ENTREPRENEURIAL ORIENTATION AND THE SMES PERFORMANCE IN THAILAND: THE MEDIATING ROLE OF STRATEGIC ORIENTATIONS

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Received 25 May 2019; accepted 15 April 2020; published 30 May 2020

Abstract. The prime objective of the current study is to examine the impact of the entrepreneur orientation, market orientation, and the learning orientation on the performance of the SMEs in the Thailand. The study has employed the survey-based methodology. The response rate of the current study is 81 percent. The study has employed the structural equation modeling using SEM-PLS. The data is collected from the manufacturing SMEs in Thailand. The research findings obtained in this study contribute to the literature. The study attempted to analyze the effects of learning orientation, entrepreneurial orientation and market orientation on the SMEs performance in Indonesia. In previous studies, single strategy implementation resulted in suboptimal performance. Therefore, the present study further extended this theory by considering all three strategic orientation measures, i.e. market orientation, learning orientation and entrepreneur orientation as the significant SMEs performance drivers. The empirical findings obtained in this study provide supporting evidence in favor of resource-based view (RBV), which suggests the alignment of strategies for higher organizational performance. The findings offer deeper understanding about the effects of EO, MO and LO on the overall SMEs performance in Indonesia. The present study provides insights for the practitioners and policy makers which may facilitate them in the formulation of SMEs related policies. The analytical outcomes suggest that the SMEs managers must closely coordinate with the quality and marketing departments, thereby assisting them in promoting higher performance and customer satisfaction.

Keyword: entrepreneurial orientation; strategic orientation SME; Thailand


JEL Codes: O32

1. Background
The Small and medium sized enterprises (SMEs) significantly contribute to the economic growth and GDP of a country (Jermsittiparsert & Rungsrisawat, 2019). SMEs play a major role in the economic development and is a major source of employment generation, particularly in case of emerging economies (Wang, 2016; Saengchai, Mitprasat, & Jermsittiparsert, 2019). It is generally believed the large firms are the major contributors of foreign exchange earnings and economic development, however, this is not the case because economies like Korea, Taiwan and Japan have become developed economies through SMEs (Jomo, 2019). Several researchers suggested SMEs as the innovative demand initiator having the capabilities of generating potential employment opportunities (McAdam et al., 2016). In developing economies, SMEs play a more rigorous role since it is considered to be a key source in boosting-up economic development equal or more than what is achieved by Multinational Large enterprises (MNEs). SMEs contribute to the economic development through various ways, yielding immense benefits in the form of job creation, and lower capital cost (Soun, 2015). In addition, SMEs have a flexible and elastic structure as compared to large firms (Slusarczky et al., 2019). Studies (Gupta and Batra 2016) have reported strong association among organizational performance and entrepreneurial orientation (EO). Majority
of the developed and developing economies recognized that supporting SMEs entrepreneurial activities is a powerful way of achieving national growth and economic development. Generally, SMEs are faced with huge resource constraints (Rizos et al., 2016). However, (Jiménez-Zarco et al., 2019) observed that SMEs often display successful entrepreneurial features due to their flexibility, proactiveness, agility, and more keenness towards risks as compared to large organizations. A study (Shariff, Ahmad and Hafeez 2017) investigated the relationship of entrepreneurial orientation (EO), market orientation (MO) and firm performance, and revealed the significance of EO and MO in enhancing the organizational performance. According to (Masa’deh et al., 2018), combining entrepreneurial orientation (EO) and market orientation forms the cultural basis of improving organizational performance. Although, market orientation focuses more on customers and competitors which have influence on the performance. The existing set of literature suggest that the combination of MO and EO would improve the SMEs performance. Thus, (Liu and Atuahene-Gima 2018) suggest that a business’s competitive ability of proactively responding to customer and market demand, will consequently lead to competitive organizational performance, in context to innovation. Learning orientation (LO) may result in competitive advantage achievement (Kharabsheh et al., 2015). It enables organizations to neutralize threats and exploit opportunities and allows to identify customer wants and needs as compared to their rivals, thereby ensuring organizational growth and profitability (Garcia-Sánchez et al., 2017). Reviewing the literature has indicated various cases where a lack of knowledge regarding environmental changes and implicating such changes into the business have turned several firms into less effective firms as compared to their competitors. A few researchers have argued a positive impact of learning orientation on innovation, and also reported its positive impact on the organizational performance. Finally, a study (Jiménez-Zarco et al. 2019) reported a significant association among business performance and learning orientation. In today’s ever-changing business environment, intense global pressure has directed enormous attention towards challenges faced by the SMEs in global market. Although, identifying factors which may help to deal with environmental challenges is of prime importance for the top managers, entrepreneurs, strategists, and SMEs owners (Martin & Kinoti, 2017).

2. Literature Review and Hypotheses

Firm Performance and Market Orientation

Superior customer value directly relates to the superior performance and is an essential condition for performance and competitive advantage (Hussain et al., 2016). Consequently, market orientation (MO) stimulates the organizational performance (Dutta et al., 2016). Globally, the organizations and researchers have been widely investigating market orientation’s impact on firm performance. Various researches have regarded market orientation as a main competitive advantage source and a crucial factor in achieving organizational performance. In addition, researchers (Davcik and Sharma 2016) have empirically assessed market orientation and provided supporting evidence for the idea that market orientation plays a crucial role since it significantly influences the performance of an organization. According to (Lopez 2018), factors of MO emphasize more upon customer retention and less on customer acquisition, signifying that MO has a lesser impact on company’s sales and greater impact on its profits. Later, another study (Masa’deh et al. 2018) suggested that in order to enhance organizational performance, SMEs must focus more on the implementation of market orientation. Similarly, (Katsikea et al. 2019) discovered that firms which embrace MO can successfully explore potential opportunities as compared to their competitors, which enables them to gain market share and customer loyalty and will consequently improve organizational performance. Researchers have argued that implementing MO helps SMEs to achieve competitive advantage, since SME’s are less structured, less formal, are much closer to customers as compared to larger firms and have less organizational layers. Thus, MO enable firms to foresee and quickly as well as appropriately respond to the customer needs and requirements. In this regard, MO can improve firm performance in various ways, such as, 1) a joint focus on internal organization is created (Peng & Lin, 2017), through which various business units come into collaboration to realize
their common organizational goals and objectives, resulting in superior performance. 2) Market orientation gives rise to customer-oriented behavior, leading to greater customer satisfaction and improved service (Negi, 2017), which consequently result in higher customer turn-over. 3) MO improves organizational performance by allowing organizations to anticipate and respond to customer preferences and needs that are obtained through market intelligence. Thus, (Dutta et al. 2016) suggested that MO increases customer retention which subsequently enhances organizational performance. Additionally, it also leads to elevated customer satisfaction and service and improved financial performance of an organization.

However, (Martin and Kinoti 2017) failed to find any connection between performance and MO, while weak association was found by (Jomo 2019). Similarly, (Soun 2015) also found no relationship among MO and subjective and objective performance measures. Although, (Jomo 2019) have conducted an extensive research to assess MO as a determinant of organizational performance and they suggested MO as a uni-dimensional construct, which comprises of competitor orientation, inter-functional coordination and customer orientation. They found each of these indictors as equally important for the organizational performance.

Firm Performance and Entrepreneurial Orientation (EO)
The past literature has indicated that most EO based studied were conducted in the larger firm’s context. Recently, a few studies have tried to investigate the entrepreneurial orientation’s impact on the performance of SMEs (Markin et al., 2018). However, majority of these studies were conducted in developed economies. According to (Peng and Lin 2017) 95 percent of organizations around the globe are SMEs and are contributing significantly in the global economy through innovative and novel production and generating employment opportunities. Thus, it is essential to examine SMEs performance and factors which significantly influence the SMEs performance. According to the literature, most small and medium sized enterprises show resistance to adopt EO in their organizations and their decision depend mainly on their intuition of anticipating market requirements, resultantly, a mismatch occurs between market needs and product offerings. Furthermore, prior studies also indicate that only a few researches have tried to evaluate correlation among SMEs performance and EO in case of developing economies and reported that positive correlation exists between performance and EO. Therefore, EO is considered to be an important strategic orientation for the performance of SMEs, which can significantly improve profitability and growth in today’s competing business environment. According to (Koçoğlu et al. 2015), entrepreneurial orientation (EO) is a potential mechanism to trigger business performance through innovation, proactive behaviors and risk taking. In another study (S. L. Martin and Javalgi 2016), it is found that entrepreneurial orientation (EO) makes the organization distinctive over its competitors through achieving superior performance. In view of (Negi 2017) the business environment in today’s era is distinguished by shorter product cycle. Thus, in current competitive environment, EO facilitates in enhancing the organizational performance. Similarly, another study revealed that businesses are required to constantly look for new opportunities, in order to survive and to stay competitive during uncertainty of future profits.

Entrepreneurial orientation (EO) is a significant strategic orientation construct which aims to improve firm performance (Lawal et al., 2018). EO is generally used in entrepreneurship area to determine the ability of a firm to bring changes in processes, enhance its performance and to innovate. However, it is worth noting that EO and the role of EO in enhancing SMEs and large businesses performance has successfully drawn the attention of several researchers. Several studies on performance and EO are available in the literature particularly in case of large firms, however, limited studies were found on the relationship of SMEs performance and EO, in case of developing economies(Moreno-Moya & Munuera-Aleman, 2016). Furthermore, the extent or scope of this relationship may differ depending on the type of research. A few studies have reported strong and significant impact of EO on the firm performance and also confirmed that entrepreneurial firms exhibit better performance as compared to non-entrepreneurial firms. Meanwhile, (Lopez 2018) found an insignificant relationship among firm performance and
EO. Similar findings were obtained in (Liu and Atuahene-Gima 2018) study who found no significant relation between EO and firm performance. In addition, (Rizos et al. 2016) discovered that business performance does not get influenced by entrepreneurial orientation because of the presence of other effects of exogenous variables involved in the study. However, a positive partial relationship was found by (Hussain et al. 2016). A few researches also discovered lower influence or less significant effect of EO on the organizational performance, while some failed to find any significant linkage between the two variables. (Liu and Atuahene-Gima 2018) conducted a study to assess the relationship between performance and EO but found no significant association between them:

Performance and Learning Orientation (LO)

Learning orientation refers to the organizational value which affects the tendency and ability of a firm to generate, disseminate, and exploit knowledge. According to (Bakar et al. 2017), learning is a continuous information transferring and utilization process that is often employed by firms to gain competitive advantage. Hence, while competing in changing and dynamic environment, firms must integrate learning processes, bring in behavioral changes and enhance their performance. Thus, by effectively satisfying invisible and visible customer needs and by focusing on customer perceptions, organizational learning (LO) may yield various positive outcomes, such as, customer maintenance, new product success, access to the desirable quality as demanded by customers and increased profitability and flexibility (Bakar et al., 2017). It will also allow firms to quickly respond to existing and new environmental threats and opportunities. (S. L. Martin and Javalgi 2016) suggest learning as a strategy to integrate and govern both external and internal environments. (Cameron and Green 2019) defined learning as an organizational technique to merge or combine the internal information. In another study (Moreno-Moya and Munuera-Aleman 2016) learning is suggested as an outcome of a combination of knowledge acquisition and its implication in SMEs. (Fraj et al. 2015) referred learning orientation (LO) as an organizational tool for improving and developing their capabilities to remain competitive under constantly changing and challenging market environment. LO enhances and opens up new and creative ways of performing business. According to (Chang et al. 2017), learning orientation (LO) refers to the behavior of a firm which aims to affect the interpretation, renewal of shareholders-employees relationships and knowledge sharing within the firms. Although, (Bakar et al. 2017) suggested that firms will be faced with a main challenge of establishing a culture that is characterized by organizational learning. In fact, the learning orientation will enable each organization to create potentially effective vision and knowledge for the individual behaviors, resulting in performance improvement of a firm, 2. (Mas'adeh et al. 2016) defined learning orientation (LO) as the extent that an organization receives and shares information regarding expectations and needs of its customers, market changes, new technological development, and competitors’ actions, to develop new and better services and products as compared to its rival businesses. Learning commitment requires training initiatives, payment of individuals who convert learning into performance, and support from the top management. Basically, organizations must motivate and encourage workers to innovate and create new ideas, self-evaluate their activities to improve their performance, and to challenge the status quo. The firm performance and LO relationship have acquired enormous attention among the scholars. Therefore, a number of studies have attempted to examine this relationship and reported LO’s positive effect on organizational performance. (Hussain et al. 2016) explained LO as value of learning within the organization. Researchers (M. MARTIN and KINOTI 2017) have argued that a learning organization emphasizes to understand customers, and to effectively satisfy customer needs and requirements by introducing new and improved services and products. The resource-based view (RBV) advocates that the cut-throat competition arises when organizations discover and integrate unique inputs in their operations. According to (Davcik and Sharma 2016), firms with learning orientation are capable to efficiently and effectively use learning capabilities. Furthermore, learning orientation (LO) enables to understand consumers’ desires and needs. Thus, firms must learn and understand needs of their customers in order to secure competitive position and to create superior value in the market. The literature also indicates that innovation and learning orientation are directly linked since learning orientation is regarded as an essential
component of innovation. In addition, customer value positively and directly influenced by learning orientation (Hussain et al., 2016). (Bature et al. 2018) suggested the learning orientation (LO) as another organizational capability of using resources to achieve superior performance and to create higher customer value. Similarly, (Bakar et al. 2017) were of the view that learning orientation refers to an organizational activity i.e. to use and create knowledge for gaining competitive advantage. These organizational activities involve obtaining and exchanging information and knowledge regarding market changes, customer needs, new technological and product development, and actions superior to its competitors. Hence, firms must incorporate learning orientation as an essential factor to achieve superior performance. Another study (S. L. Martin and Javalgi. 2016) suggested LO as an important competitive advantage factor, that is directly associated with innovation. However, (Anwar 2019) have argued that learning orientation adoption may have positive effects on the SMEs performance. LO aims to understand the organization’s link with its environment in correspondence to its competitor and customer. Therefore, understanding organizational environment allows to quickly grasp potential opportunities as well as proactively minimizing potential threats. It has been observed by (Cameron and Green 2019) that integrating learning orientation enables to satisfy as well as surpass expectations and needs of the customers. In that way, (Hussain et al. 2016) claimed that there is a higher tendency that learning oriented organizations will become market leaders. Therefore, in 21st century, customers are striving to become knowledgeable concerning the products they intend to buy and also make comparisons and well-informed decision making before purchasing. Thus, SMEs are needed to embrace learning orientation in order to remain profitable and to continuously and successfully meet customer needs. Many studies have reported significant positive linkage among SMEs performance and learning orientation. It thus explains that LO is associated to wide organizational activities which aim to create and share relevant information and awareness about market competition. However, other studies (Shariff et al. 2017) discovered a significant association among SMEs performance and LO. Although, majority of these studies were conducted under the context of developed economies.

**Hypotheses**

Several studies have been conducted concerning the relationship of performance and business management in larger organizations. However, not enough studies were conducted on SMEs, particularly in case of developing economies (Kharabsheh et al. 2015) and (Hussain et al. 2016). Several scholars (McAdam, McAdam, Dunn, & McCall, 2016) and (Liu & Atuahene-Gima, 2018) are of the view that the developed economies achieved success because of SMEs. Literature shows that a very few researches have investigated the crucial factors that are responsible for the success of SMEs in Indonesia. Although, those researches that were conducted concerning the SMEs success in Indonesia have not particularly examined the strategic perspectives and innovative culture as the success determinants of SMEs. Therefore, the present study attempts to fill this research gap. Thus, regardless of the significance of SMEs, a study (Mahmood and Hanafi 2013) found that in many countries SMEs show low performance because of weak entrepreneurial capabilities, lack of skilled human resource, technological constraint, weak management system, dearth of timely information, poor-quality products, and inadequate exploitation of information technology. In view of (Mohamed 2018), the developing economies must transfer their potential value into concrete, consolidated and mainstream efforts, in order to become a developed economy. The prior studies regarding strategic orientation, including market orientation, entrepreneurial orientation and learning orientation have focused mainly or partially on the case of larger firms. Therefore, the present study aims to analyze strategic orientation in SMEs context. However, the SMEs tendency may have varied implications in case of each orientation (Köçoğlu et al. 2015). Thus, the present research will provide a detailed literature review concerning the implementation of orientation and its impact on the performance of SMEs. Market orientation (MO) particularly emphasizes upon customers and the connections among departments that facilitate in improving organizational performance, thereby allowing firm to achieve competitive advantage. Similarly, learning orientation (LO) is expected to expand organizational output. Organizations generally learn from their experience, employees, and their external environment which improve the
overall performance and also enhance organizational productivity. In the same context, entrepreneurial orientation (EO) significantly contributes to the organizational performance. As mentioned above, the studies concerning SMEs internal capabilities are almost non-existent in case of Indonesia. Therefore, this study will particularly emphasize on internal competencies of manufacturing SMEs, such as LO, EO and MO and will determine how application of these competencies can facilitate in achieving greater organizational performance. Based on the previous discussion, it is therefore hypothesized that

H1: EO has significant impact on the performance of SMEs in Thailand.
H2: EO has significant impact on the LO of SMEs in Thailand.
H3: EO has significant impact on the MO of SMEs in Thailand.
H4: LO has significant impact on the performance of SMEs in Thailand.
H5: MO has significant impact on the performance of SMEs in Thailand.
H6: LO mediates the relationship between the EO and performance of SMEs in Thailand.
H7: MO mediates the relationship between the EO and performance of SMEs in Thailand.

3. Methodology

A total of 300 questionnaires were distributed to the respondents for the current study. In response, 250 questionnaires were received back. Out of 250 questionnaires, 244 had complete information and rest 6 were discarded because of incomplete information. Therefore, 244 questionnaires were used for further analysis. The biasness of data was not checked for the collected data, as the data was collected through self-administration. The respondents were given questionnaires by hand and a time of one week for completion. The questionnaires were received within the allocated time and nonconformities test was not used between respondent and non-respondent. PLS method has been used for data analysis. There are various reasons for using this technique. One of the key reasons is less requirements in PLS-SEM method. It was stated by (Hair et al. 2011) that this method can be applied on small sample size as compared with other approaches such as AMOS. Structural models with high complexity and constructs can be analyzed through PLS method. There is no need for normal distribution of data to be analyzed by this method. PLS method is used for predicting and defining the constructs in structural model (F. Hair Jr, Sarstedt, Hopkins, & G. Kuppelwieser, 2014). PLS-SEM is used for examination of data and hypotheses development. The purpose of PLS approach is to maximize the variance of unobserved dependent construct (Hair et al., 2011). It was recommended by (Bagby et al.1994) that two-stage performance is used for PLS performance. The reliability and validity of the measurement model is determined in the first stage of approach. However, the second stage involves the determination of structural model. Measurement model is referred as outer model in PLS-SEM method. The path modelling can be categorized into reflective and formative path modelling. However, the selection of measurement model is given support of theory (Hair et al., 2014).

4. Results

The measurement goodness to ensure validity and reliability has been assessed in the study for measured items. It was stated by (Henseler et al. 2015) that the validity and quality of unobserved constructs through determining convergent validity (CV). It is ensured in construct validity that the variables define and reflect the theoretical meaning of their operational definition. It has been discussed before that CFA analysis has been used for conducting convergent and discriminant validity. Convergent validity refers to the association between similar measures of construct (Preacher et al., 2010) (See figure 1, table 1).
Figure 1. Measurement Model

Table 1. Outer Loading

<table>
<thead>
<tr>
<th></th>
<th>EO</th>
<th>LO</th>
<th>MO</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO2</td>
<td>0.879</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO3</td>
<td>0.894</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO4</td>
<td>0.870</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO5</td>
<td>0.903</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO6</td>
<td>0.879</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO7</td>
<td>0.885</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EO8</td>
<td>0.845</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LO2</td>
<td></td>
<td>0.926</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LO3</td>
<td></td>
<td>0.900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LO4</td>
<td></td>
<td>0.879</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LO5</td>
<td></td>
<td>0.894</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LO6</td>
<td></td>
<td>0.840</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MO1</td>
<td></td>
<td></td>
<td>0.901</td>
<td></td>
</tr>
<tr>
<td>MO2</td>
<td></td>
<td></td>
<td>0.898</td>
<td></td>
</tr>
<tr>
<td>MO3</td>
<td></td>
<td></td>
<td>0.913</td>
<td></td>
</tr>
<tr>
<td>MO4</td>
<td></td>
<td></td>
<td>0.859</td>
<td></td>
</tr>
<tr>
<td>MO5</td>
<td></td>
<td></td>
<td>0.826</td>
<td></td>
</tr>
<tr>
<td>MO6</td>
<td></td>
<td></td>
<td>0.875</td>
<td></td>
</tr>
</tbody>
</table>
It is reflected by Convergent Validity that original construct is reflected by the set of indicators, which can be developed on their uni-dimensionality (Henseler et al., 2015). The convergent validity can be accessed through CR (composite reliability), AVE (average variance extracted), and factor loadings. Further, the value of AVE was calculated to assess convergent validity. AVE is regarded as the level at which change in items is described by latent construct (Hair et al., 2014). AVE has been referred as the criterion for CV (Fornell & Larcker, 1981). When the value of AVE is greater than value of 0.50, it reflects that more than half of indicator’s change is because of its unobserved variable (See table 2).

Table 2. Reliability

<table>
<thead>
<tr>
<th></th>
<th>Cronbach’s Alpha</th>
<th>rho_A</th>
<th>CR</th>
<th>(AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO</td>
<td>0.958</td>
<td>0.959</td>
<td>0.965</td>
<td>0.775</td>
</tr>
<tr>
<td>LO</td>
<td>0.933</td>
<td>0.935</td>
<td>0.949</td>
<td>0.789</td>
</tr>
<tr>
<td>MO</td>
<td>0.958</td>
<td>0.959</td>
<td>0.965</td>
<td>0.774</td>
</tr>
<tr>
<td>P</td>
<td>0.957</td>
<td>0.961</td>
<td>0.963</td>
<td>0.723</td>
</tr>
</tbody>
</table>

Construct validity is determined through another observed indicator, which is discriminant validity. The level where there is no correlation between different measures is referred as discriminant. Discriminant validity can be defined as the situation where the different characteristics of two different concepts have no association with each other. Therefore, the uniqueness of construct, which are not similar is linked with DV. It has been suggested by (van et al., 2016) that discriminant validity of construct can be determined in two ways, which include cross loadings and criterion of Fornell-Larcker (See table 3 and figure 2).
In order to verify the hypothesized relation, path analysis has been used for testing. This involves the process of inner model analysis. The technique of PLS is regarded as based on variance and prediction oriented. PLS method is related with the prediction of hypothesized relation and theoretical development (Wong, 2013). The structural model assessment has been done through use of algorithm and bootstrapping in PLS-SEM.

The structural model has been determined through testing of hypothesis and association between the variables. This test can be conducted after the determination of measurement model. The process of bootstrapping is non-parametric re-sampling procedure in which estimated significance of parameters is evaluated and used in PLS (Henseler et al., 2015). The bootstrapping process has been performed using t-values in model testing. Almost 500 procedure of re-sampling were used in bootstrapping. The coefficient of determination has also been assessed in the study. The results have revealed that all the path EO -> LO, EO -> MO, EO -> P, LO -> P, and MO -> P explaining the direct relationship are significant (see table 4, table 5, figure 3).
The mediating role of the LO and the MO in the relationship between EO and performance is explained in the table 5 below.

**Table 4. Direct Relationship**

<table>
<thead>
<tr>
<th></th>
<th>(O)</th>
<th>(M)</th>
<th>(STDEV)</th>
<th></th>
<th>[O/STDEV]</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO -&gt; LO</td>
<td>0.689</td>
<td>0.690</td>
<td>0.070</td>
<td>9.848</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>EO -&gt; MO</td>
<td>0.937</td>
<td>0.937</td>
<td>0.012</td>
<td>81.110</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>EO -&gt; P</td>
<td>0.536</td>
<td>0.539</td>
<td>0.071</td>
<td>7.524</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>LO -&gt; P</td>
<td>0.247</td>
<td>0.247</td>
<td>0.133</td>
<td>1.855</td>
<td>0.032</td>
<td></td>
</tr>
<tr>
<td>MO -&gt; P</td>
<td>0.604</td>
<td>0.614</td>
<td>0.177</td>
<td>3.412</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

The value ranges from 0 to 1. The value of R square is considered strong when it is nearer to 0.8 and weak when it is less than 0.3.

**Table 5. Mediation**

<table>
<thead>
<tr>
<th></th>
<th>(O)</th>
<th>(M)</th>
<th>(STDEV)</th>
<th></th>
<th>[O/STDEV]</th>
<th>P Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO -&gt; LO -&gt; P</td>
<td>0.170</td>
<td>0.170</td>
<td>0.094</td>
<td>1.814</td>
<td>0.035</td>
<td></td>
</tr>
<tr>
<td>EO -&gt; MO -&gt; P</td>
<td>0.566</td>
<td>0.576</td>
<td>0.167</td>
<td>3.383</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

Additionally, the predictive ability is also determined by the blindfolding procedure and the output is mapped in the figure 3.

**Figure 3. Blindfolding.**
The results revealed that all the q-square values are non-zero and hence there is no issue of predictive ability (see Table 7).

Table 7. Q-Square

<table>
<thead>
<tr>
<th>Strategy</th>
<th>SSO</th>
<th>SSE</th>
<th>Q² (=1-SSE/SSO)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EO</td>
<td>1,736.000</td>
<td>1,736.000</td>
<td></td>
</tr>
<tr>
<td>LO</td>
<td>1,085.000</td>
<td>701.965</td>
<td>0.353</td>
</tr>
<tr>
<td>MO</td>
<td>1,736.000</td>
<td>625.853</td>
<td>0.639</td>
</tr>
<tr>
<td>P</td>
<td>2,170.000</td>
<td>1,620.631</td>
<td>0.253</td>
</tr>
</tbody>
</table>

**Conclusion**

In this study, key variables are introduced and integrated based on the existing literature on LO, MO, and EO to predict the level of performance. To the best of our knowledge, only a limited set of literature is available which has integrated LO, MO, and EO with the SMEs' performance in case of Indonesian economy. Within the RBV context, the findings of this study indicate that aligning EO, MO and LO can be useful in explaining the SMEs' performance in Indonesia. In addition, findings also suggest that these three strategies must be integrated in SMEs as packages and not individually in multidimensional construct, since each construct contains inter-dependent dimensions. As discussed previously, despite the remarkable significance of SMEs in a country, majority of the researches on EO, MO, and LO were particularly based on large firms’ context. However, this study attempted to extend the existing set of literature on SMEs performance and EO, MO and LO strategies in Indonesia. Lastly, for the purpose of testing the proposed hypotheses, the present study confirmed the validity of research instrument to ensure that these instruments would yield reliable and valid outcomes, as poorly validated measures may lead to invalid conclusions. Furthermore, the findings offer deeper understanding about the effects of EO, MO and LO on the overall SMEs performance in Indonesia. The present study provides insights for the practitioners and policy makers which may facilitate them in the formulation of SMEs related policies. The analytical outcomes suggest that the SMEs managers must closely coordinate with the quality and marketing departments, thereby assisting them in promoting higher performance and customer satisfaction (Masa’deh et al., 2018). Due to the continuous changing external environment and customer and competitor uncertainty faced by firms, it is thus critical for the SMEs managers to adopt the three aspects of strategic orientation i.e. entrepreneurial orientation, market orientation and learning orientation as business strategies in order to understand and anticipate competitors moves as well as to bring improvement in the product and service quality. Thus, managers must keep track record of their potential as well as current customers by adopting new technology, for instance, online communities, websites, e-mail in order to capture potential opportunities. According to the empirical findings of this research, the organizational strategies were found to be important as well as inimitable, non-substitutable, and valuable resources which are capable of creating competitive advantage. Therefore, this study offers significant managerial implications, thereby encouraging SMEs managers towards the EO, MO and LO’s implementation to achieve higher performance and competitiveness under unstable business environment.
References


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