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ENTREPRENEURIAL ORIENTATION AND SME PERFORMANCE: THE MEDIATING ROLE OF LEARNING ORIENTATION

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ABSTRACT. This paper aims to address the mediating effects of learning orientation on the relationships between three dimensions (innovativeness, proactiveness, and risk-taking) of entrepreneurial orientation on SMEs' performance in Thailand. Due to competition in a volatile environment, these dimensions of entrepreneurial orientation have been the focus of attention in many strategic management studies. This study is based on a survey, utilizing a sample of 379 SME managers in the manufacturing sector of Thailand. The data collected were analyzed using the partial least square structural equation modeling (PLS-SEM) technique. The results of the proposed model prove that innovativeness, proactiveness, and risk-taking ability of SMEs have a significant positive influence on the learning orientation and business strategy of firms. Further, the results of indirect effects show that learning orientation and business strategy mediates between the positive relationship of dimensions of entrepreneurial orientation and firm performance. The mediating effect of learning orientation and business strategy contributes to the resource-based view (RBV) and provides useful insights to managers regarding policy formation and implementation to improve business performance.

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Introduction

Entrepreneurial orientation (EO) has been considered a crucial element of firms' competitive advantage, growth, and performance (Isichei, Agbaeze, & Odiba, 2020; Lee, Zhussupova, & Khalid, 2019; Stevenson & Jarillo, 1990). As posited by Stevenson and Jarillo (1990), the market share, sales volume, and profit growth represent high growth associated with a firm's entrepreneurial orientation. Therefore, firms' performance is aligned with the elements of entrepreneurial orientation: innovativeness, risk-taking, and proactiveness. Several studies have dedicated ample attention to the significant role of EO in the performance of firms (Lumpkin and Dess, 1996), and empirically proved the strong association between them (Isichei et al., 2020; Shah et al., 2019; Wiklund & Shepherd, 2005). Yet, many areas remain to be addressed (Moreno & Cassilas, 2008).

In the extant literature on learning orientation, scholars have emphasized on the significance of entrepreneurial orientation due to its strategic alignment with firm performance (Liu, Luo, & Shi, 2002; Sinkula et al., 1997). Competition among firms increases due to globalization, thus leading to the expansion of corporate entrepreneurship (Shah et al., 2019). A lot of learning orientation studies have focused on the important role of best management practices (Harrison & Leitch, 2005), and also on the role of entrepreneurial practices that lead to better firms' performances (Isichei et al., 2020; Lumpkin & Dess, 1996).

The effects of globalization can be also seen in the form of increased competition among firms and institutions all over the globe (Shah et al., 2019). Under intense competition, firms face many difficulties while trying to outperform the competitors. In pursuit of better performance and productivity, firms are focusing on best management practices. The work of Liu et al. (2002) and Wang (2008) have highlighted the significance of entrepreneurial orientation for higher firms' performances. Besides, scholars have also indicated the important role of learning orientation in the advancement of high-order generative learning, which is an important element of firms' inimitable competency (Baker & Sinkula, 1999), thereby increasing firms' performance (Calantone et al., 2002; Baker & Sinkula, 1999). The above discussion provides ample support regarding the effectiveness of learning orientation in the continuous improvement of firms' practices and attaining new competitive advantages (Parga-Montoya & Cuevas-Vargas, 2019; Chen et al., 2017; Baker & Sinkula, 1999).

Contributions of small and medium-sized enterprises (SMEs) are vital for both developed and developing nations (Isichei et al., 2020; Zygmunt, 2020). SMEs create new job opportunities, generate exports and imports revenues, and also develop human capital (Akehurst et al., 2009; Civelek et al, 2020; Gavurova et al. 2020; Belas et al. 2020). The SME manufacturing sector in Thailand has a huge potential in terms of contributing to Thai economy. However, numerous challenges faced by these SMEs slow down the pace of progress (Vaitoonkiat & Charoensukmongkol, 2020). These challenges are related to technology transfer, regulatory environment, information, and unfavorable policies of the government (Shah et al., 2019). Despite these challenges, SMEs are slowly acquiring the required resources and improving the learning practices at the management level so that to meet the market demand (Isichei et al.,

2020; Vaitoonkiat & Charoensukmongkol, 2020). Among the well-known concepts of strategic management and entrepreneurship, EO is probably the most influencing one when it comes to firms' performance (Isichei et al., 2020; Shah et al., 2019). As a result, it is expected that EO plays an important role in the growth and performance of the manufacturing SMEs in Thailand. In the past, within the domain of entrepreneurship, the influence of EO on firm performance has been controversial. In line with this, Lumpkin and Dess (1996) assumed that EO is context-specific, and the relationship between EO and performance may be affected by both internal and external environments. Also, the study of Shirokova et al. (2016), conducted on the developed economy, suggested the replication of their study on different economies to strengthen the external validity of the findings. Due to contradictory findings in the past studies, in particular, acquiring EO resources in a different context, there is a need to fill in this research gap and show which relevant EO context might be useful. Additionally, the majority of the past studies, except a few such as Isichei et al. (2020), Shah et al., (2019), and Hughes and Morgan (2007), have measured EO as a whole and did not consider the effects of its individual constructs on firm performance. The performance of SMEs will improve if they properly invest internal resources, respond proactively to market stimuli, seek opportunities and take the risk to implement new ideas (Virglerova et al. 2020). Furthermore, Linton's and Kask's (2017) qualitative study demonstrates that business strategies improve firms' performance if used in combination with proactiveness and innovativeness. However, these authors have not analyzed the effects of risk-taking initiatives by small and medium enterprises. Therefore, this study contributes to literature on entrepreneurship by analyzing the indirect effects of three entrepreneurial orientation dimensions on firms' performance through learning orientation and business strategy. Understanding the underlying relationships among these constructs will enrich the body of literature and help entrepreneurs to understand the mechanism of business performance.

The remaining sections of the article are as follows: the literature review focuses on the theoretical background of the study and the development of hypotheses based on the relationship between EO dimensions and SMEs' performance. Next, the authors explain the research methodology adopted for this study. In the fourth section, the results of the study are presented. The fifth section focused on research implications, discussion and conclusion, and also recommendations for future research.

1. Literature review

This study is based on the foundation of the resource-based view (RBV) theory. According to RBV, firms' resources are an integral part that accelerates the performance and ensures competitive advantage (Jiang et al., 2018; Hitt et al., 2011). This theory holds that a firm's inherent diverse resources create inimitable competency that determines continuous success and ensures sustained growth (Barney, 1991). Researchers suggested that effective firms' utilization of internal resources improves firm performance (Barney & Clarke, 2007; Newbert, 2007). From the perspective of SMEs performance, the theory of resource-based view (RBV) is highly relevant as it focuses on firms' internal capabilities that act as building blocks to create competitive advantage and increase firm's performance (Shah et al., 2019; Barney, 1991). Therefore, the firms must focus on internal resources that enhance distinctive capabilities and adapt the external environmental changes (Chuang, 2004; Narasimha, 2000). However, the work of Makadok (2001) depicts that RBV fails to develop an effective internal management system that stimulates a firm's performance. The researcher proposed that a proper understanding of internal organizational resources is essential for improved and sustained growth. This is also supported by Morgan et al. (2009), who expressed that proper articulation of internal resources and their systematic utilization are vital for competitive advantage and

sustained growth of the firm. Therefore, this study develops a conceptual framework that includes three important dimensions of EO, learning orientation and SME performance. The performance of the SMEs will improve if they properly invest internal resources, respond proactively to market stimuli, seek opportunities and take the risk to implement new ideas (considering that the learning orientation is developed alongside).

EO refers to an organization's behavioral inclination towards innovation, proactiveness and risk-taking that helps to organizational performance (Isichei et al., 2020; Dankiewicz et al. 2020; Kramoliš & Dobeš, 2020; Lumpkin and Dess, 1996). EO relates to internal organizational management practices, especially in SMEs, to be innovative and proactive to achieve higher performance and gain a competitive advantage in the market (Ključnikov et al. 2019), also in the international context (Głodowska, Maciejewski, & Wach, 2019). The studies of Isichei et al. (2020) and Dess and Lumpkin (2005) indicate that EO can be gained by examining external opportunities and improving technology development. On the other hand, Wiklund and Shepherd (2005) posited that the performance of the firms could be determined through the internal environment in which the firm operates. These points of view suggest that the behavior of EO cannot be generalized across industries (Akbar et al., 2020). There are many dimensions of EO that depict firm performance, but this study is only anchored on innovativeness, proactiveness and risk-taking proposed by Miller (1983). These dimensions have been used by several researchers in the past to assess organizational performance (Isichei et al., 2020; Rauch et al., 2009; Hornsby et al., 2008; Lumpkin & Dess, 1996).

Innovation refers to the degree that an organization willing to innovate the processes of business operation (Zufiqar et al., 2019; Bhatti, Rehman, & Rumman, 2020). It is an organizational approach that refers to implementing new ideas that lead to product and service innovation (Vila-Lopez & White, 2018; Bigos & Wach, 2021). Innovation allows the firm to avail of new opportunities, fulfills consumers' needs through new products and services, and be the first mover in the industry (Isichei et al., 2020; Shah et al., 2019). In addition to this, innovation relates to firms' businesses' core operational practices that make them unique and help to survive for a more extended period (Swierczek & Ha, 2003). Due to innovativeness and value addition in the products and services, firms strengthen their position in the industry that allows business growth and performance (Isichei et al., 2020; Kallmuenzer & Peters, 2018; Jian et al., 2018; Benazzouz, 2019). Further, it is an organizational approach that refers to the learning process to take initiatives towards advancing core activities that drive business performance in the industry (Bature & Hin, 2017; Lechner & Gudmundsson, 2014; Su et al., 2011).

H1: Innovativeness has a positive influence on the learning orientation of SMEs.

H2: Innovativeness has a positive influence on the business strategy of SMEs.

The concept of proactiveness refers to the organization's ability to predict and proactively act on consumers' needs by offering new products and services that are not known by anyone in the industry (Kallmuenzer & Pefactor, 2018). Proactiveness is the primary internal factor of organizational success; it enables them to take advantage of first-movers in the industry, thus signifying high entrepreneurial activity (Isichei et al., 2020; Lumpkin & Dess, 1996). Organizational ability to perceive consumers' future demands and fulfilling them drive business performance. It enables the organization to determine current market demand and predict future expectations that probably lead to business growth and higher performance (George & Marino, 2011). Therefore, proactiveness is not just related to current business activities; instead, it is a combination of current and the future. Proactiveness allows businesses to anticipate new ideas and identify opportunities in the market (Lumpkin & Dess, 1996). However, the work of Cruz and Nordqvist (2012) depicts that first-mover advantage does not always guarantee the competitive edge in the industry; instead, it is the effective

implementations of ideas that predict business competitive advantage. Similarly, Cahill (1996) argued that proactiveness may not necessarily predict business performance, but it is the genuine effort to implement new ideas.

H3: Proactiveness has a positive influence on the learning orientation of SMEs.

H4: Proactiveness has a positive influence on the business strategy of SMEs.

Risk-taking is the tendency of an organization to take initiatives and perform activities, the results of which are uncertain (Kallmuenzer & Peters, 2018). According to Baron and Ward (2004), entrepreneurs' internal locus of control and desires drives risky ventures. From the perspective of SMEs, entrepreneurs' risk-taking is associated with a greater degree of SMEs performance (Wiklund & Shepherd, 2005). Particularly, it is proven with evidence of financial risk influence on firms performance (Belás et al., 2018). Lumpkin and Dess (1996) asserted that risk-taking propensity and its effects vary at organizational and structural levels due to organizational goals and objectives. Further, they argue that risk-taking is an inherent trait of entrepreneurs because they want higher growth and performance of the business. With this, scholars asserted that entrepreneurs' propensity to take risks embedded in the entrepreneurial locus of control (Sahasranamam & Raman, 2018). For example, Lumpkin and Dess (1996) classifies risks as low when businesses deposit money in banks for saving purposes, and risk is high when businesses decide to invest huge money in corporations.

H5: Risk-taking has a positive influence on the learning orientation of SMEs.

H6: Risk-taking has a positive influence on the business strategy of SMEs.

Learning orientation (LO) refers to organizational values that acquire, form, disseminate and use the relevant knowledge (Sinkula, Baker, & Noordewier, 1997). As posited by Sinkula et al. (1997), learning values combine various values that determine firm learning. The scholars of strategic management proposed that learning orientations improve firms' efficiency and promote a higher degree of learning that is a double loop, and generative learning has vital development (Liu et al., 2002; Calantone et al., 2002; Baker & Sinkula, 1999). A higher degree of learning represents firms' overall structural learning, which includes removing outdated processes, understanding new processes and norms, and proactively implementing new methods to ensure competitive advantage in the long run (Baker & Sinkula, 1999; Calantone et al., 2002).

Further, entrepreneurial learning is a process that reflects organizations' tendency to innovative, willing to take the risk for higher growth, and proactively responding to consumers' demand (Harrison & Leitch, 2005; Slater & Narver, 1995). These are the organization's internal characteristics that enable them to explore and acquire new knowledge, thereby promoting generative learning at the firm level. In this process, managers recognize risk-taking opportunities, increase risk-taking propensity and drive innovation (Miller & Friesen, 1983). Entrepreneurial culture motivates and fosters employees' high degree of learning within the organization (Harrison & Leitch, 2005). This becomes an important direction of firms compensation and benefits policy (Bilan et al., 2020) within the measures of the managing image of the company as an employer (Rybczewska et al., 2020) and innovation development by means of organisational learning (Nguyen & Luu, 2019). As a result, it promotes open-mindedness and innovation that fosters "out of the box" thinking in the organization (Baker & Sinkula, 1999). Thus, the entrepreneurial orientation of the firm drives a higher degree of learning and enhances the core values of the organization.

H7: Learning orientation of the firms has a positive influence on the performance of SMEs.

H8: Learning orientation mediates the positive influence of innovativeness on the performance of SMEs.

H9: Learning orientation mediates the positive influence of proactiveness on the performance of SMEs.

H10: Learning orientation mediates the positive influence of risk-taking on the performance of SMEs.

Phongpetra and Johri (2011) conducted a study on the manufacturing sector in Thailand found that the business strategies of the firms have direct positive effects on organizational performance. Similarly, scholars have found that business strategies are vital for the success and performance of businesses (Hitt and Ireland, 1986; Lowerdahl and Revang, 1998; Slater and Olson, 2000). In the context of manufacturing firms, researchers argued that business strategies, such as innovation, marketing, differentiation and low-cost, have a positive influence on organizational performances (Spanos and Lioukas, 2001). Bhaskaran (2006) posits that the innovative strategy of a firm is essential for new product developments. Similarly, Georgellis et al. (2000) argued that risk-taking business strategies are competitive and sustainable. The study conducted by Knight (2000) revealed that entrepreneurial orientation affects several business strategies (specialization and differentiation, quality and marketing), improves overall business performance. Innovativeness, proactiveness and risk-taking are three crucial dimensions of entrepreneurial orientation that could also affect business strategies and lead to business performances. Hence, the researchers propose the following hypotheses:

H11: Business strategy of the firms has a positive influence on the performance of SMEs.

H12: Business strategy mediates the positive influence of innovation on the performance of SMEs.

H13: Business strategy mediates the positive influence of proactiveness on the performance of SMEs.

H14: Business strategy mediates the positive influence of risk-taking on the performance of SMEs.

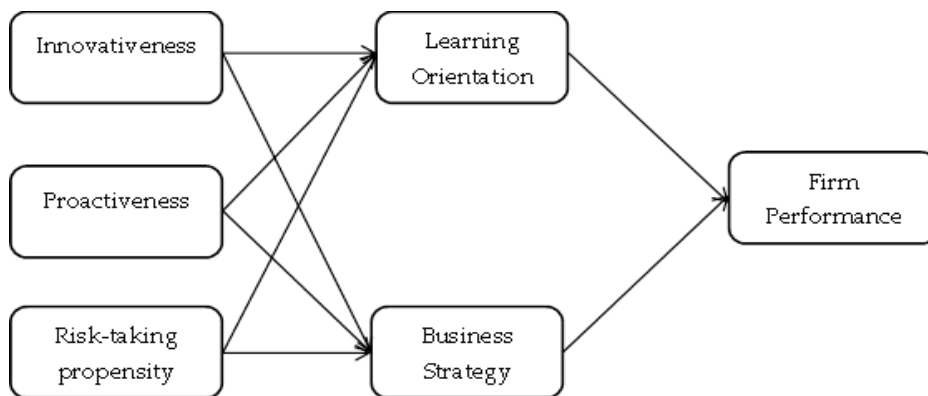


Figure 1. The Conceptual Framework

2. Methodological approach

2.1 Sample selection

The present study purposively selected 912 manufacturing SMEs firms operating in Bangkok and central Thailand, because these two regions constitute a considerable portion of SMEs in Thailand. The study received only 448 responses, out of which 69 were excluded due to missing values. This makes the final sample size 379 for the data analysis.

2.2 Research design

The data were collected using the survey in this study. This study is quantitative in nature, and the primary data of the SMEs were collected through the distribution of questionnaire. The authors delivered the questionnaire in person, but due to pandemics and restrictions at various organizations, most of the questionnaires were provided through email and postal address. The questionnaires were distributed from December 2020 to the first week of May 2021. The questionnaire and a cover letter mentioning the clear intention of the research and ensuring the respondents' confidentiality were administered to the respondents of the study. The details of the respondents' profiles are shown in Table 1.

2.3 Measurement of variables

The questionnaire was divided into three parts. The first section of the questionnaire mentions the purpose of the study. The second section was related to the demographic profile of the respondents. The third section is related to constructs items. All the items of constructs were measured with a 5-point Likert scale. The instrument consists of previously established scales. The details of the measurement instrument are followed as: This study has divided entrepreneurial intention into three dimensions to assess the effects of individual dimensions on learning orientation and firm performance. The selected dimensions of entrepreneurial orientation are innovativeness, proactiveness and risk-taking. Each construct was measured by a 4-item scale.

Four items scale was used to measure innovativeness. The items of innovativeness were adapted from the study of Zhang et al. (2014) and Chen et al. (2017). The sample items include: In my firm, changes in product or service lines have been mostly of being quite dramatic. My firm seeks out new ways to do things.

Four items scale was used to measure proactiveness. The items of proactiveness were adapted from the study of Zhang et al. (2014). The sample items include: My firm typically initiates action to which the competition then responds to. My firm excels at identifying opportunities.

The scale of risk-taking was also used four items. The items of risk-taking were adapted from the study of Isichei et al. (2020), Zhang et al. (2014) and Chen et al. (2017). The sample items include: My firm invests in high-risk projects (with chances of very high return). Our firm is quick in decision making on new ideas and product improvements.

The scale of learning orientation contained eleven items. This scale has been adapted from the study of Sinkula et al. (1997) and Liu et al. (2002). However, the final analysis contained nine items; two items were deleted due to low factor loadings. The sample items of this scale include: The basic values of this organization include learning as key to improvement. All employees are committed to the goals of this organization.

The business strategy of the firms was measured by five scale items adapted from the study of Latifah et al. (2020). Sample items for the measurement of the business strategy include: The Company has shown innovation and creativity in the market, and the company continues to see product quality based on differentiation.

The performance of firm was measured by four items. The scale of firm performance was adapted from the study of Shah et al. (2019). Sample items of this scale include: Last year, we achieved a higher sales growth than our direct and indirect competitors. Last year, we achieved a higher profit growth than our direct and indirect competitors.

2.4. Instrument validation

To ensure content validity, the instrument was evaluated by five academic experts in the field of strategic management. They suggested minor changes in the structure, layout and sentences of the items. Further, a pilot study was conducted on 40 managers working at several small and medium enterprises in Central Thailand.

3.1. Data analysis methods

This study employed variance-based (VB) Partial least square (PLS) structural equation modeling for the analysis of data. PLS is a non-parametric tool used for small sample sizes, and it does not require the assumption of data normality for analysis (Hair et al., 2014). This study employed Partial least square (PLS) software version 3.2 to assess the measurement and structural models. PLS is an appropriate technique as it simultaneously analyzes multiple relationships among the constructs (Hair et al., 2014). To test the proposed hypotheses, this study used the 2000 bootstrapping technique.

Table 1. Characteristics of the respondents

Characteristics	Frequency	Percentage
Gender		
Male	216	57
Female	163	43
Age in years		
25 – 30	58	15.3
31 – 35	89	23.5
36 – 40	82	21.6
41 – 45	103	27.2
> 45	47	12.4
Experience in years		
< 5	120	31.7
5 – 10	130	34.3
11 – 15	86	22.7
> 15	43	11.3
Firms age		
< 3	122	32.2
3 – 5	127	33.5
6 – 8	87	23.0
> 8	43	11.3

Source: own compilation

3.2. Common method variance

In addition to this, to ensure that data is free from common method bias, the authors used Harman's single factor test. The presence of common method bias is a serious threat to data credibility (Malhotra, Kim & Patil, 2006), which can affect the outcomes of the study (Conway & Lance, 2010). Common method bias is common in social sciences studies due to self-reported data (Conway & Lance, 2010), which may inflate the relationship among the constructs. Therefore, this study employed Harman's single factor test to determine the variance explained by a single factor. The result shows that a single factor is 27.143% variance, which is less than 50%. Thus, it can be concluded that data is free from common method bias.

Table 2. Testing convergent validity and composite reliability

Constructs	Indicator	Loading	CA	CR	AVE
Innovativeness	IN1	0.770	0.756	0.845	0.578
	IN2	0.804			
	IN3	0.754			
	IN4	0.709			
Proactiveness	PR1	0.717	0.716	0.824	0.542
	PR2	0.820			
	PR3	0.751			
	PR4	0.646			
Risk-Taking	RT1	0.794	0.870	0.911	0.720
	RT2	0.866			
	RT3	0.884			
	RT4	0.848			
Business Strategy	ST1	0.680	0.804	0.866	0.566
	ST2	0.628			
	ST3	0.826			
	ST4	0.827			
	ST5	0.778			
Learning orientation	LO1	0.782	0.885	0.906	0.519
	LO2	0.622			
	LO3	0.764			
	LO4	0.702			
	LO5	0.663			
	LO6	0.696			
	LO7	0.780			
	LO8	0.748			
	LO9	0.710			
Firm Performance	FP1	0.875	0.902	0.932	0.773
	FP2	0.824			
	FP3	0.927			
	FP4	0.888			

Note(s): CA = Cronbach's alpha; CR = Composite reliability; AVE = Average variance extracted.

Source: own calculation

Table 3. Discriminant validity

Latent variables	1	2	3	4	5	6
Business Strategy	0.752					
Firm Performance	0.568 (0.656)	0.879				
Innovativeness	0.444 (0.571)	0.375 (0.452)	0.760			
Learning Orientation	0.175 (0.204)	0.389 (0.415)	0.346 (0.396)	0.721		
Proactiveness	0.370 (0.492)	0.429 (0.531)	0.425 (0.570)	0.359 (0.416)	0.736	
Risk Taking	0.457 (0.537)	0.569 (0.642)	0.327 (0.402)	0.346 (0.384)	0.339 (0.419)	0.849

Note(s): Bold diagonal values represent the square of AVE, italic values in the brackets are the HTMT values, and the remaining are the correlation among the constructs.

Source: own calculation

Reliability is the internal consistency of the data, and in this study, it was assessed through Cronbach's alpha and composite reliability values. The reliability values are shown in

Table 2. According to Hair et al. (2014), reliability is established when the values of Cronbach alpha and composite reliability exceed 0.70. Table 2 depicts that reliability values are above 0.70, thus confirms internal consistency in the data. Further, Table 2 shows the values of average variance extracted (AVE). The values of AVE above 0.50 represent the presence of convergent validity. Convergent validity is the extent to which constructs are related to each other. In this study, convergent validity confirms as the values fall between 0.519 and 0.773, as shown in Table 2.

Further, the assessment of discriminant validity was done through two methods proposed by Fornell & Larcker's (1981) criterion and Heterotrait–Monotrait (HTMT). Discriminant validity is the extent to which constructs in the study are unrelated to each other. The diagonal values in Table 3 are the square root of AVEs, and they are more significant than their corresponding correlation values (Farrell, 2010), confirming discriminant validity through Fornell & Larcker's (1981) criterion. Next, the italic values in the bracket are the HTMT values below 0.90, confirming discriminant validity (Henseler et al., 2015).

3.3. Data Analysis

PLS-SEM has been used for testing the proposed hypotheses. Model fit was assessed through the value of cross-validated redundancy (Q2) and R-square (R2). The value of Q2 for endogenous constructs indicates predictive relevance. In this study, the value of Q2 is 30.9%, indicating the model's predictive relevance. Besides, the value of R-square (R2) has been considered for the predictive accuracy of the model. The value of R2 40.9% represents the predictive accuracy of the model and depicts total variance explained by exogenous constructs on endogenous constructs (Hair et al., 2014; Henseler et al., 2009). Further, path coefficients, p-values and t-values have been used to assess the relationship among variables. Path coefficients values near +1 indicate high and strong effects, and p-values less than 0.05 and t-values greater than 1.96 refer to the acceptance of hypotheses. In this study, the conceptual model contains seven hypotheses for direct relationships and three hypotheses for indirect relationships.

The results of direct path analysis have been summarized in Table 4. The direct effect results show that innovativeness has positive impact on learning orientation of SMEs ($\beta = 0.189$, $p < 0.001$, $t = 3.409$), supporting H1. The positive influence of innovativeness on business strategy has also confirmed ($\beta = 0.279$, $p < 0.000$, $t = 6.060$), supporting H2. The positive impact of proactiveness on learning orientation of SMEs is confirmed ($\beta = 0.206$, $p < 0.000$, $t = 3.737$), supporting H3. Proactiveness has positive and significant impact on firm business strategy ($\beta = 0.145$, $p < 0.012$, $t = 2.526$), supporting H4. Risk taking has positive and significant impact on learning orientation ($\beta = 0.215$, $p < 0.000$, $t = 3.733$), providing support to H5. The positive impact of risk taking on business strategy is statistically significant ($\beta = 0.316$, $p < 0.000$, $t = 7.200$), supporting H6. Learning orientation has positive and significant impact on firm performance ($\beta = 0.299$, $p < 0.000$, $t = 6.968$), supporting H7. Finally, H11 reveals that business strategy of the firms has a positive influence on the performance of SMEs ($\beta = 0.515$, $p < 0.000$, $t = 12.919$).

This study has used Preacher and Hayes's (2008) method to analyze mediating effects. 2000 bootstrapping resample has been applied to test the mediating effects. Besides assessing the significant effects of p-value and t-value, the authors have also confirmed it through confidence interval (C.I) values. The indirect effect is significant due to the absence of a "0" value in confidence interval (C.I) (Preacher & Hayes, 2008). The results of the indirect effect analysis show that learning orientation mediates the relations among the positive impact of innovativeness ($\beta = 0.056$, $p < 0.003$, $t = 2.928$), proactiveness ($\beta = -0.001$, $p < 0.062$, $t = 3.366$) and risk-taking on firm performance ($\beta = 0.052$, $p < 0.035$, $t = 2.114$), respectively, supporting

the hypotheses H8, H9 and H10. The results also depict that business strategy of the firms mediates the relations among the positive impact of innovativeness ($\beta = 0.144$, $p < 0.000$, $t = 4.823$), proactiveness ($\beta = 0.075$, $p < 0.015$, $t = 2.425$) and risk-taking on firm performance ($\beta = 0.163$, $p < 0.000$, $t = 5.874$), respectively, supporting the hypotheses H12, H13 and H14. The results of the mediation analysis have been summarized in Table 4.

Table 4. Hypotheses testing results

Hypotheses	Path Coefficient	p-values	t-values	Decision
IN \rightarrow LO	0.189	0.001	3.409	Supported
IN \rightarrow ST	0.279	0.000	6.060	Supported
PR \rightarrow LO	0.206	0.000	3.737	Supported
PR \rightarrow ST	0.145	0.012	2.526	Supported
RT \rightarrow LO	0.215	0.000	3.733	Supported
RT \rightarrow ST	0.316	0.000	7.200	Supported
LO \rightarrow FP	0.299	0.000	6.968	Supported
ST \rightarrow FP	0.515	0.000	12.919	Supported

Note(s): IN = Innovativeness; LO = Learning orientation; FP = Firm performance; PA = Proactiveness; RT = Risk taking. Sig at p-value less than 0.05.

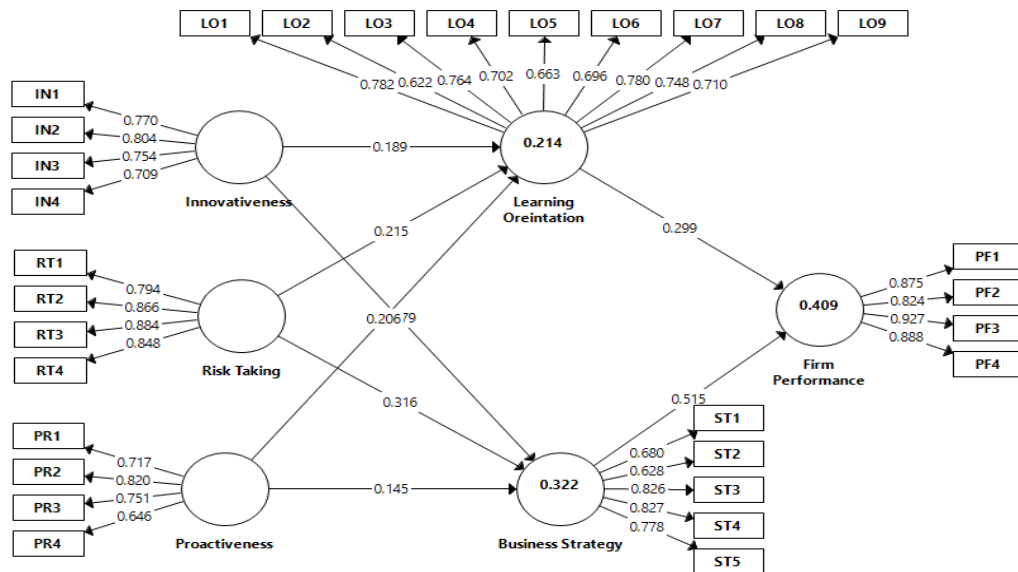
Source: own calculation

Table 5. Results of mediating effects

Hypotheses	Path coefficient	C.I	p-values	t-values	Decision
IN \rightarrow LO \rightarrow FP	0.056	0.023, 0.099	0.003	2.928	Mediated
PR \rightarrow LO \rightarrow FP	0.062	0.027, 0.098	0.001	3.366	Mediated
RT \rightarrow LO \rightarrow FP	0.052	0.025, 0.144	0.035	2.114	Mediated
IN \rightarrow ST \rightarrow FP	0.144	0.085, 0.201	0.000	4.823	Mediated
PR \rightarrow ST \rightarrow FP	0.075	0.018, 0.138	0.015	2.425	Mediated
RT \rightarrow ST \rightarrow FP	0.163	0.111, 0.220	0.000	5.874	Mediated

Note(s): C.I = Confidence interval

Source: own calculation



Note(s): paths are significant if the values of alpha are less than 0.05.

Figure 2. Evaluation of the Structural model

Source: own calculation

4. Discussion and conclusion

This study is based on resource-based view (RBV) theory to assess the SMEs' performance. Resource-based view theory argues that firm capabilities lead to better performance and create a competitive advantage. In this study, innovativeness, proactiveness, risk-taking and learning orientation are taken as internal resources of a firm that drive performance. It can be understood from the literature that innovativeness, proactive and risk-taking are important dimensions of entrepreneurial orientation (Isichei et al., 2020; Shah et al., 2019; George & Marino, 2011; Sahasranamam & Raman, 2018; Keh et al., 2007; Lumpkin & Dess, 1996; Kusa, 2020). This study contributed to the literature of entrepreneurship and SMEs by incorporating the mediating effect of learning orientation in the context of manufacturing SMEs in Thailand.

The findings of this study reveal that the firm innovative approach has a positive influence on learning orientation, which is in line with the findings of Wang (2008) that suggested that learning orientation plays an important role between entrepreneurial orientation and firm performance. Organizational risk-taking has a positive influence on learning orientation, consistent with the findings of Chen et al. (2017); their study argue that the risk-taking propensity of the organization increases learning orientation. The positive influence of proactiveness on learning orientation was also proved in this study, which matches with the findings of past studies (Chen et al., 2017; Wang, 2008). The recent studies have also confirmed the positive influence of proactiveness on firm performance (Isichei et al., 2020; Zufiqar et al., 2019). Furthermore, the findings reveal that learning orientation positively influences on firm performance, which is consistent with past studies (Chen et al., 2017; Wang, 2008) that posited that learning orientation enhances high-order generative learning and enables firms to improve and lead the industry. In addition to this, the results of the study show that learning orientation acts as a mediator between two dimensions of entrepreneurial orientations (innovativeness and risk-taking) and firm performance. Hurley and Hult (1998) suggested that learning orientation is a valuable contribution to strategic marketing, and it must be included as important construct of firm performance. Concerning this, Chen et al. (2017) also proved that learning orientation plays an essential mediator between entrepreneurial orientation and firm performance. In addition to this, the results of the study reveal that business strategy has a significant influence on firm performance, which matches with the findings of previous researchers that argued that business strategies are prioritized by foreign manufacturing companies in Thailand as these strategies account for 90% of market shares (Phongpetra & Johri, 2011).

Theoretical implications

The current study aims to contribute to entrepreneurial orientation literature and resource-based view (RBV) theory. Although researchers have extensively studied entrepreneurial orientation in the context of manufacturing SMEs and contributed to entrepreneurial orientation, they have paid less attention to a learning orientation. This study has focused on the impact of three main dimensions (innovativeness, proactiveness and risk-taking) on firms' performance through learning orientation. Learning orientation is an important dimension of organizational performance as it promotes knowledge acquisition of the firm employees that excel in business operations. Further, business strategies are essential to compete and achieve a competitive advantage in the industry. Therefore, it is an important dimension of organizational resources that enhance firm competitive advantage. Resource-based view theory argues that firms' internal capabilities and competitive advantage drive profitability and performance. The addition of learning orientation and business strategy as mediating constructs in the conceptual model is important because it contributes to the existing

literature and helps to understand the effects of underlying constructs on firm performance. The results of the study depict that learning orientation and business strategy act as strong mediators between different dimensions of entrepreneurial orientation (innovativeness, proactiveness, and risk-taking) and firms' performance. From the perspective of SMEs, the theoretical framework of this study would help the managers and policy-makers to introduce new products and focus on business processes to improve SMEs' performances.

Practical implications

This study has several practical implications for managers and policymakers that help to boost SMEs' performances. To the best of authors knowledge, no prior study in the context of emerging markets has assessed the combination between EO dimensions and business strategy. Further, the study proves that innovativeness, proactiveness and risk-taking are important antecedents of learning orientation and business strategy that lead to firms' performance. The mediating effects of learning orientation and business strategy signify the importance of these constructs in the context of SMEs' performance. From SMEs' perspective, the outcomes of this study indicate that managers and policymakers should focus on innovation, proactiveness and risks taking, and they have a direct effect on organizational learning orientation and business strategy. These relationships depict that innovativeness, proactiveness and risk-taking work for organizations when they have a learning tendency and implement business strategy properly. Learning orientation describes employee's knowledge acquisition and implementation to advance and enhances the organization's operational activities. Therefore, organizations should emphasize the employees' learning and encourage them to act innovatively, and they help achieve competitive advantage and maintain business sustainability. Furthermore, innovativeness, proactiveness, and risk taking are essential components that improve business strategies and enhance business performance. Therefore, managers of emerging markets should focus on more innovative procedures, take initiatives as part of business strategies to improve product quality, provide additional benefits, differentiate the products to achieve high performances and enhance business performances.

Limitations & recommendations

This study presented a novel framework by including learning orientation as an internal organizational resource that creates a competitive edge for SMEs in Thailand. However, there are several limitations in this study that need to be addressed in future studies. First, the SMEs sample size of this study is included only from two regions of Thailand. This will create a generalization issue of the collected data. Therefore, it is recommended to future researchers to collect additional data, especially from different regions of Thailand where SMEs are operating. The present study has included the data of managers from manufacturing sectors only, and many specialized SME sectors need to be included in future studies. In addition to this, future researchers could study and include other constructs of EO that have potential effects on SMEs' performances, such as autonomy, aggressiveness and competitive energy. Furthermore, researchers can conduct in-depth interviews with SME middle managers and senior managers to explore recent factors that affect firm performances.

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