is constrained (Hulland, Baumgartner, and Smith 2018; Onofrei, Filieri, and Kennedy 2022).

We identified 650 new ventures that met the above criteria. We then contacted the founders of these by telephone and email, explaining the purpose of our study and clarifying that the survey targeted founders who were responsible for maintaining political relationships. Only founders who self-identified as actively engaged in political networking were included in the sample. This approach ensured that data on political ties were collected from informants directly responsible for cultivating and maintaining relationships with government officials, consistent with established practice in prior research (Peng and Luo 2000). A total of 329 founders agreed to participate. Data were collected at two points in time to strengthen the design and mitigate common method bias. At time t1, we asked the founders to complete the scales on demographics, political ties and environmental dynamism. At time t2, six months later, we sent the scales on absorptive capacity and venture performance and asked the founders to complete these. The data were collected using an online survey with an electronic link through the online platform Qualtrics. After reviewing all the responses, 20 were discarded due to incomplete answers. We therefore received completed surveys for the two periods from 309 of the new ventures, the final response rate being 47.54%.

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To test non-response bias, we followed Wagner and Kemmerling (2010) approach by comparing the responses in both complete and incomplete surveys (which were a proxy for non-respondents) for selected variables, using independent sample t-tests. The results show that there were no significant differences between the two groups, so non-response bias was not an issue for the study. We also compared late and early responses using independent sample t-tests (Armstrong and Overton 1977). The findings indicated no statistical differences between early and late respondents, which showed that our study was unaffected by non-response bias.

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We created survey instruments by developing an English version based on well-established scales used in previous studies to ensure that the new venture founders were able to understand and correctly interpret the measures. We used the established back-translation practice, asking two experts to translate the survey instruments from English to Arabic and another expert to translate these instruments back into English. All the experts were fluent in both English and Arabic (Qian, Cao, and Takeuchi 2013). We then conducted a pilot test of eight founders to improve the face validity of the study. Based on their feedback, some scales were reworded in line with the key informants' characteristics and the Egyptian context. Table 1 shows the Cronbach's alpha values ($\alpha > 0.80$), which are above the threshold level of 0.70 (Netemeyer, Bearden, and Sharma 2003). The study variables were measured based on a seven-point Likert scale (from 1 = strongly disagree, to 7 = strongly agree).

Dependent variable

We measured NVP using an eight-item scale (Cronbach's $\alpha = 0.96$) developed by H. Li and Zhang (2007). We asked the founders to rate their performance relative to their main competitors over the previous two years. We used self-reported measures because of the lack of data and financial reports

Construct validity and reliability.

Items	Factor loadings
Founders' political ties (Cronbach Alpha = 0.88, AVE = 0.72, CR = 0.88)	
FPT1: political leaders in various levels of the government	0.77
FPT2: officials in industrial bureaus	0.96
FPT3: officials in regulatory and supporting organizations such as tax bureaus, state banks, commercial administration bureaus, and the like.	0.80
Absorptive capacity (Cronbach Alpha = 0.90, AVE = 0.68, CR = 0.95)	
AC1: we typically collect industry information through informal means (e.g. lunch with industry friends, discussions with trade partners).	0.80
AC2: we periodically organize special meetings with customers or third parties to acquire new knowledge.	0.66
AC3: employees regularly approach third parties such as accountants, consultants, or tax consultants.	0.85
AC4: we are slow to recognize shifts in our market (e.g. competition, regulation, demography) (reverse-coded).	0.81
AC5: new opportunities to serve our clients are quickly understood.	0.79
AC6: we quickly analyse and interpret changing market demands.	0.80
AC7: we regularly consider the consequences of changing market demands in terms of new products and services.	0.83
AC8: employees record and store newly acquired knowledge for future reference.	0.80
AC9: we are quick to recognize the usefulness of new external knowledge to existing knowledge.	0.74
AC10: employees rarely share practical experiences (reverse-coded).	0.86
AC11: we work diligently to grasp opportunities from new external knowledge (reverse-coded).	0.80
AC12: we periodically meet to discuss the consequences of market trends and new product development.	0.80
AC13: employees clearly understand how activities within our firm should be performed.	0.79
AC14: we have a clear division of roles and responsibilities within the firm.	0.70
AC 15: we constantly consider how to exploit knowledge more effectively.	0.83
AC 16: we have difficulty implementing new products and services (reverse-coded).	0.84
AC:17: employees have a common language regarding our products and services.	0.80
NVP (Cronbach Alpha = 0.91, AVE = 0.77, CR = 0.96)	
NVP1: return on sales	0.83
NVP2: return on assets	0.89
NVP3: profit growth	0.90
NVP4: return on investment	0.90
NVP5: sales growth	0.88
NVP6: market share growth	0.88
NVP7: cash flow from operations	0.86
NVP8: overall performance	0.88
Environmental Dynamism (Cronbach Alpha = 0.80, AVE = 0.66, CR = 0.87)	
ED1: Environmental changes in our local market are intense.	0.83
ED2: Changes are taking place continuously in our local market.	0.84
ED3: In a year, nothing has changed in the market.	0.82
ED4: The volumes of products and services to be delivered change fast and often in our market.	0.76

in developing markets (Anwar and Ali Shah 2020; Anwar, Rehman, and Shah 2018). It is difficult to obtain objective measures of performance for new ventures since their financial data is generally viewed as confidential (H. Li, Zhang, and Chan 2005). In addition, subjective performance measures have been widely used in new venture literature (e.g. H. Li and Zhang 2007), which explains why such measures have critical managerial implications due to founders' perceptions of venture performance (Dess and Robinson 1984). The scale has shown strong validity and reliability in previous research (Bruton, Su, and Filatotchev 2018; Su, Xie, and Wang 2015; A. A. Tantawy, Amankwah-Amoah, and Puthusserry 2025).

Independent variable

We measured founders' political ties on the three-item scale (Cronbach's $\alpha = 0.88$) developed by Peng and Luo (2000). We asked the respondents to determine how their ventures had cultivated political connections with government officials and other regulatory organizations. Research has

suggested that Peng and Luo's scale has been employed because of its leading role in the networking literature (Fan et al. 2013). The scale has been demonstrated to have strong validity and reliability (Acquaah 2007; Park and Luo 2001; Sheng, Zhou, and Li 2011; A. A. Tantawy, Amankwah-Amoah, and Puthusserry 2025; X. Zhang et al. 2016). The three items were analysed using principal component factor analysis (PCFA) using varimax rotation, which allowed us to identify interrelationships among the items. As result of the PCFA, we found one factor which explained 59% of the total variance (with an eigenvalue greater than 1). We used perceptual measures of political ties by asking participants about their ties with political entities (e.g. Batjargal and Liu 2004; J. J. Li, Poppo, and Zhou 2008; Peng and Luo 2000) rather than using the name-generator approach, focusing on asking participants to disclose the names of the government officials with whom they were connected (Burt 1997), as those involved can be reluctant to provide the names and positions of their contacts, making this method ineffective (Peng and Luo 2000).

Mediating variable

This study follows the definition of ACAP as 'a set of organizational routines and processes by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic organizational capability' (S. Zahra and George 2002, 186). We measured it using perceptual measurement on the twenty-one-item scale (Cronbach's $\alpha = 0.92$) developed by Jansen, Van Den Bosch, and Volberda (2005), which draws on interrelated concepts, namely potential and realized absorptive capacity, through the four dimensions defined by S. Zahra and George (2002). Questions were initially designed at a business-unit level, but were adapted for the new venture context. Use of Jansen et al'.s scale allowed us to capture the impacts of absorptive capacity as a dynamic capability, which is in line with our arguments. Potential absorptive capacity consists of the acquisition (six items) and assimilation (three items) of new external knowledge. Realized absorptive capacity includes the transformation (six items) and exploitation (six items) of new external knowledge. We eliminated four items on the absorptive capacity scale due to their low factor loadings and to ensure measurement reliability.

Following previous research (Engelen et al. 2014), a composite score was computed for each new venture based on the aggregation of acquisition, assimilation, transformation and exploitation dimensions. We calculated one composite score for ACAP due to the high positive correlations between the four dimensions (explaining 52% of total variance), which suggests a one-factor structure. We used perceptual measures of ACAP rather than other measures such as R&D intensity or investment in R&D personnel (Cohen and Levinthal 1990; X. Liu and White 1997) as it is a process of related steps; in addition, it is difficult to use a single proxy to capture its effects (S. Zahra and George 2002). Empirical studies on ACAP have not always captured the multidimensionality of the concept and have frequently focused on using a unidimensional measure (Liao, Welsch, and Stoica 2003). In addition, Lane, Koka, and Pathak (2006) called for empirical investigation using metrics that capture all the dimensions of absorptive capacity in a non-Rand D context. Finally, Jansen, Van Den Bosch, and Volberda (2005) scale has shown robust validity and reliability in previous studies (Chang, Gong, and Peng 2012; Fernhaber and Patel 2012; Patel et al. 2015; Wales, Parida, and Patel 2013; Yao and Chang 2017).

Moderating variable

We measured environmental dynamism on a five-item scale (Cronbach's $\alpha = 0.80$) developed and validated by Jansen, Van Den Bosch, and Volberda (2006). The scale for environmental dynamism is focused on the external environment's instability and rate of changes. We asked the respondents about changes in their local environment. Using PCFA through varimax rotation, we were able to find interrelationships between the four items and reduce them to a unifying variable. The PCFA analysis showed that 51% of the total variance could be explained by one factor (with an eigenvalue greater than the threshold of 1). This scale has shown robust validity and reliability in previous research (Do et al. 2022; Prasad and Junni 2016; Yuan, Xue, and He 2021; J. A. Zhang, O'Kane, and Chen 2020). As

founders act on their perceptions, we were interested in the level of dynamism perceived by them. Perceptual measures are particularly useful for studying strategy processes and environmental studies (Boyd, Dess, and Rasheed 1993). We eliminated one item on this scale due to its low factor loading.

Control variables

Several control variables were included which might affect NVP in the analysis at the founder, venture and institutional levels. For the founder level, the study controlled for their age, education, gender, status and tenure. Age was coded as a categorical variable (1 = 26–35; 2 = 36–45; 3 = 46–55; and 4 = over 56), while education was coded as 1 = high school, 2 = HND, 3 = Bachelor's, 4 = post-graduate, 5 = other. The study also controlled for gender, coded as 1 = male and 0 = female. Founder status was a categorical variable, coded as 1 = married, 2 = unmarried, and 3 = other. Finally, founder tenure was measured as the number of years the founder had been involved in the venture. For the venture level, the study controlled for size, age and industry type. Previous studies suggest that venture size has different effects on NVP (Fan et al. 2013; Peng and Luo 2000). Therefore, this was measured by the number of employees. The variable was categorical (1 = 10 or below; 2 = 11–30; 3 = 31–50; 4 = 51 or above). Venture age was measured as the number of years it had been operating. Finally, a categorical variable was created to measure industry type, coded as 1 = industrial, 2 = commercial, 3 = services, and 4 = agricultural.

For the institutional level, institutional voids and new venture legitimacy were controlled for. Developing markets are characterized by institutional voids (Khanna and Palepu 1997); research has suggested that the absence of formal institutions can impede small business performance and competitiveness (Venkatesh et al. 2021) and hinder innovation and entrepreneurship in developing markets (Bu and Cuervo-Cazurra 2020). Such voids were measured using an eight-item scale developed by Giachetti (2016), with the founders asked to rate these items. In addition, the study controlled for legitimacy, defined as whether an entity's actions were viewed as desirable and appropriate within a socially-constructed system of norms, values and beliefs (Suchman 1995). New ventures lack legitimacy and access to resources (Aldrich and Fiol 1994) due to their liability of newness (Stinchcombe 1965), which increases their failure rate during their first years of operation. New venture legitimacy was measured on a four-item scale developed by Yu et al. (2018).

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Confirmatory factor analysis (CFA) was conducted using the maximum likelihood (ML) estimation approach to assess the validity and reliability of the constructs using STATA 16.0. Our main CFA showed acceptable model fitness for the data: $\chi 2/df = 891.368/149$; RMSEA (root mean square error of approximation) = 0.6; CFI (comparative fit index) = 0.89; TLI (Tucker-Lewis index) = 0.80; and SRMR (standardized root mean square residual) = 0.7. Table 1 shows that the standardized factor loadings for each item are above 0.5. In addition, the analysis supports convergent validity (Bagozzi and Yi 1988), as all the factor loadings were significant (< 0.01). The discriminant validity of the measures was also assessed using average variance extracted (AVE). Following Fornell and Larcker (1981), the analysis showed that the AVE values were above 0.50, which indicates adequate convergent validity. To test reliability, Cronbach's alpha and composite reliability (CR) were used to establish the internal consistency of each construct. The analysis showed that both values were above 0.70, which confirms that the data were reliable (Netemeyer, Bearden, and Sharma 2003).

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Various ways were employed to reflect the common method issue in the design of the survey. First, the main independent, mediating, dependent and moderating variables were collected at two separate times. By separating the data according to time, it was possible to eliminate biases

associated with cross-sectional designs (Podsakoff, MacKenzie, and Podsakoff 2012). Second, by using clear language, the survey items were improved with the help of practitioners in the field (MacKenzie and Podsakoff 2012). The main variable items were distributed across the survey to eliminate the possibility of respondents finding any relationship between the study variables (Nagy et al. 2022). In addition, the respondents were highly experienced and educated, and were assured of their anonymity and confidentiality in the study (MacKenzie and Podsakoff 2012; Podsakoff et al. 2003). Third, Siemsen, Roth, and Oliveira (2010) suggest that common method bias is not a common issue in empirical studies that examine indirect effects. Finally, common method bias was tested statistically using Harman's single-factor test (Podsakoff et al. 2003) to determine if any of the variance could be explained by a single factor. All the study variables were loaded with principal component factoring and with no rotation. The results of the exploratory factor analysis (EFA) demonstrate that five factors were found with eigenvalues > 1.0, representing 39.50% of the total variance explained. In addition, the first factor explained 9.22% of the variance and there was no dominant factor. Therefore, common method bias is highly unlikely to have affected the results.

We tested our moderated mediation model following previous research (Heimeriks, Schijven, and Gates 2012; Soluk et al. 2021) using ordinary least squares (OLS) regressions, with the Huber – White sandwich estimator employed for heteroscedasticity based on the steps provided by Muller, Judd, and Yzerbyt (2005). This approach is an efficient model estimator used in entrepreneurship literature (Soluk et al. 2021; H. Zhang et al. 2023). Further analysis was also conducted in the form of robustness tests to detect sample selection bias using Heckman's (1979) two-stage procedure and two-stage least squares (2SLS) analysis using instrumental variables (IVs) to test for endogeneity.

Results

Table 2 shows the descriptive statistics of the mean, standard deviation and correlation matrix of the main study variables using STATA 18.0. The table indicates that founders' political ties, absorptive capacity, environmental dynamism and NVP are positively correlated with each other. We created the interaction terms by mean-centred both the independent and the moderator variables to better understand the results (Aiken and West 1991; Dawson 2014). We tested for multicollinearity after running a regression using the variance inflation factor (VIF). The results demonstrate that the average VIF was 1.50 and all the factors were lower than 10, the cut-off value being 10. These results indicate that the problem of multicollinearity was not an issue in our study and that there were no correlations between the independent variables (Hair et al. 2010).

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Table 3 shows the findings of the OLS regression analysis used in testing the main hypotheses. H1 proposed that founders' political ties were positively related with absorptive capacity. The results of Model 2 show that such ties were indeed positively associated with absorptive capacity ($\beta = .276$, $= .000$). We observed that R^2 had changed significantly ($\Delta R^2 = 0.05$). Therefore, Hypothesis 1 was supported. H2 proposed that absorptive capacity was positively associated with NVP. The results of Model 6 show that there was in fact a positive and significant relationship between absorptive capacity and NVP ($\beta = .509$, $= .000$). In addition, R^2 had changed significantly ($\Delta R^2 = 0.25$). Consequently, Hypothesis 2 was also accepted. We also found a positive relationship between founders' political ties and NVP ($\beta = .142$, $= .005$), which indicates the critical role of ties with governmental officials in providing new ventures with access to

Means, standard deviations, and correlations.

Variable	M	SD	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(1) Age	3.803	1.03	1.000													
(2) Gender	0.916	0.278	0.202	1.000												
(3) Education	3.058	0.749	0.074	0.164	1.000											
(4) Status	1.094	0.343	−0.195	−0.291	−0.021	1.000										
(5) Venture age	4.249	0.809	0.437	0.180	0.153	−0.155	1.000									
(6) Venture size	2.311	0.930	0.379	0.127	0.188	−0.132	0.497	1.000								
(7) Industry	2.029	0.917	−0.080	0.010	0.068	0.053	−0.027	−0.075	1.000							
(8) tenure	2.957	2.037	0.065	−0.017	0.064	−0.028	0.196	0.321	−0.044	1.000						
(9) voids	2.152	1.459	−0.090	−0.120	0.019	0.127	−0.062	0.068	0.120	0.256	1.000					
(10) legitimacy	2.642	0.858	0.021	−0.101	0.049	0.117	0.140	0.298	0.093	0.543	0.894	1.000				
(11) political Ties	4.146	1.973	0.110	0.034	0.060	−0.083	0.301	0.296	0.003	0.629	0.053	0.328	1.000			
(12) Absorptive capacity	4.452	1.340	0.011	−0.028	−0.112	−0.063	0.203	0.279	−0.035	0.416	−0.052	0.251	0.523	1.000		
(13) Environmental Dynamism	4.981	1.307	0.045	−0.111	−0.114	−0.026	0.102	0.181	−0.063	0.242	−0.094	0.162	0.367	0.612	1.000	
(14) NVP	4.847	1.734	0.035	−0.024	−0.039	−0.022	0.174	0.241	−0.050	0.417	−0.083	0.175	0.453	0.666	0.410	1.000

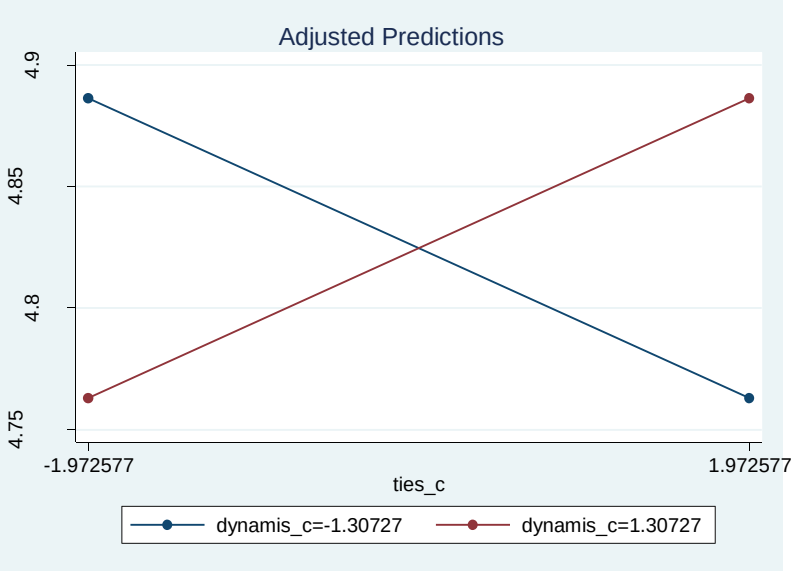
Note: SD = standard deviation; NVP = new venture performance.

Regression analysis results.

	DV = ACAP			DV = NVP		
Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Political ties		.276***	.255***		.142***	.149***
		(.049)	(.05)		(.05)	(.048)
Environnemental dynamism		.169***	.148***		.268***	.185**
		(.057)	(.056)		(.083)	(.081)
Political ties ×Environnemental dynamism			.093**			
			(.48)			
Absorptive capacity					.509***	.242***
					(.074)	(.086)
Absorptive capacity ×environmental dynamism						.392***
						(.076)
Founder age	−.101**	−.121**	−.086*	−.016	.085	.123*
	(.051)	(.048)	(,051)	(0.094)	(.079)	(.071)
Founder gender	−.031	.096	.145	−.283	−.169	−.161
	(.177)	(.055)	(.173)	(.216)	(.179)	(.197)
Founder education	−.188**	−.132*	−.127*	.033	.032	.012
	(.074)	(.071)	(.073)	(.084)	(.057)	(.057)
Founder status	−.13	−.054	−.079	−.165	−.078	−.192
	(.127)	(.105)	(.107)	(.157)	(.12)	(.174)
Venture age	.041	.043	.017	.166	−.027	−.002
	(.072)	(.069)	(.069)	(.121)	(.093)	(.092)
Venture size	.079	.109*	.111*	.065	.101	.088
	(.058)	(.058)	(.058)	(.092)	(.073)	(.07)
Industry	.038	.023	.014	.049	−.041	−.04
	(.045)	(.04)	(.041)	(.078)	(.067)	(.067)
Founder tenure	.257***	.178***	.139***	.311***	.082	.122**
	(.46)	(.05)	(.047)	(.065)	(.061)	(.055)
Institutional voids	−.241***	−.046	−.026	−.303***	−.001	.019
	(.046)	(.049)	(.05)	(.063)	(.061)	(.055)
Legitimacy	.744***	.282***	.251***	.679***	−.21	−.26*
	(.059)	(.086)	(.086)	(.095)	(.146)	(.145)
Constant	.331	.641	.631	.697	1.12**	.747
	(.475)	(.478)	(.48)	(.627)	(.529)	(.596)
-value	72.09**	90.38***	90.48***	35.02**	69.77**	87.245**
2	0.62	0.67	0.68	0.42	0.61	0.65

Notes: Standard errors in parentheses: * < 0.05, ** < 0.01, *** < 0.001; DV = dependent variable, ACAP = Absorptive capacity, NVP = new venture performance.

valuable resources and enabling them to gain institutional support to deal with uncertainties and enhance their performance. H3 proposed the mediating impact of ACAP on the relationship between founders' political ties and NVP. The findings of Model 5 indicate that ACAP positively mediates the founder's political ties-NVP link (β = .509, = .000). Consequently, Hypothesis 3 was accepted. H4 proposed that environmental dynamism strengthened the indirect impact of founders' political ties on NVP through ACAP. Model 6 shows that environmental dynamism did strengthen the positive impact of founders' political ties on new venture's ACAP, in such a way that the relationship was more positive when environmental dynamism was high, rather than low (β = .392, = .000). In addition, the analysis showed that founders' political ties had a greater positive indirect effect on NVP through ACAP when environmental dynamism was high (β = .093, = .03). Therefore, Hypothesis 4 was supported. To facilitate understanding of the moderating effect, we plotted the interaction impacts in Figure 2 using 'margins' and 'marginsplot' in STATA. The slope tests show that founders' political ties positively impacted absorptive capacity when environmental dynamism was high (one standard deviation above the mean).



The interaction of founders' political ties and environmental dynamism on absorptive capacity.

However, the impact was negative and not significant when the environmental dynamism level was low (one standard deviation below the mean). Therefore, our study confirms the moderating role of environmental dynamism in the founders' political ties-absorptive capacity relationship.

Several analyses were conducted to ensure the robustness of the results. The findings of all the robustness tests are shown in Appendix A.

Discussion

The study has examined the mediating role of ACAP in the relationship between founders' political ties and NVP in developing markets. We also considered the moderating role of environmental dynamism as a boundary condition in the relationship between founders' political ties and ACAP, together with the indirect effect of such ties on NVP through ACAP. Using a unique dataset of 309 new ventures in Egypt, the findings support our main argument that ACAP positively mediates the founders' political ties-NVP link. This result is in line with previous literature (Lee, Lee, and Pennings 2001), in that the integration of international capability and external ties could significantly improve NVP. The analysis also demonstrates that environmental dynamism strengthens the relationship between founders' political ties and ACAP. In markets with high levels of dynamism, ACAP provides new ventures with the capability and flexibility to quickly seize and identify opportunities, utilizing the resources and knowledge from ties with government officials to help adapt to uncertainty and turbulent environments (S. Zahra and George 2002). In addition, the findings show that founders' political ties have a greater impact on NVP through ACAP when environmental dynamism is high. This is also in line with previous studies (Volberda, Foss, and Lyles 2010), which indicate that ACAP enables new ventures to renew their skills and knowledge base through access to resources and knowledge from political ties in order to understand trends in external markets and avoid competency traps, thus increasing NVP.

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This study contributes to theory on political ties and NVP (Bruton, Su, and Filatotchev 2018; Hiatt, Carlos, and Sine 2018; H. Li and Zhang 2007; A. A. Tantawy, Amankwah-Amoah, and Puthusserry 2025) by advancing a capability-based explanation of how politically embedded resources translate into firm-level outcomes (Jones, Macpherson, and Thorpe 2010; Julien, Andriambeloson, and Ramangalahy 2004; Lee, Lee, and Pennings 2001). Specifically, we conceptualize absorptive capacity (ACAP) as a dynamic capability that mediates the relationship between founders' political ties and NVP (J. A. Zhang, O'Kane, and Chen 2020). This framing shifts attention from structural associations to internal processes that govern knowledge transformation and resource application (Wilden, Devinney, and Dowling 2016; S. A. Zahra, Sapienza, and Davidsson 2006). Our model further introduces environmental dynamism as a boundary condition that shapes the efficacy of this mechanism, addressing recent calls to contextualize the value of dynamic capabilities under conditions of volatility (Schilke, Hu, and Helfat 2018; D. Teece, Peteraf, and Leih 2016). In doing so, we extend prior research – such as Peng and Luo (2000)—by moving from direct relational effects in mature firms to conditional, capability-driven mechanisms in new ventures. Situated in a developing economy context, our study shows that political ties do not inherently improve performance; rather, their value depends on the firm's ability to internally process and apply external knowledge under institutional and market uncertainty.

While Peng and Luo (2000) demonstrated that managerial ties with government officials and other firms can enhance firm performance in China's transition economy, their study emphasized direct relational effects and contingency conditions such as ownership type and industry growth. Our study builds on this foundation but departs in two keyways. First, we shift the theoretical lens from direct structural linkages to capability-based mechanisms by theorizing absorptive capacity (ACAP) as a dynamic capability through which political ties yield performance benefits (Kotabe, Jiang, and Murray 2017). This move allows us to explain how politically derived resources are converted into firm-level outcomes, rather than simply establishing whether they matter. Second, we focus on early-stage ventures in a developing economy context, where founder characteristics often shape organizational capabilities (Jiang and Tornikoski 2019; Webb, Khoury, and Hitt 2020). Indeed, ACAP requires further investigation in the new venture context, given that previous studies have focused on demonstrating the critical role of ACAP in large and established firms (Kotabe, Jiang, and Murray 2017). This is important, given the differences in the institutional environments and the greater resource constraints faced by new ventures in developing economies (Luo, Yang, and He 2020; Peng 2003). In doing so, we contribute to the nonmarket strategy literature by clarifying the micro-foundations and boundary conditions – specifically, environmental dynamism – that moderate the value of political ties in volatile institutional environments (Mellahi et al. 2016).

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The study has several implications for new venture founders and policymakers. It shows that dynamic capabilities can help new ventures implement their non-market strategies to enhance their performance. Specifically, dynamic capability, through the use of ACAP, enables such ventures, through the acquisition, assimilation, transfer and exploitation of external knowledge, to implement the political ties approach more effectively than they could without such a capability. This is particularly important for new ventures that operate in highly dynamic environments characterized by rapid changes in customer demands, product design, and technological developments. Therefore, new ventures should develop their skills and renew their knowledge base to adapt to turbulent external environments. Our study has shown that new venture founders could significantly enhance their performance if they have the ability to acquire, assimilate and exploit new external information and knowledge in achieving their organizational goals. For policymakers, we suggest that the government should provide strong

formal institutions that protect and support new venture activities and enhance their performance. They should also provide financial support and training programmes to increase business opportunities, which may also improve the overall economy.

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The study opens up avenues for further research. First, it focuses on new ventures in Egypt. Future research could extend this scope to other developing markets, where different institutional contexts and political ties are prevalent, in order to validate the generalizability of our results. In addition, scholars could examine and compare how founders' political ties affect NVP in developing markets, as previous studies have suggested that such ties have different effects in developing economies compared to developed ones. Second, our study builds on the measurement of ACAP using perceptual and subjective measures. Therefore, future research could use alternative objective measures of ACAP from archival data, such as patents or RandD expenditure, to examine the role of ACAP in the founders' political ties-NVP relationship. In addition, the study focuses on measuring NVP in developing markets using subjective measures. Further research could explore the impact of founders' political ties on other aspects, such as new venture survival/failure, growth and profitability. Third, future research could conduct interviews with new venture founders to better understand the nature of their political ties and their impact on NVP in developing markets where institutional voids are prevalent due to the lack of formal institutions supporting new ventures. Finally, this study focuses on a cross-sectional sample, which limits the ability to draw conclusions on the possibility of causality. Therefore, future research could include longitudinal studies to examine how the effect of founders' political ties changes over time in the developing market context. Moreover, it is important to examine the impact of such ties together with dynamic capability, and to track how this affects NVP changes over time.

Based on evidence from Egypt, the study refines theory on the contingent value of nonmarket strategies and offers insights for entrepreneurs and policymakers across economies. It is hoped that this study will foster new lines of research on political ties across different institutional contexts.

Disclosure statement

No potential conflict of interest was reported by the author(s).

ORCID

Ahmed Adel Tantawy http://orcid.org/0000-0002-4413-1542
Joseph Amankwah-Amoah http://orcid.org/0000-0003-0383-5831
Pushyarag Puthusserry http://orcid.org/0000-0002-0878-1169

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