

**MEDIATING ROLE OF ACCESS TO FINANCE AND
MODERATING ROLE OF BUSINESS ENVIRONMENT ON THE
RELATIONSHIP BETWEEN STRATEGIC ORIENTATION
ATTRIBUTES AND PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN NIGERIA**

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**DEGREE OF DOCTOR OF PHILOSOPHY
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By

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**Thesis Submitted to
School of Business Management
Universiti Utara Malaysia,
in Fulfillment of the Requirement for the Degree of Doctor of Philosophy**

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ABSTRACT

The main objective of this study is to examine the mediating role of access to finance and the moderating role of business environment on the relationship between entrepreneurial orientation (EO), market orientation (MO), learning orientation (LO), technology orientation (TO) and performance of Small and Medium Enterprises (SMEs) in Nigeria. Data were collected from the SMEs operating in North Western Nigeria using a cross-sectional study design. The study adopted cluster sampling and randomly selected 522 respondents and questionnaires were distributed and collected through the personally-administered method. Partial Least Squares Structural Equation Modelling (PLS-SEM) was used to test the study hypotheses. This study finds that EO, LO and TO are important strategic orientations for the performance of SMEs in Nigeria. The findings reveal that SMEs' access to finance depends on the degree of MO, LO and TO of the enterprise. It is expected EO would improve a firm's accessibility to finance, but the finding of this study does not support this expectation as EO negatively influences firm performance. Interestingly, the results further show that with better access to finance, MO, LO and TO influence firm performance. Furthermore, business environment does not have a significant moderating influence on the paths between EO and performance, MO and performance, LO and performance and TO and performance. The results of this study provide important insights to owner-managers, policy-makers and researchers to further understand the effects of strategic orientations on firm performance. Owner-managers of SMEs should emphasize on EO, MO, LO and TO; however, it is important to note that over-concentration on EO may result in lower accessibility of financing. Policy-makers should encourage SMEs to improve their cash flow, profit and retained earnings which may encourage financial institutions to provide them with financial services. Lastly, limitations of the current study and avenues for future research are discussed.

Keywords: strategic orientation, access to finance, business environment, SMEs' performance

ABSTRAK

Objektif utama kajian ini adalah untuk mengkaji peranan perantara akses kepada kewangan dan peranan penyederhana persekitaran perniagaan dalam hubungan antara orientasi keusahawanan (EO), orientasi pasaran (MO), orientasi pembelajaran (LO), orientasi teknologi (TO) dan prestasi Perusahaan Kecil dan Sederhana (PKS) di Nigeria. Data telah dikumpulkan daripada PKS yang beroperasi di Utara Barat Nigeria dengan menggunakan reka bentuk kajian keratan rentas. Persampelan berkelompok digunakan untuk memilih secara rawak 522 responden, manakala borang soal selidik telah diedarkan dan dikumpulkan melalui kaedah urus tadbir sendiri. PLS-SEM telah digunakan untuk menguji hipotesis kajian. Kajian ini mendapati bahawa EO, LO dan TO adalah orientasi strategik yang penting untuk prestasi PKS di Nigeria. Kajian ini menunjukkan bahawa akses PKS kepada kewangan bergantung kepada tahap MO, LO dan TO. EO dijangka akan dapat meningkatkan akses firma kepada kewangan, tetapi hasil kajian ini tidak menyokong jangkaan tersebut kerana EO mempengaruhi prestasi firma secara negatif. Apa yang menariknya ialah hasil kajian juga menunjukkan bahawa dengan akses yang lebih baik kepada kewangan, MO, LO dan TO, ia turut mempengaruhi prestasi firma. Tambahan pula, persekitaran perniagaan tidak mempunyai pengaruh yang besar ke atas penyederhanaan laluan antara EO dan prestasi, MO dan prestasi, LO dan prestasi serta TO dan prestasi. Hasil kajian ini memberi maklumat penting kepada pemilik-pengurus, pembuat dasar dan penyelidik untuk memahami lebih lanjut tentang kesan-kesan orientasi strategik terhadap prestasi firma. Pemilik-pengurus PKS perlu memberi perhatian kepada EO, MO, LO dan TO. Namun begitu penumpuan berlebihan pada EO boleh menyebabkan akses yang rendah kepada kewangan. Para pembuat dasar harus menggalakkan PKS bagi meningkatkan aliran tunai, keuntungan dan pendapatan yang boleh menggalakkan institusi kewangan untuk memberi perkhidmatan kewangan. Akhir sekali, batasan kajian dan peluang penyelidikan pada masa hadapan turut dibincangkan.

Kata kunci: orientasi strategik, akses kepada kewangan, persekitaran perniagaan, prestasi PKS

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LIST OF ABBREVIATIONS

ADBG	African Development Bank Group
AF	Access to Finance
AVE	Average Variance Extracted
BE	Business Environment
CARICOM	Caribbean Community
CBN	Central Bank of Nigeria
CR	Composite Reliability
EO	Entrepreneurial Orientation
EU	European Union
FCT	Federal Capital Territory
FP	Firm Performance
GDP	Gross Domestic Product
IFC	International Finance Corporation
KSEEDS	Kano State Economic Empowerment and Development Strategy
LO	Learning Orientation
MAN	Manufacturing Association of Nigeria
MIGA	Multilateral Investment Guarantee Agency
MO	Market Orientation
MSMEs	Micro Small and Medium Enterprises
NBS	National Bureau of Statistics

NPC	National Population Commission
NPC	National Planning Commission
OECD	Organizations for Economic Cooperation and Development
PLS	Partial Least Squares
RBV	Resource based View
SEM	Structural Equation Modelling
SmartPLS	SmartPLS Statistical Package
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
SMEs	Small and Medium Enterprises
SPSS	Statistical Package for the Social Science
TO	Technology Orientation
UNIDO	United Nations Industrial Development Organization.
VRIN	Valuable, Rare, Inimitable and Non-substitutable

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In today's rapidly evolving business world, it is not the big organizations that are powering leading economies, but the Small and Medium Enterprises (SMEs). Over the years, SMEs have gained increasing attention all over the world. This is because of the role they play in the economic growth and development of a country's economy (Yauri, Koko, & Bankanu, 2008). They play a significant role in improving economic growth and development, ranging from poverty reduction to employment creation. Specifically, they provide employment, improve income per head, increase raw material supply, enhance export earnings and boost capacity utilization within the key industries (Small and Medium Enterprises Development Agency of Nigeria [SMEDAN], 2012).

Therefore, SMEs have been increasingly considered as one of the major contributors and drivers of economic growth and development in many nations' economies (Gulumser, Nijkamp, Baycan-Levent, & Brons, 2008). Thus, the importance of SMEs to economic growth and development of any nation cannot be over-emphasized.

SMEs and entrepreneurs occupy a central position in policy issues and academic research as they constitute the largest number of enterprises. SMEs are considered to be the

highest employment generators, biggest contributors to export and responsible for most of the business activities in the economy (Adamu & Ibrahim, 2011).

On average, in developed economies (high income countries), SMEs contribute 55% and 65% to Gross Domestic Product (GDP) and employment, respectively. In developing countries, middle income countries to be specific, SMEs on average contribute 70% to GDP and 95% to total employment. Similarly, in low income economies, they contribute 60% to GDP and 70% to total employment (Hendrickson, 2009; SMEDAN, 2012).

Consequently, in the United Kingdom (UK), SMEs contribute 54.1% to total employment and over 50% of the annual GDP of the country. In upper middle income countries like China, SMEs contribute 55% to GDP and 75% to employment, while in Taiwan, the contribution of SMEs stands at 55% to GDP and 70% to employment (SMEDAN, 2012). In South Africa, SMEs contribute 52% to 57% to GDP and contribute about 61% to employment (Ndumanya, 2013).

Contribution of SMEs in lower middle income countries appears to be high. For instance, in India, SMEs constitute about 94% of the total number of the industrial establishments and about 31% of industrial employment (SMEDAN, 2012). Similarly, in a study on CARICOM countries, SMEs contribute over 70% to employment and over 70% of agricultural export (Hendrickson, 2009). In Ghana, SMEs contribute 85% to employment and about 70% to GDP, and account for about 92% of businesses in

the country. In Nigeria, the contribution of SMEs to GDP and employment stands at 46.54% and 25%, respectively (Ndumanya, 2013; SMEDAN, 2012). Therefore, regardless of the nature of the nation's economy, SMEs make a great contribution to innovation, regional development and social cohesion, which in turn contribute significantly to GDP and employment (Bouri *et al.*, 2011). However, the contribution of SMEs in Nigeria remains a significant issue, more especially as the country aims to be among the big economies by 2020. Certainly, SMEs will play an important role in achieving this dream. This is why the significant role SMEs play in economic development needs to be acknowledged.

Nigeria, officially known as the Federal Republic of Nigeria, is a federal republic comprising 36 states, and its Federal Capital Territory (FCT) is Abuja, with a population of 162,470,737 (World Bank, 2013). According to SMEDAN (2012), the total number of SMEs is about 22,918; 21,264 are small and only 1,654 are medium. This indicates that about 92.78% represents small, and 7.23% represents medium enterprises. However, the contribution of SMEs in Nigeria to employment and GDP found to be very low (Ndumanya, 2013; SMEDAN, 2012).

Currently, performance of SMEs in Nigeria is below expectations. It is argued that the contribution of SMEs in Nigeria to the national GDP is poor for numerous reasons. These include inadequate infrastructural/financial support to businesses operating within the various sectors; entrepreneurial and marketing ability; limited application of innovation to operations within the segment; and unfavourable competition from foreign goods and

services (Bangudu, 2013b; Ndumanya, 2013). This is confirmed by the current data on poverty and unemployment rate in Nigeria, which shows that poverty and unemployment have not decreased in recent years. The people living below US\$ 1.25 per day rose to 70% in 2013 from 62.8% in 2011 and 54% in 2010 (Kale, 2012; NBS, 2012; World Bank, 2013). Unemployment has risen from 21.1% in 2010 to 23.9% in 2011 (Aiyedogbon & Ohwofasa, 2012). One of the primary aims of SMEs is to create wealth, reduce poverty, generate employment and stimulate real economic growth (Ganbold, 2008). Therefore, due to the importance and valuable contribution of SMEs to economic growth and development, it is vital for this study to understand and provide a solution to the poor performance of the SMEs in Nigeria. However, to look at SMEs' performance, it is important to understand what constitute the SMEs in the context of Nigeria.

The definition of SMEs can be viewed from different perspectives, depending on the organization or country defining it. According to the World Bank (2013), SMEs are defined based on the size of the enterprise in terms of the total number of employees and/or total assets value. Therefore, SMEs and large firms can be differentiated based on the above mentioned criteria. However, Bouri *et al.* (2011) and World Bank (2013) report the synthesis of various definitions of SMEs based on aforementioned criteria.

The Organization for Economic Cooperation and Development (OECD) defines SMEs as firm having 10 to 250 employees and not more than €10 million (\$13.1 million) sales or annual balance sheet total. Similarly, the European Union (EU) defines SMEs as firm

having 10 to 250 employees, having from €10 to 50 million (\$13.1 million to \$65.7 million) in turnover or €10 to € 43 million in assets value.

On the other hand, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA) define SMEs as firm having from 10 to 300 employees and assets value between \$100,000 and \$15 million or sales turnover value in the same dollar range. Likewise, the Inter-American Development Bank describes SMEs as firm having a maximum of 100 employees and less than \$3 million revenue. Based on these definitions, Bouri *et al.* (2011) define medium enterprises as firms with less than 250 employees and having less than €50 million turnover or not more than €43 million balance sheet total. A small enterprise refers to firms having less than 50 employees, less than €10 million turnover and/or not more than €10 million balance sheet total.

Additionally, the definitions for SMEs vary from country to country based on the countries' guidelines for defining SMEs (Bouri *et al.*, 2011). Stork and Esselaar (2006) report various definitions based on different African countries. In Botswana, SMEs having less than 25 employees and an annual turnover value of between 60,000 and 1, 500,000 Botswana Pula (P) are termed as small enterprises. Medium enterprises refer to SMEs with less than 100 employees and an annual turnover value of between P1, 500,000 and P5, 000,000. In Cameroon, a SME is defined as firm that has turnover value of not less than 1 billion Cameroon Franc (cfa), and accrued investments are not more than 500 million cfa. The SME's short-term credit is not more than 200 cfa and it has at least 5% owners of the capital and managers are Cameroonians.

SMEs are defined based on the employee head count and machines in Ethiopia. Firms with more than ten employees and use power driven machines are defined as large-scale manufacturing enterprises; while small-scale manufacturing enterprises have less than ten employees and use power driven machines. SMEs that do not use power driven machines are regarded as handicraft enterprises; while home-based or individual enterprises or business activities managed by the owner with a few or no employees, are regarded as informal sector.

In Ghana, SMEs are defined based on the number of employees and fixed assets (excluding land and buildings). SMEs is defined as a medium enterprise if it employs 30 to 99 employees and has not more than 2.5 billion Ghana Cedi (¢) of fixed assets. A small enterprise refers to SMEs with six to 29 employees, having fixed assets of not more than ¢780 million. In South Africa, SMEs are defined as distinct and separate business entities, including cooperative enterprises and non-governmental organizations that are self-managed by a single owner or more which includes its branches or subsidiaries, if any.

In Nigeria, SMEs are defined based on the number of employees working in a particular business firm and total assets value, excluding land and building. According to the CBN (2003), small enterprises are firms with less than 50 employees; and medium enterprises are those with less than 100 employees. However, the standard definitions based on the dual criteria-employment and assets (excluding land and building)-for the purpose of a general object of reference by stakeholders is provided below. However, if there is a

clash on classification between employment and assets criteria, the employment-based definition should take priority and the SMEs would be defined based on the number of employees (SMEDAN, 2008, 2012).

Table 1.1
Definition of SMEs in Nigeria

S/N	Size Category	Employment	Assets (Excluding land and building)
1	Small Enterprise	10 to 49	N5m to less than N50m
2	Medium Enterprise	50 to 199	N50m to less than N500m

Source: SMEDAN (2008, 2012)

This study adopts the definition above, because it is more recent and accommodates various business firms, especially with regards to turnover compared to previous definitions (SMEDAN, 2008, 2012). Therefore, SMEs are defined in this study as business firms that employ fewer than 200 employees and total assets, excluding land and building, do not exceed 500 million Naira. Additionally, this definition is in line with other reported definitions since it considers the size of the SMEs in terms of the total number of employees and/or total assets value.

According to the World Bank (2013), SMEs contribute to the creation of employment which reduces regional disparities between urban and rural areas. The fact is that, it is the SMEs that developed and become large corporations. According to the CBN (2003), SMEs contribute to the creation of employment, as it is one of the sectors that provides industrial employment in Nigeria. SMEs utilize local raw materials that do not require high level technology to process, and this provides an effective means of mitigating rural-urban migration and resource utilization.

SMEs use simple technology and recycle by-products and waste from large firms as the input for their production processes. SMEs contribute substantially to the national output through the provision of raw material for larger firms' usage. Also, the government generates revenues from the activities of SMEs through various forms of taxes. They also serve as the means for mobilization and utilization of domestic savings and reduce cost of production, which increases efficiency of the sector.

According to Osotimehin, Jegede, Akinlabi and Olajide (2012), SMEs are very fundamental for economic development. They contribute immensely to the economic and social development of the country. Therefore, encouraging SMEs and foreign direct investment must go hand-in-hand to improve the growth and development of SMEs. Development of SMEs has been one of the ways that has made several countries in the same league with the Nigerian economy to achieve economic breakthrough in the last two decades. In addition, as SMEs occupy an important position in virtually every country, a vibrant SME sector in Nigeria will play a significant role in the development and growth of the economy. Therefore, SMEs can serve as the engine of growth and catalyst for socio-economic transformation of the country.

In Nigeria, like any other country, a vibrant SME sector is needed to promote sustainable economic growth and development through employment generation, wealth creation and poverty reduction. SMEs can also contribute to improving the agricultural-based Nigerian economy to an industrialized-based one. Thus, it will lead to more business opportunities that can generate revenue and sustainable economic growth and

development. SMEs can also increase production capabilities of the Nigerian economy, through absorption of productive resources, thus helping to create linkages between small and big firms that will encourage foreign investments (SMEDAN, 2012).

As a vehicle for the achievement of national economic objectives, SMEs can enhance the development of entrepreneurial capabilities, including indigenous technology. Well-developed SMEs can increase economic activities, enhance standard of living and access to infrastructural facilities and reduce rural and urban migration. In recognition of the potential role of SMEs, this sector needs urgent attention to enhance its performance (Lawson, 2012).

Performance is a relative concept/term used in many areas to describe how processes/actions realize their objectives. According to the theory of growth of the firm, performance is nothing more than an increase in the production of products which is the point where the average cost curve is at the minimal level for that particular product, given the optimal size of the firm (Penrose, 1959). Similarly, Neely, Gregory and Platts (1995) define firm performance as the quantified action of business activities, such as quantifying customer satisfaction. Therefore, firm performance is seen as the process of quantifying the efficiency and effectiveness of the firm actions.

From an entrepreneurial point of view, SMEs' performance can be seen as how well the firm is managed and what the firm provides for its customers and owners (Moullin, 2007). Gomes and Yasin (2011) opine that SMEs performance is the amount of

stakeholders' needs met by the firms and the extent to which firms utilize the resources to meet those needs. However, in line with Sandberg (2003) this study defines performance of SMEs is the ability to survive, grow and contribute to the creation of employment and alleviate poverty.

Since the mid-70s, the Nigerian government has changed its industrialization policy to focus on SMEs, away from import substitution and large scale industrialization policies. Like most countries in the world, Nigeria uses various schemes to enhance financing and other support to SMEs. Some of the monetary, fiscal and industrial policies, measures and incentives to SMEs include, Small Scale Industries Credit Scheme (SSICS), Nigerian Bank for Industry (NBCI), Nigerian Industrial Development Bank (NIDB), National Economic Reconstruction Fund (NERFUND), National Directorate of Employment (NDE), Micro Credit Fund (MCF) and You Win program.

Despite these programs and policies, the performance of SMEs in the country is not appreciated due to issues related to poor funding, government policies, taxation, low managerial and entrepreneurial skills, access to market and lack of access to modern technology (Nwoye, 2008; SMEDAN, 2012). Of all these issues, access to finance, business environment, firm strategic activities such entrepreneurial, marketing and technology abilities occupy a very central position. Consequently, these fundamental problems have forced many SMEs to either become micro business or cease to exist (Lawson, 2012; National Planning Commission [NPC], 2011; Okpara, 2011; SMEDAN, 2012).

Therefore, it is apparently essential to identify the strategic variables which may reflect the aforementioned management activities or processes, such as marketing, innovativeness, risk taking, technology and learning culture, which SMEs use and that probably influence their performance. These firm's processes and managerial activities referred to as strategic orientation that reflects the strategic directions executed to build proper behaviors for superior business performance. Noble, Sinha and Kumar (2002) define strategic orientations as firm's beliefs, values and principles that the management uses to manage and utilize business resources. Similarly, strategic orientation is seen as the strategic activities performed by the firm to develop and improve firm activities for better performance (Gatignon & Xuereb, 1997).

According to Li (2005), a firm's performance depends on the cultures and beliefs which a firm exhibits when making decisions. Strategic orientation is a firm culture representing intangible resources that influences managerial activities and resource allocation (Barney, 1991). Strategic orientations are organizational decisions, in terms of actions, aimed at satisfying market needs and understanding actions of their competitors. This can be achieved by considering the environmental changes to provide better value to the market and strike a balance between the needs of the firm and consumer needs (Aragon Sanchez & Sanchez Marín, 2005).

Strategic orientation has become one of the important elements that determines the success of business firm. In existing literature, various types of strategic orientations have been studied. A considerable number of these studies have shown entrepreneurial

orientation (EO), market orientation (MO), learning orientation (LO) and technology orientation (TO) are more likely to give firms a competitive advantage which will lead to better performance (Baker & Sinkula, 1999; Covin & Slevin, 1989; Gatignon & Xuereb, 1997; Lumpkin & Dess, 1996; Narver & Slater, 1993). It has been acknowledged that these orientations complement one another and they are described as firm properties. Therefore, combination of these four orientations might provide firms with resources that are valuable, rare, and difficult to imitate and substitute.

Studies on EO argue that firms that take risks and are innovative and proactive, will experience better performance (Kraus, 2013; Laukkanen, Nagy, Hirvonen, Reijonen, & Pasanen, 2013; Rauch, Wiklund, Lumpkin, & Frese, 2009; Su, Xie, & Li, 2011). Literature on MO suggests that firms that are continually studying their customers' needs and competitors' actions will have more understanding in meeting needs of their consumers, as well as be better in combating their opponents (Eris & Ozmen, 2012; Laukkanen *et al.*, 2013; Wang, Chen, & Chen, 2012).

Equally, studies on LO are of the opinion that the firms with the ability to create new knowledge or insights have the potential to influence behavior and achieve better performance (Hakala, 2013; Laukkanen *et al.*, 2013; Martinette & Obenchain-Leeson, 2012; Nikoomaram & Ma'atoofi, 2011). Similarly, studies on TO indicate that firms can achieve competitive advantage by offering better products to their target market through continuous development of new and improved existing products and investing heavily in R & D (Gao, Zhou, & Yim, 2007; Gatignon & Xuereb, 1997; Hakala & Kohtamaki,

2011; Mu & Di Benedetto, 2011; Voss & Voss, 2000). However, due to the contextual nature of strategic orientations (Adam & Shaw, 2012; Ellis, 2006; Lumpkin & Dess, 1996; Zahra & Covin, 1995), the results of these studies are inconclusive and do not warrant generalization because they are contradictory.

According, Mazanai and Fatoki (2012) and Batra, Kaufmann and Stone (2003) access to finance is directly related to the performance of SMEs. Thus, the lack of finance adversely affects the full potential of SMEs as an economic driver. However, it has been reported that most SMEs in developing economies are restricted in accessing finances, though the opaque nature of the firm may result in serious constraints of accessing external financing and consequently affect their performance (Beck, Demirgüç-Kunt, & Maksimovic, 2008). Access to finance refers to the lack of internally generated funds and financial services by financial institutions, high cost of capital, lack of financial knowledge, high administration costs, high collateral requirements and inexperienced financial intermediaries (SMEDAN, 2012). Several studies indicate that productivity of small businesses depends largely on its access to capital (Frank, Kessler, & Fink, 2010; Wiklund & Shepherd, 2005; Zampetakis, Vekini, & Moustakis, 2011).

The difficulty of financing SMEs is a general problem, particularly so in Nigeria. Stakeholders of SMEs are being discriminated against by a lack of access to finance, high interest rates, double taxation and poor financial services by financial institutions (SMEDAN, 2012). Hence, in Nigeria most SMEs rate access to finance as their major

constraint as they find it very difficult to get financing from the local banks and other financial institutions (Bouri *et al.*, 2011).

In Nigeria, about 59% of SMEs have reported difficulties in accessing financial services (Isern *et al.*, 2009). Also, about 77% of the SMEs in Nigeria have indicated that lack of access to financial resources is a major problem hindering their performance (Ayanda & Laraba, 2011). A substantial number of SMEs finance their businesses using personal savings rather than finances from the government, banks and other financial institutions. Accordingly, over 54% use personal savings, family savings 16.7%, cooperatives 6.9%, while only 22% have access to finance from the government, banks and other financial intuitions (SMEDAN, 2012). The SMEs' lack of finance in Nigeria continues to be a major issue to their development, as the percentage of a successful applicant for the finance is very low (NPC, 2011; SMEDAN, 2012). In addition, the small percentages of SMEs that are successful are required to pay a high cost of borrowing of about 30% interest rate and collateral requirements (African Development Bank Group, 2013).

Additionally, as SMEs are not operating in a vacuum, a favorable business environment and healthy overall economic setting as a whole are good predictors of performance (Huang & Brown, 1999; Smit & Watkins, 2012). According to SMEDAN (2012), unfavorable business conditions, such as lack of infrastructure and support from the government, community and other environmental factors are other issues affecting SMEs' development in Nigeria. Lack of basic services, such as electricity and roads, are

among the obstacles to the development of SMEs (Atawodi & Ojeka, 2012; Ong, Ismail & Yeap, 2010). According to Bangudu (2013), the operational business environment has been difficult, the economy is inhibited by serious infrastructural deficits, especially with respect to power supply, transportation, logistics, quality of materials and access to funds. All these have combined to create a burden to the Nigerian SMEs. To compound the situation, SMEs have no supportive business environment as the economy has been taken over by imports. This limits the capacity to generate the needed multiplier effects and jobs that could impact on the citizens. Additionally, the security challenges have not been addressed. So, it is vital to further examine if there are some firm strategic factors that can allow SMEs to better survive in such a challenging environment.

Moreover, these issues need urgent attention, because apart from employment generation, SMEs are good avenues to alleviate poverty and improve economic growth, more especially in a country like Nigeria where unemployment and poverty rates are alarming (Fashoyin, 2012; Kale, 2012; National Bureau of Statistics [NBS], 2012). Improving SMEs' performance is therefore of paramount importance.

However, it has been found that there is lack of empirical studies that combine EO, MO, LO and TO as factors influencing firm performance. Additionally, there are limited empirical studies on the mediating role of access to finance on the relationship between EO, MO, LO, TO and firm performance. The moderating role of supportive business environment on performance of SMEs, when combining these four strategic orientations, is still not clear. Finally, most of the studies on SMEs' performance have been conducted

in developed economies. However, in Nigeria there are few empirical studies on strategic orientations and firm performance, especially on the influence of EO, MO, LO and TO. Additionally, most of the previous studies have concentrated on either big firms or focused on one sector of the SMEs.

1.2 Problem Statement

Over the last few decades, SMEs have accounted for the majority of businesses in Nigeria and have contributed about 70% to employment (Adebusuyi, 1997). However, in 2001, their contribution to employment declined to about 58% and GDP contribution was about 62.1% (Nnanna, 2002). In 2004, the Manufacturers Association of Nigeria (MAN) reported that about 30% of manufacturing SMEs in Nigeria wound-up in the early years of operations; about 60% operated below capacity or at no profit; and only 10% operated at a sustainable level (Manufacturers Association of Nigeria [MAN], 2004).

The recent report on SMEs across the country asserted that the contribution of SMEs to GDP and employment is not encouraging (Ndumanya, 2013; SMEDAN, 2012). The mortality rate of SMEs in the country is now about 80% before their fifth year anniversary, which was 15% in 2002 (SMEDAN, 2012). Hence, this indicates the low growth and high mortality rate of SMEs in the country. Consequently, the performance of SMEs in Nigeria is considered to be below expectations compared to other lower middle income countries (Ndumanya, 2013). Recently, Malam Sanusi Lamido Sanusi, Governor of the Central Bank of Nigeria (CBN) affirmed that Nigerian SMEs cannot perform to expectations because of certain constraints related to

financing, as a result of their unprofitable business operations (Bangudu, 2013a; Sanusi, 2013).

Access to finance improves the ability of SMEs to maintain competitive advantage by acquiring fixed and current assets (Beck & Demircuc-Kunt, 2006). In line with the Resource-Based View (RBV), past studies have provided further evidence that access to financial capital is the basic machinery that leads to SMEs' performance (Fonseka, Yang, & Tian, 2013; Zou, Chen, & Ghauri, 2010). Lack of financial capital is one of the major causes of SMEs' weak performance (Rogerson, 2008; Xavier, Kelley, Kew, Herrington, & Vorderwülbecke, 2013). The findings of Demir and Caglayan (2012) confirm that firm productivity is associated positively with getting finance. Also, Krishnan, Nandy and Puri (2013) report similar findings that access to both internal and external financing significantly affects firm performance. However, the effect of internal financing decreases with an increase in the firm's access to external financing (Rahaman, 2011).

SMEs owners-managers encounter several problems in operating their businesses. Therefore, appropriate strategic activities are needed to ensure survival of the firms (Aktan & Bulut, 2008). Fonseka *et al.* (2013) suggest that a firm differs from another due to differences in strategic orientation that ultimately explain why their access to financial capital and performance differs. Hence, the failure to adopt effective strategic activity is a major reason hindering SMEs from accessing the required capital and consequently achieve higher performance (Ganbold, 2008). Owner-managers who are able to develop

successful strategic orientation can create more internal finance and benefit more from external finance (Cheng, Ioannou, & Serafeim, 2014).

It has been argued that SMEs have inadequate financial capital due to their strategies which affect the growth of their business (Chen & Chen, 2011). Specifically, poor entrepreneurial activities which also reflect strategic activities in SMEs, is one of the main reasons why SMEs have no access to financing (Ghimire & Abo, 2013; Pandula, 2011). Hence, a firm's strategies that can increase sales volume and profit can improve the availability of firm financing. Also, Rahaman (2011) and Tadesse (2014) affirm that the strategic capability of SMEs is a key factor in accessing finance, as it shows the firm's ability to generate internal finances and repay external finances.

Different aspects of strategic orientation related to firm performance have been brought to light in the literature. Among others, are EO (Fairoz, Hirobumi, & Tanaka, 2010; Frank *et al.*, 2010; Lumpkin & Dess, 2001; Su *et al.*, 2011; Wijetunge & Pushpakumari, 2014); MO (Alam, 2010; Alizadeh, Alipour, & Hasanzadeh, 2013; Kara, Spillan, & DeShields Jr., 2005; Mahmoud, 2011); EO and MO (Slater & Narver, 2000); MO and LO (Mahmoud & Yusif, 2012; Mavondo, Chimhanzi, & Stewart, 2005; Nikoomaram & Ma'atoofi, 2011); EO and LO (Wang, 2008); EO, MO and LO (Kropp, Lindsay, & Shoham, 2006; Long, 2013); LO, MO and innovation (Baker & Sinkula, 1999; Keskin, 2006; Suliyanto & Rahab, 2012); knowledge management and MO (Ferraresi, Quandt, dos Santos, & Frega, 2012); MO, TO, EO and networking orientation (Mu & Di Benedetto, 2011); competitor orientation, customer orientation and cost orientation

(Grawe, Chen, & Daugherty, 2009); and competitor orientation, customer orientation and TO (Voss & Voss, 2000).

Based on these, some of the studies have reported a significant relationship between EO and firm performance (Fairoz *et al.*, 2010; Li, Huang, & Tsai, 2009; Lumpkin & Dess, 2001; Madhoushi, Sadati, Delavari, Mehdivand, & Mihandost, 2011; Yang, 2008; Zhang & Zhang, 2012). In contrast, other studies (Alegre & Chiva, 2009; Baker & Sinkula, 2009; Slater & Narver, 2000; Stam & Elfring, 2008) find no significant relationship between EO and performance. In other studies, EO is found to have a U shaped relationship with performance (Kreiser, Marino, Kuratko, & Weaver, 2013; Su *et al.*, 2011; Tang, Tang, Marino, Zhang, & Li, 2008; Tang & Tang, 2012).

MO is another key element of strategic orientation, it consists of all marketing concept activities. Practically, it is an implementation of the marketing concept within the business organization (Shapiro, 1988). Many studies have reported a significant effect of MO on firm performance (Baker & Sinkula, 2009; Farrell & Oczkowski, 2002; Harris & Ogbonna, 2001; Long, 2013; Mavondo *et al.*, 2005; Slater & Narver, 2000). In contrast MO is found to have no significant impact on firm performance (Ferraresi *et al.*, 2012; Haugland, Myrtveit, & Nygaard, 2007; Jiménez-Jimenez, Valle, & Hernandez-Espallardo, 2008; Keskin, 2006; Polat & Mutlu, 2012; Suliyanto & Rahab, 2012). Some studies show that MO has effect only on subjective performance (Farrell, Oczkowski, & Kharabsheh, 2008; Jaworski & Kohli, 1993) while it has no significance with objective performance.

In line with Slater and Narver (1995), market-oriented firms must develop a LO culture in order to be successful. Thus, this study includes LO which involves practices and assumptions about how firms learn from the business environment (Sinkula, Baker, & Noordewier, 1997). Several studies report a significantly positive relationship between LO and performance of the firm (Farrell *et al.*, 2008; Kropp *et al.*, 2006; Lee & Tsai, 2005; Mahmoud & Yusif, 2012; Nikoomaram & Ma'atoofi, 2011). Mavondo *et al.* (2005) report negative relationship between LO and firm performance. In contrast, some studies report an insignificant impact of LO on firm performance (Farrell & Oczkowski, 2002; Jiménez-Jimenez *et al.*, 2008; Long, 2013; Suliyanto & Rahab, 2012).

Success and performance of business firms depend largely on their TO and innovation superiority (Gatignon & Xuereb, 1997). Similarly, Salavou (2010) finds that the product performance depends on the TO of the firm, particularly in terms of newness of the product to customers. In contrast, a study on strategic orientations and firm performance states that the TO has no effect on any of the subjective and objective firm performance (Voss & Voss, 2000).

Past studies have revealed that strategic orientations influence firm performance. However, the results obtained are inconclusive or even contradictory. Additionally, it is noted that little attention has been given to the influence of EO, MO, LO and TO on firm performance in a single study model. In short, most previous researches have aimed at investigating individual or a combination of few strategic orientations at a time (Deshpande, Grinstein, Kim, & Ofek, 2013).

Among the empirical studies on the relationship between strategic orientations and firm performance, some studies have selected mediators, such as MO (Idar & Mahmood, 2011); LO (Rhee, Park, & Lee, 2010); organizational learning (Zhao, Li, Lee, & Chen, 2011); knowledge creation (Li *et al.*, 2009); network strategy (Stam & Elfring, 2008); firm strategy (Lechner & Gudmundsson, 2012); innovation/product innovation (Alegre & Chiva, 2009); marketing capabilities (Theodosiou, Kehagias, & Katsikea, 2012); access to finance (Zampetakis *et al.*, 2011); access to debt (Fatoki, 2012); and dominant logics (Campos, la Parra, & Parellada, 2012). Nevertheless, so far, access to finance has been a missing link in the study of the EO, MO, LO, TO and firm performance relationship in a single model.

Therefore, with the exception of Zampetakis *et al.* (2011), who examine relationship between single strategic orientation (EO) and product performance in the Greek commercial TV industry, most other studies have failed to address how and why the relationship between these four important strategic orientations and performance exists when firms have access to finance or vice versa. Nonetheless, several studies have concluded that the performance of SMEs depends mainly on access to finance (Demir & Caglayan, 2012; Fonseka *et al.*, 2013; Kasseeah & Tandrayen-Ragoobur, 2011; Krishnan *et al.*, 2013).

On the other hand, it is clearly explained that firms with better strategies will have greater access to funding and should be able to improve their performance. Put differently, the

ability of SMEs to access finance and achieve high performance and survival, depends on the strategies they adopt (Cheng *et al.*, 2014; Ghimire & Abo, 2013).

Conceivably, a firm with a high level of EO can have more access to finance (Zampetakis *et al.*, 2011); and debt (Fatoki, 2012), since the tendency to take riskier, proactive and innovative decisions are very high. Likewise, the firm can generate high income by developing a group of satisfied and potentially loyal customers who would continually patronize the firm, and eventually lead to more revenue (Zhang, Bruning, & Sivaramakrishnan, 2007). Firms with technological superiority can improve their ability to have more funds. The products and services will sell themselves in the market, especially with a good MO concept.

Combination of these important orientations is expected to improve SMEs' internal funding and attract external finances and investors. In view of these arguments, several studies have suggested that strategic orientations studies should consider some other factors that can explain the mechanism through which the effect can be better explained (Al-swidi & Al-hosam, 2012; Herath & Mahmood, 2013; Liu & Fu, 2011; Polat & Mutlu, 2012). Hence, in this study, access to finance is assumed to be a mechanism through which these four strategic orientations are able to influence a firm's performance.

In addition, topics on strategic orientations and firm performance literature refer to the suggestions that firms should consider their business environment. Several studies have associated firm performance with supportive business environment (Awang *et al.*, 2009; Goll & Rasheed, 2004; Jong & Thai, 2008). Business environment is theoretically recognized as a potential moderating variable that can influence strategic orientations and firm performance relationship (Barney, 1991). Awang *et al.* (2009) stresses that strategic orientations study seems to be incomplete without environmental eventualities affecting the relationship. Similarly, Frank *et al.* (2010) conclude that strategic orientations are characterized by environment and cultural differences.

In line with these arguments, some studies moderate the relationship using EO (Li, Zhao, Tan, & Liu, 2008); MO (Musa, Abd.Gahni, & Ahmad, 2011); environmental uncertainty (Polat & Mutlu, 2012); business environment (Awang *et al.*, 2009); social capital (Stam & Elfring, 2008); access to finance (Wiklund & Shepherd, 2005); customer capital (Jalali, Jaafar, & Ramayah, 2014); and organisational culture (Al-Swidi & Mahmood, 2012).

However, the moderating role of supportive business environment (environmental munificence) on performance of SMEs, when combining these strategic orientations, remains unexplained by existing literature. In line with the suggestions of Al-swidi and Al-hosam (2012) and Suliyanto and Rahab (2012), it is expected that the business environment moderates the relationship between EO, MO, LO, TO and performance of SMEs.

Similarly, there is a lack of empirical evidence on strategic orientations and SMEs' performance relationship, particularly in developing countries, like Nigeria. Most of the studies on strategic orientations have concentrated on larger business organizations and conducted in developed economies (Herath & Mahmood, 2013; Wales, Gupta, & Mousa, 2013).

Therefore, in view of the above mentioned gaps and the suggestions for further studies, this study investigates the mediating role of access to finance and the moderating role of business environment on the relationship between EO, MO, LO, TO and performance of Small and Medium Enterprises (SMEs) in Nigeria.

1.3 Research Questions

Based on the above problem statement, this study attempts to answer the following research questions:

1. Does EO, MO, LO and TO positively relate to performance of SMEs in Nigeria?
2. Does EO, MO, LO and TO positively relate to SMEs access to finance in Nigeria?
3. Does access to finance mediate the positive relationship between EO, MO, LO, TO and performance of SMEs in Nigeria?
4. Does business environment moderate the positive relationship between EO, MO, LO, TO and performance of SMEs in Nigeria?

1.4 Research Objectives

The main objective of this study is to examine the mediating role of access to finance and the moderating role of business environment on the relationship between EO, MO, LO, TO and the performance of SMEs in Nigeria.

The specific objectives are as follows:

1. To examine the positive relationship between EO, MO, LO, TO and performance of SMEs in Nigeria.
2. To examine the positive relationship between EO, MO, LO, TO and SMEs' access to finance in Nigeria.
3. To examine the mediating role of access to finance on the positive relationship between EO, MO, LO, TO on and performance of SMEs in Nigeria.
4. To examine the moderating role of business environment on the positive relationship between EO, MO, LO, TO and performance of SMEs in Nigeria.

1.5 Significance of the Study

This study provides more understanding on the relationship between EO, MO, LO, TO and performance of SMEs in Nigeria. To be specific, the study offers clarity on the mediating role of access to finance on the relationship between EO, MO, LO, TO and performance of SMEs in Nigeria. Additionally, the study sheds more light on the moderating role of business environment on the relationship between EO, MO, LO, TO and performance of SMEs in Nigeria.

Theoretically this study contributes by empirically testing the relationship between four of the most important strategic orientations to performance. Previous studies have agreed

on the importance of different strategic orientations in enhancing firm performance. However, many of studies examined the impact of one or few strategic orientations on performance and neglected the combination of these important strategic orientations in a single model as predictors of performance. Therefore, a study of the combinations of different strategic orientations is warranted (Grinstein, 2008; Hakala & Kohtamaki, 2010). This study is one of the few studies that investigates the impact of these four important strategic orientations on firm performance. It is also among the few studies that considers the entire sector of SMEs, especially in Nigeria. Additionally, the study contributes by testing the mediating role of the major constraint of SMEs' performance in Nigeria. Further, the study contributes to the advancement of the body of academic literature relating to strategic orientations and SMEs' performance by testing the moderating role of business environment.

In practical sense the findings of this study will help government and its agencies, in making policies related to SMEs in Nigeria. Other policy-makers will find the findings of this study very relevant to their policy and decision making in the area of SMEs' performance. In other words, the findings will help policy makers in developing industrial policy to improve the performance of Nigeria. The findings will also help owner-managers of SMEs to better understand the key factors that should be encouraged in order to improve firm performance and factors that should be avoided. Finally, the findings provide an important solution to the factors affecting performance of SMEs in Nigeria.

1.6 Scope of the Study

The study focuses only on the SMEs in Nigeria, with a view to investigate the impact of four strategic orientation variables, namely EO, MO, LO and TO on SMEs' performance in Nigeria. Thus, the four strategic orientations are the independent variables, while SMEs' performance is the dependent variable. Also, the study focuses on the mediation role of access to finance and moderating role of business environment on the relationship between the four strategic orientations and the SMEs' performance in Nigeria. The study was conducted in Nigeria using survey research. Particularly, a questionnaire was administered to the owners-managers of the SMEs. The study was restricted to SMEs in all the sectors located in Kano, Kaduna and Sokoto states of the northwestern Nigeria.

Northwestern Nigeria has the largest number of SMEs in the country, of which 5,010 are small and medium (SMEDAN, 2012). In addition, the northwestern region had the highest population during the last census exercise in the country (NPC, 2006). Also, northwestern Nigeria has the highest number of states, including Kano, Kaduna and Sokoto, which are the oldest and the most populated. Additionally, about 73% of the SMEs in the region are located within these three states.

1.7 Organization of the Thesis

This study is organized into five chapters. Chapter 1 outlines the introduction, statement of problem, research questions, research objectives, scope and significance of the study and definition of terms.

Chapter 2 focuses on reviewing relevant literature on SMEs' performance, EO, MO, LO, TO, access to finance and business environment. The chapter is a review of empirical findings and methods as to the relationship between EO, MO, LO, TO and firm performance. Additionally, the underpinning theory is discussed in this chapter.

Chapter 3 describes the research methodology of the study. The research framework and hypotheses development are explained in this chapter. In addition, the chapter describes the operationalization of the variables and measurement of instruments, research design research population, sample size, sampling method, as well as the strategies and instrument for the data collection. The chapter discusses the method of data analysis and the statistical package used in the study. Finally, reliability testing of pilot or preliminary study is reported.

Chapter 4 describes the statistical analysis of the data collected through, which include data examination, screening and preparation. Then, the measurement model as well as the structural model which were assessed with PLS-SEM using the SmartPLS 3.0 software package were analyzed and reported. Consequently, results of the hypotheses based on the assessment of the structural model are reported.

Chapter 5 discusses the research findings based on the research objectives and hypotheses. Furthermore, the chapter provides the theoretical and practical contributions and implications of the findings of this study. The chapter describes the research

limitations and suggests future research direction. Finally, the chapter presents the conclusion of the study.

1.8 Definition of Terms

Access to finance: Possibility of the SMEs to access both internal and external financial resources with minimal or absence of financial and non-financial barriers.

Business environment: Extent to which the business environment adequately sustains the growth of enterprises operating within it by providing resources, assistance and support services that may enhance their performance.

Entrepreneurial orientation (EO): Entrepreneurial behavior that indicates the extent to which SMEs are entrepreneurial in terms of proactiveness, risk taking and innovativeness.

Firm performance: Ability of the SMEs to effectively and efficiently utilize the available resources in order to survive, satisfy customers and contribute to the creation of employment.

Learning orientation (LO): Degree to which SMEs support learning culture, and how knowledge is created and used differently from competitors through the activities of commitment to learning, open-mindedness and shared vision.

Market orientation (MO): Organizational culture that focuses on discovering and meeting the needs and desires of customers by the SMEs through the activities of customer orientation, competitor orientation, and inter-functional coordination.

Strategic orientation: Strategic activities carried out by the SMEs to develop and improve business activities for superior performance.

Small and Medium Enterprises (SMEs): Business firms that employ fewer than 200 employees and its total assets, excluding land and building, do not exceed 500 million Naira.

Technology orientation (TO): The SME's technological ability to adopt new technology as a source of product improvement or development in order to satisfy the target market.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, a periodic chronology of some related works on SMEs' performance are reviewed, and the major findings, methodologies and conclusions of existing research works related to this study are carefully reviewed. So, literature related to firm performance, specifically SMEs in developed and developing nations like Nigeria reported. This is to give an idea of specific areas of the study that require new or additional research work. Additionally, the chapter discusses the underpinning theory for the study.

2.2 SMEs' Performance

Using the word 'performance' in all aspects of management is not new. For instance, performance management, firm performance, performance measurement, performance assessment, or performance evaluation are used. Despite the frequency of the use of the word, its specific meaning is still relative. In several small business literatures, SMEs' performance has been studied by a number of researchers. Most of these researches have focused on investigating SMEs' performance determinants, in which several variables have been identified. SMEs' performance can be viewed as how the firm delivers value to its stakeholders and customers. It indicates how well the management manages the firm's resources (Moullin, 2007).

According to Neely *et al.* (1995), firm performance is a concept that is often discussed in various studies, but rarely has a single definition. Firm performance is the process of quantifying actions of a business firm that leads it to achieve its goals and objectives. From a business perspective, firms achieve their objectives if they perform in satisfying their stakeholders and customers' needs more than their competitors. For business firm to achieve this superior performance, the goals and objectives of the firm must be achieved in an efficient and effective way compared to its competitors.

A firm with high efficiency and effectiveness in terms of the value delivered to both stakeholders and customers, could perform better than its competitors (Neely, 2005). Effectiveness simply means the extent to which customer and stakeholder needs are met by the firm, whereas efficiency measures how financial resources of the firm are utilized when meeting its customer and stakeholder needs (Neely, Adams, & Crowe, 2001). Two fundamental dimensions of performance are not only known by these points but also give an insight to the fact that some internal and external factors can contribute to defining firm performance.

Therefore, the performance of the firm can be defined as the achieving of its goals and objectives which measure how well a firm is (Penrose, 1959). In this way, firm performance comprises outstanding practices in managing and delivering value for customers and stakeholders (Moullin, 2007). However, from entrepreneurial perspective, performance of SMEs is the ability to survive, grow and contribute to the creation of employment and alleviate poverty (Sandberg, 2003).

Firm performance can be measured using diverse economic and non-economic variables (Leitao & Franco, 2008). In the same vein, firm performance can be measured either quantitatively (numeric measure of performance) or qualitatively (non-numeric measure of performance) (Augustine, Bhasi, & Madhu, 2012). In several management research, firm performance is either measured using objective variables (Ahmad, Abdullah, & Roslan, 2012); subjective variables (Suliyanto & Rahab, 2012; Tang & Tang, 2012); or both (Augustine *et al.*, 2012; Fornoni, Arribas, & Vila, 2012; Polat & Mutlu, 2012; Wiklund & Shepherd, 2005).

Most of the studies on large firms have adopted quantitative measures of organizational performance. In contrast, most studies conducted among SMEs have used qualitative measures of firm performance. This is because it is easier to get the information from the respondents (Wiklund & Shepherd, 2005). Subjective measures use the individual's experience which leads to inaccuracy. Due to the nature of SMEs in terms of data and other record keeping issues, subjective measures of performance must be considered (Leitao & Franco, 2008). In line with these arguments, Augustine *et al.* (2012) opine that subjective measures include production costs, inventory level, delivery speed, flexibility, productivity, capacity utilization, customer satisfaction, supplier satisfaction and employee satisfaction. While objective measures include market share, profitability, export, return on investments and return on assets.

It is important to note that SMEs owners-managers may understand in a wider perspective of how well they are performing entrepreneurially in terms of satisfying both

stakeholders and customers using economic and non-economic measures. In particular, they can measure and compare performance of their firms and the extent of how effective and efficient they are in utilizing the resources, competitiveness and management of their external environment (Chong, 2008).

Neely (2005) states that firm performance has several dimensions that are measured using various dimensions in the literature. These include quality, human resources, delivery speed, delivery reliability, price (cost), customer satisfaction and flexibility, as the important dimensions of performance. However, time, quality and flexibility are normally used in measuring firm performance (Neely, 2005). Finance, such as price and costs, is also considered to be a critical dimension of performance (Otley, 2002). Apart from this, customer satisfaction and human resources are considered crucial measures of firm performance (Clark, 2002). Neely (2005) further argues that measuring these key factors will ensure balanced and multi-dimensional performance that reflects the interest of the stakeholders.

Many studies on firm performance have used several firm resources to investigate factor influencing SMEs' performance. Fornoni *et al.*, (2012) study social capital, mediated by access to resources, comprising access to finance, access to production, access to markets and access to information to performance. They found that the performance of an entrepreneurial venture is influenced by the entrepreneur's access to finance, markets and information. Similarly, in studying SMEs' performance, short-term debt, long-term and total debt has been used (Ahmad *et al.*, 2012). In the same way, Al-Swidi and Mahmood

(2012) moderated the effect of total quality management and EO to study firm performance.

Also, Augustine *et al.* (2012) studied forecasting, planning, controlling, learning, training, IT usage, age, experience and education of the key persons as factors influencing firm performance. Equally, effective entrepreneurship (EO), appropriate human resource management, use of marketing information (MO) and application of information technology (TO) have been used as factors affecting performance of SMEs (Moorthy *et al.*, 2012). In another study, governance mechanisms, such as family ownership, managerial ownership, ownership of block holders, size of the board of directors, independent administrators, duality of leader, age of directors and qualification of the leaders have been used to investigate SMEs' financial performance (Hamad & Karoui, 2011). Similarly, organizational culture mediated by knowledge creation and sharing has been used to measure firm performance (Haque & Anwar, 2012).

Other studies have used EO to investigate firm performance (Fatoki, 2012; Lechner & Gudmundsson, 2012; Mutlu & Aksoy, 2014; Polat & Mutlu, 2012; Tang & Tang, 2012). Likewise, several studies have used MO to examine firm performance (Charles, Joel, & Samwel, 2012; Huhtala, Sihvonen, Frösén, Jaakkola, & Tikkanen, 2014; Polat & Mutlu, 2012; Suliyanto & Rahab, 2012; Wang *et al.*, 2012). Other studies have considered LO as a variable that improves firm performance (Farrell *et al.*, 2008; Hakala, 2013; Martinette & Obenchain-Leeson, 2012; Mavondo *et al.*, 2005; Nybakk, 2012; Suliyanto & Rahab,

2012). Finally, several studies have used TO to investigate firm performance (Hakala & Kohtamaki, 2011; Hortinha, Lages, & Lages, 2011; Voss & Voss, 2000).

Based on these several definitions of firm performance, this study defines SMEs' performance as the ability of the SMEs to effectively and efficiently utilize the available resources in order to survive, satisfy customers and contribute to the creation of employment.

2.2.1 Main Problems Facing SMEs Performance in Nigeria

In Nigeria, the most important factors that affect SMEs directly or indirectly, include access to finance, entrepreneurial skill, marketing management, taxation and regulations, lack of product patents and obsolete technology (CBN, 2003). Ndumanya (2013) states that problems facing SMEs in Nigeria include lack of financial support, lack of infrastructure, inflow of foreign goods and services and failure of enterprises to innovate due to lack of new technologies.

The main challenges and constraints confronting the operations of SMEs in Nigeria have been ranked in order of seriousness, such as lack of access to finance, uncomplimentary conditions, weak infrastructure, inconsistency of government policies, lack of work space and multiple taxation (SMEDAN, 2012). Lack of short, medium and long-term capital, inadequate access to financial resources and credit facilities affect the performance of SMEs. While literature has established a positive impact of financial resources on SMEs' performance, this factor remain the main constraint that affects the

growth and development of SMEs in Nigeria (Nelvin *et al.*, 2013). In lower middle income countries in Africa, SMEs rated access to finance as one of the major problems hindering the development of SMEs. About 53% of SMEs in Nigeria rated access to finance as one of their major constraints and about 93% have to use internal finances (EnterpriseSurveys, 2007). Additionally, SMEDAN (2012) reports an increase of about 84.2 % of SMEs in Nigeria identifying lack of access to finance as a major constraint.

According to SMEDAN (2012), access to financial resources is among the lingering problems of SMEs in Nigeria. Financial institutions tend to be unenthusiastic in providing SMEs with credit facilities at affordable financing cost. Several reasons are responsible for this, from lack of cash flow, inadequately prepared project proposals, incomplete financial documentation, inadequate collateral, and failure to raise the required equity contribution by the SMEs. Due to information asymmetry, several financial institutions consider SMEs as risky ventures. Other factors include lack of a succession plan in the event of death and unfavorable business environment which make it very difficult for the ventures to make profits. Therefore, the only option for the SMEs is to use internal funds and funds from family members and friends.

Business environmental factors also affect performance of SMEs. Unfavorable business environment related to lack of infrastructure and harsh markets constitute other main problems for SMEs in Nigeria. Lack of provision of essential services, such as electricity, access to roads and water supply are the greatest constraints to SMEs' development. Most SMEs in Nigeria choose to use things like generators for electricity that result in huge

business costs. Insufficient demand for the products of the SMEs because of the inflow of foreign goods and services also constitutes another constraint on their growth. The problem of quality of the products and low purchasing ability of the target markets due the economic conditions, have an effect on the SMEs' development in Nigeria (SMEDAN, 2012).

Many SMEs in Nigeria do not have the managerial skills and relevant educational background to manage their businesses. These affect their ability to do effective control and planning. Some SME owners use the loans obtained for the business for personal use. SMEs' productivity, expansion and competitiveness are also affected by the inability of the SMEs to employ skilled labor due the concept of semi-skilled and unskilled labor being cheaper (CBN, 2003). The inconsistency and poor implementation of government policies are some other issues that affect the SMEs in Nigeria. Most of the policies have resulted in confusion and affect the confidence of SMEs on the government's capacity to encourage SMEs (SMEDAN, 2012).

2.3 Strategic Orientation

Building effective strategies is central to any firm as it enables it to achieve and maintain a competitive advantage. Hence, in order to survive, firms require a combination of various strategies that are appropriate for rapid environmental changes. In the literature on strategy, researchers have used various variables to represent a firm's strategic activities that are referred to as strategic orientations (Weinzimmer, Robin, & Michel, 2012).

For instance, some have used prospectors, defenders, analyzers and reactors (Aragon Sanchez & Sanchez Marín, 2005; Laforet, 2009); progressive decision making, social responsibility, organicity (Goll & Sambharya, 1995); customer orientation, competitor orientation, TO (Gao *et al.*, 2007; Gatignon & Xuereb, 1997; Voss & Voss, 2000); aggressiveness, analysis, defensiveness, futurity, proactiveness, riskiness (Morgan & Strong, 2003; Venkatraman, 1989); TO, EO, MO, LO (Hakala, 2011); EO, TO, LO, customer orientation (Hakala & Kohtamaki, 2011); MO, EO, TO (Zhou, Kin, & Tse, 2005); MO, TO, EO, networking orientation (Mu & Di Benedetto, 2011); and intelligence generation, intelligence dissemination, responsiveness to intelligence (Zhou, Gao, Yang, & Zhou, 2005).

However, there is no precise definition of strategic orientations, as several authors have attributed different meanings to the concept. Strategic orientations are organizational culture and complex abilities that can lead to better performance (Zhou *et al.*, 2005). Strategic orientations refer to how business firm responds to environmental influences (Manu & Sriram, 1996). Strategic orientations refer to the organizational beliefs, values and principles that guide the managerial activities, as well as the resource utilization of the firm (Noble *et al.*, 2002).

Similarly, Gatignon and Xuereb (1997) conceptualize strategic orientations as the strategic activities carried out by the firm to develop and improve firm activities for superior performance. Li (2005) states that strategic orientations are organizational cultures and beliefs that can have an influence on the behavior and activities of top

managers of the business firm. Thus, it has influence on the managerial activities and resource allocation for building networks to achieve long-term success. Strategic orientations are organizational cultures representing intangible resources for the firms (Barney, 1991). Therefore, the interplay between different strategic orientations may provide firms with competitive advantages which can lead to better performance (Hult, Ketchen, & Slater, 2005).

Strategic orientations are organizational decisions in terms of achieving a balance between the needs of the firm and consumers' needs. In other words, it has to do with taking proactive action aimed at market needs and rivals' actions, by understanding the environment and providing superior value to the market (Aragon Sanchez & Sanchez Marín, 2005). Strategic orientations refer to the broad guidelines for the strategy of firms and ensuring the strategic plans are implemented (Slater, Olson, & Hult, 2006).

A number of studies have shown that EO, MO, LO and TO are the most important organizational cultures that can give firms a competitive advantage and lead to better performance (Grawe *et al.*, 2009; Hult, Hurley, & Knight, 2004; Mu & Di Benedetto, 2011; Noble *et al.*, 2002; Salavou, 2010). For instance, exponents of EO suggest that firms promoting entrepreneurial activities are better able to make their operations fit in a dynamic business environment which will have a positive effect on firm performance (Covin, Green, & Slevin, 2006; Mu & Di Benedetto, 2011; Rauch *et al.*, 2009; Wiklund & Shepherd, 2005). Literature on marketing suggests that the concept of MO is of great importance in affecting the culture of the organization and creating a behavior that will

provide the firm with a sustained competitive advantage (Grawe *et al.*, 2009; Hult *et al.*, 2004; Noble *et al.*, 2002). Furthermore, it has been argued that due to the dynamic nature of the business environment, ability to learn more quickly than competitors may be the only source of sustainable competitive advantage. This indicates the importance of LO in developing new knowledge and transferring information into knowledge (Eris & Ozmen, 2012; Hult *et al.*, 2004; Mahmoud & Yusif, 2012). The importance of technology and innovation in business cannot be over-emphasized, firms that are technologically oriented will have long-term success as they create and utilize new technological solutions, products and services (Hakala & Kohtamaki, 2011; Mu & Di Benedetto, 2011; Salavou, 2010).

Despite the notable importance of strategic orientations, prior studies have only investigated the effect of a single (Frank *et al.*, 2010; Mahmoud, 2011; Su *et al.*, 2011); or a combination of some strategic orientations (Mahmoud & Yusif, 2012; Wang *et al.*, 2012; Zhao *et al.*, 2011). There is limited empirical evidence investigating the effects using the combination of these critical strategic orientations simultaneously.

2.4 Entrepreneurial Orientation (EO)

Research in the past has recognized the relevance of EO to the performance of the firm (Zahra & Covin, 1995). The most widely used meaning of EO is focused around the work of Miller (1983), advanced further by Covin and Slevin (1989) and numerous others, and later enhanced by Lumpkin and Dess (1996). This definition has been used within many

studies centering on entrepreneurship, strategic management and marketing (George & Marino, 2011).

EO is defined as firms' activity that is represented by the behavior of taking risk, being innovative and proactive (Covin & Slevin, 1991). Therefore, EO is referred to as the combination of a firm's innovativeness, proactiveness, and risk taking. Collectively, these measurements of EO signify the behavior of the firm with respect to competition, technology and business activities (Miller, 1983). In other words, EO indicates whether business firms take decisions that are risky, proactive and innovative in achieving its objectives (Covin & Slevin, 1989). Notably, EO focuses on the ability of the firm to improve, study entrepreneurial risks and take more proactive and aggressive decisions to open doors to new markets than competitors.

Hence, it has a paramount importance for both the survival of business firms and their performance (Polat & Mutlu, 2012). In addition, risk taking, innovativeness and proactiveness have been argued in several EO literature as the very important factors for firms' performance (Al-Swidi & Mahmood, 2012). Similarly, EO can be seen as a particular way by which firms relate to opportunities and activities that lead to new business opportunities (Lumpkin & Dess, 1996). Additionally, EO is one of the important resources that influences firm performance (Lumpkin & Dess, 2001). EO involves the process, actions and intentions of the entrepreneurs or managers in creating opportunities and promoting their businesses. These processes, actions and intentions include risk taking behavior, ability to act autonomously and proactively, in innovative and

aggressive ways towards competitors (Lumpkin & Dess, 2001). Thus, these processes and activities of EO are useful in characterizing and distinguishing essential entrepreneurial processes.

As a result, EO refers to the firm's ability to take risky exercises, be more proactive in taking actions and decisions, innovate and exploit new opportunities and compete more aggressively. As such, EO can simply be defined as the strategic orientations that business firms exhibit when exploring new market opportunities (Lumpkin & Dess, 2001). In line with this argument, Lechner and Gudmundsson (2012) define EO as the process, behavior and structure of business firms. According to Wiklund and Shepherd (2005), EO is a firm's strategic ability to capture specific aspects of decision-making, methods and business practices. Firms with sound EO can have the ability to discover and use new market opportunities.

Several researchers have agreed that there are two perspectives of EO. Firstly, Covin and Slevin (1989) and Miller (1983) view EO as a one dimensional composite construct, which is represented by the firm's abilities to take risks, be innovative and proactive. Similarly, Chadwick, Barnett and Dwyer (2004) argue that firms that simultaneously exhibit pretty high levels of risk-taking and innovative and proactive behaviors have entrepreneurial strategic postures. Miller (1983) argues that these three components comprise a basic one-dimensional EO of the firm. Therefore, several studies conducted on firm performance have used EO that contains these three elements which are perceived as a composite construct (Cruz & Nordqvist, 2010; Fatoki, 2012; Frank *et al.*,

2010; Stam & Elfring, 2008; Weismeier-Sammer, 2011). Secondly, EO is viewed as a multidimensional construct, in which risk taking, innovativeness, proactiveness, competitive aggressiveness and autonomy are treated independently as EO dimensions (Lumpkin & Dess, 1996; Lyon, Lumpkin, & Dess, 2000). They further agree that competitive aggressiveness and autonomy are two additional dimensions of EO that can change independently of each other. In their studies, they show how one or several EO dimensions vary from each other.

Similarly, it is affirmed that EO consists of five essential elements which include risk taking, innovativeness, proactiveness, competitive aggressiveness and autonomy and the degree of the relationship with firm performance may vary (Hughes & Morgan, 2007). For instance, this can also be seen in a study of Fairoz *et al.* (2010) who found that only innovativeness and proactiveness show positive relationship with firm performance. It is also confirmed in Lechner and Gudmundsson (2012) study that EO dimensions behave differently in relation to performance.

2.4.1 Risk-taking

Risk taking signifies the ability of the firm to make substantial financial resource commitments with the objective of realizing high profits via market opportunities (Lumpkin & Dess, 1996). It also refers to the tendency of the business firm to choose high risk alternatives in order to achieve the firm's objectives (Lumpkin & Dess, 2001). In other words, the level of resources committed to insecure investments is characterized by risk taking behavior of the owner-manager (Arzubiaga, Iturralde, & Maseda, 2012).

Risk taking is the ability of a business firm to borrow heavily and invest in opportunities with high returns and high risk explored markets (Lyon *et al.*, 2000).

Risk taking refers to the tendency of business firm to borrow enormous financial resources and invest in high-risk-high-return business projects with careful actions in order to achieve the firm's objectives (Miller, 1983). By the same token, Covin and Miller (2014) refer to risk taking as high financial leverage. Owners-managers of firms must come up with business proposals that will attract more returns even though they will be riskier, incur huge debts and commit substantial resources to business opportunities for proposals that will give high returns (Certo, Moss, & Short, 2009).

2.4.2 Innovativeness

For a business firm to be innovative, it must support new ideas, originality, experimentation and creative response to situations that will result in new products and new ways of doing things (Lumpkin & Dess, 1996). Whereas innovativeness is the ability of the firm to come up with new products and ideas, the strength of this ability is usually measured by the actuality of these ideas as products (Covin & Miller, 2014). As stated by Lyon *et al.* (2000), innovativeness includes ability of a business firm to improve or come up with a new idea, creative processes and new technologies. Similarly, innovativeness is the ability of the firm to provide new and creative ideas on how things are done. Business firms must provide new and improved products and services that can satisfy the needs of their customers. All existing products, services or processes must be combined to venture into unexplored opportunities (Certo *et al.*, 2009).

The concept of innovativeness can be seen as societal progress that can be achieved when there are new and innovative ideas and processes in business activities. The new ideas and processes encourage new products and product improvement that subsequently increase demand in the market. More so, innovativeness encourages differentiation of product, which improves the market position and acceptance of the product more than the competitors (Hughes & Morgan, 2007). Thus, innovativeness can be defined as the process of improving existing skills or processes of skills acquisition, and process of shifting from existing skills to develop new ideas and competencies (Certo *et al.*, 2009).

2.4.3 Proactiveness

According to Covin and Miller (2014), proactiveness is relevant and essential for the concept of EO. Proactiveness is looking into the future based on environmental demand, where firms look out for opportunities and develop new products to gain the advantages of pioneering and leading the competitors (Hughes & Morgan, 2007). It refers to the process by which business firms will take advantage of the first move against its competitors (Lumpkin & Dess, 1996). Forecasting and acting on future wants and needs of customers in the marketplace through the introduction of new products or processes ahead of the competitors, is referred to as proactiveness (Lumpkin & Dess, 2001; Lyon *et al.*, 2000).

Similarly, proactiveness is defined as the ability of a business firm to think ahead of competitors and predict future business firm and customers' needs; make the first move; be a fast follower in new or existing markets; and harness the opportunities in the market.

As the first to move, proactive firms are usually the first to enter new markets; at times, they are fast followers who improve on the first mover market (Certo *et al.*, 2009).

Based on these, in line with the definition by Covin and Slevin (1989) this study defines EO as the entrepreneurial behavior that indicates the extent to which SMEs are entrepreneurial in terms of proactiveness, risk taking and innovativeness.

Several studies have shown that EO is one of the strategic orientations that influences firm performance (Alegre & Chiva, 2009; Al-swidi & Al-hosam, 2012; Awang, Ahmad, Subari, & Said Asghar, 2010; Baker & Sinkula, 2009; Coulthard, 2007; Fatoki, 2012; Frank *et al.*, 2010; Idar & Mahmood, 2011; Li *et al.*, 2009; Long, 2013; Madhoushi *et al.*, 2011; Moorthy *et al.*, 2012; Rauch *et al.*, 2009; Tang & Tang, 2012). Covin and Slevin (1989) argue that SMEs with high EO commonly perform better than those with low EO culture. Slater and Narver (2000) studied 53 single business corporations in three western cities in the USA on the effect of EO and MO on business profitability. The study found that EO has no impact on profitability. In another finding, EO was found to be statistically significant in influencing firm performance (Wiklund & Shepherd, 2005). The study found that EO has a positive influence on small businesses' performance.

The result of a study of 166 sample firms in Northern China indicates positive effect of EO on performance. More importantly, the relationship between EO and performance is more positively significant among state-owned enterprises than among privately-owned enterprises (Tang, Tang, Zhang, & Li, 2007). Similarly, Yang (2008) reports a positive

effect of EO on firm performance, and argues that superior business performance can only be achieved if the firm has transformational leadership style. Another study on the relationship between MO and firm performance with moderating effect of EO among 213 small enterprises, found that the relationship between MO and firm performance is moderated by EO (Li *et al.*, 2008). In addition, in a study using data from 213 medium and large firms in the UK, Wang (2008) found that EO influences firm performance through LO.

In contrast, Stam and Elfring (2008) study on EO and performance of new ventures, shows no significant direct relationship between EO and firm performance. Additionally, in a study of 88 small firms, EO has been found to have no significant relationship with firm performance, whether analyzed directly or simultaneously with MO. Based on this, EO is considered to be a predictor of MO (Baker & Sinkula, 2009). In the same view, the notion of a direct relationship between EO and firm performance seems to be empirically inconclusive. This can be seen in a study by Alegre and Chiva (2009) that found the direct influence of EO over firm performance is not significant.

Additionally, contrary to the study of Wiklund and Shepherd (2005), a replication study by Frank *et al.* (2010) found that EO does not have a substantial effect on firm performance. Also, the study showed a possible adverse effect of EO on performance. In another study of 165 entrepreneurs, the relationship between EO, knowledge creation process and firm performance was examined. The study showed a significant influence of EO on firm performance. However, the impact reduces when knowledge creation process

is included as a mediator. Therefore, EO has influence on firm performance through knowledge creation process (Li *et al.*, 2009). It can be concluded that a better performance can be achieved when EO is supported by appropriate management activities.

This can also be seen in a study on the relationship between EO and entrepreneurial management and their impact on small firm growth. Based on the 221 small manufacturing firms surveyed, the study found that EO affects firm growth better through entrepreneurial management (Gürbüz & Aykol, 2009). Similarly, in a study on the effect of EO on firm performance, Fairoz *et al.* (2010) found out that more than half of the small firms investigated exhibit EO activities. In addition, the study revealed that EO is positively related to market share growth.

Similarly, a study using data from 164 software companies on the interplay between entrepreneurial, technology and customer orientations and firm performance indicates that EO can explain firm performance (Hakala & Kohtamaki, 2010). As a set of resources that support the development of small firms, EO seems to have a predictive value on small firms' growth (Ferreira, Azevedo, & Fernández, 2011). Another study on EO and innovation performance of 164 Iranian SMEs reported a direct and indirect effect of EO on innovation performance (Madhoushi *et al.*, 2011). Similarly, Zainol and Wan Daud (2011) surveyed 162 indigenous (Bumiputera) Malay entrepreneurs and found a significant positive relationship between EO and firm performance. Idar and Mahmood (2011) surveyed 356 small enterprises in Malaysia to examine the relationship between

EO and performance through mediating effect of market orientation. The study found that EO affects firm performance directly and through MO.

On the influence of the mediation variable, Zampetakis *et al.* (2011) indicate that EO affects product performance directly and through access to financial resources. Likewise, Al-swidi and Al-hosam (2012) studied 56 Islamic banks in Yemen to examine the effect of EO on organizational performance and found the importance of EO in enhancing performance because the relationship was found to be significant. In a similar study, EO was found to have positive influence on business performance and network capabilities can improve the relationship. Thus, an increase in network capabilities can result in better contribution of EO to the firm's performance (Zhang & Zhang, 2012).

Another study on the effect of EO on business performance surveyed 114 artisans and the study found a strong positive effect of EO on business performance. The study revealed that all five EO dimensions are significantly and positively related to business performance. This result shows that all the EO dimensions combined into one construct will significantly affect business performance (Boohene, Marfo-Yiadom, & Yeboah, 2012). In a similar finding, Fatoki (2012) reports a significant positive effect of EO on performance of SMEs. However, the results indicate that the relationship is better through access to debt finance. A study of Al-Swidi and Mahmood, (2012) reveals that EO has a positive significant impact on the organization's performance, and organizational culture has no significant moderating effect on the relationship.

Using Structural Equation Modeling (SEM) to analyze 642 firms and examine the relationship between three strategic orientations and firm performance, Long (2013) found a positive relationship between EO and firm performance. Similar empirical findings show that the higher the firm's EO, the more the firm can achieve superior performance (Kraus, 2013; Roxas & Chadee, 2013). According to Laukkanen *et al.* (2013), EO, as one of the strategic orientations, has a positive influence on SMEs' growth both in Hungary and Finland through brand and market performance. An investigation on the relationship between EO and LO indicates that EO has direct effects on both profitability and growth (Hakala, 2013).

Likewise, Brouthers, Nakos and Dimitratos (2014) surveyed US and UK firms, and the findings indicate that SMEs have higher international performance when they have greater EO. Furthermore, the relationship between EO and business performance in Malaysia was found to be positively significant (Aziz, Mahmood, Tajudin, & Abdullah, 2014). The effect of EO on firm performance in Dubai was confirmed to be positively significant, also enterprise resource planning (ERP) was found to partially mediate the relationship (Al-dhaafri & Al-swidi, 2014).

In studying EO and performance, some studies have considered the effect of the individual dimensions as they behave differently, as opined by Lumpkin and Dess (1996). In line with this argument, Lumpkin and Dess (2001) studied the impact of two dimensions of the EO, namely proactiveness and competitive aggressiveness. They argue that these two important dimensions are clear avenues for entrepreneurial success. Using

quantitative method to survey 124 executives from 94 firms, the study found that proactiveness has positive impact on firm performance; while competitive aggressiveness shows poor relationship with firm performance.

Similarly, Loos and Coulthard (2005) stress that EO and all the five dimensions including two by Lumpkin and Dess (1996) impacted on firm performance within the Australian automotive components industry. Likewise, Hughes and Morgan (2007) examine the individual impact of risk-taking, innovativeness, proactiveness, competitive aggressiveness, and autonomy on performance of the firm. The study reveals that proactiveness and innovativeness have a positive relationship with business performance, while risk-taking has a negative relationship.

According to Patel and D'Souza (2009), proactiveness and risk-taking positively influence export performance of SMEs. However, they did not find support for innovativeness as a factor that improves export performance. These findings show that SMEs with proactive culture are better at reducing export weaknesses. Additionally, the study reports no significant relationship between competitive aggressiveness, autonomy and firm performance. In the same vein, Awang *et al.* (2009, 2010) examine the EO dimensions as separate components and the study indicates there is significant differences among all EO dimensions in terms of their influence on the firm's performance. In addition, Fairouz *et al.* (2010) found that all the EO dimensions, namely proactiveness, innovativeness and risk taking are significantly correlated with market share growth. Similar studies on EO, strategy and performance of 117 small firms have shown an effect

of the EO on firm performance. Positive and significant effect has been reported between innovativeness and performance; while risk-taking and competitive aggressiveness are negatively significant. On the other hand, autonomy and proactiveness have no significant effect on performance (Lechner & Gudmundsson, 2012).

A study of logistics firms in Turkey, found proactiveness to be significantly and positively linked to performance; while innovativeness and risk-taking do not significantly influence performance (Polat & Mutlu, 2012). A finding to the contrary indicates innovativeness and proactiveness have positive effects on small business performance but risk-taking has no effect on performance (Soininen, Puumalainen, Sjögrén, & Syrjä, 2012).

A significant positive relationship between EO and corporate performance of service firms has been identified, with a strong support that innovativeness plays an imperative role in influencing firm performance (Kraus, 2013). A high level of EO among owner-managers of manufacturing SMEs of a western province in Sri Lanka has been reported; however, innovativeness shows high influence on business performance (Wijetunge & Pushpakumari, 2014).

Past studies have not only examined the influence of EO dimensions on performance, but also the interaction effect of customer capital on the EO dimensions and performance relationship has been examined (Jalali *et al.*, 2014). The study found that a high customer capital strengthens the relationship between innovativeness, risk-taking and performance;

and weakens the relationship between proactiveness and firm performance. There are evidences suggesting that the dimensions of EO may possess distinct relationships with performance. It can be seen clearly that EO dimensions may behave differently when predicting firm performance.

Contrary to studies that reported a linear relationship between EO and some its dimensions with performance, other studies have reported a non-linear relationship. Some studies have shown that the relationship between EO and firm performance is not so straight forward. For example, a study of 185 enterprises in northern China reports a U-shaped relationship between EO and firm performance. The results shed more light that the EO and firm performance relationship is not necessarily linear but may be curvilinear (Tang *et al.*, 2008).

In addition, Awang *et al.* (2009) report a negative U-shaped curvilinear relationship between risk-taking and performance. However, Tang and Tang (2012) report that the curvilinear relationship between EO and SMEs' performance can be addressed if the relationship is moderated. Their study of 155 SMEs in China show that prospector and analyzer strategies alleviate the curve significantly, while the defender strategy strengthens the curvilinear relationship found in a study by (Tang *et al.*, 2008). This indicates that the relationship remains curvilinear, only that the moderation effect of strategy weakens the inverted U-shaped relationship between EO and performance. Therefore, a moderating variable could address a potential problem of curvilinear relationship between EO and firm performance.

Similarly, Kreiser *et al.* (2013) found out that the influence of innovativeness and proactiveness, on SMEs' performance is positively U-shaped while risk-taking shows a negative U-shaped relationship with SMEs' performance. It can be seen from the discussion overall that many studies report a positive effect of EO and its dimensions on performance and some report otherwise. However, the difference in the outcome is as a result of contextual sensitivity of EO (Coulthard, 2007; Zahra & Covin, 1995).

2.5 Market Orientation (MO)

There are different perspectives to MO, although all the perspectives put the customer at a center stage. The perspectives also recognize the importance of information, functional coordination, responding to customer and protecting stakeholders' interest (Lafferty & Hult, 2001). These MO perspectives include the decision making perspective. Shapiro (1988) argues that MO is a decision making process in a firm with high management commitment to involve all other departments in the firm. It can be viewed from a market intelligence behavior perspective. Kohli and Jaworski (1990) state that MO is a firm activity that focuses on the generation and dissemination of market intelligence and how the departments respond to market intelligence.

Additionally, MO is also seen as the culture of the firm that is most viable and proficient in creating the fundamental behavior for the creation of superior value to customers for continuous higher business performance (Narver & Slater, 1990). Also, Ruekert (1992) stresses that MO is an activity for obtaining information from customers, using the information to develop customer-centered strategies to respond to the customers' needs.

Others view MO from a customer-orientation perspective. Deshpandé, Farley and Webster (1993) state that it refers to the identification of customer needs that go together with the development of products and services. However, there are some essential differences among these perspectives and numerous similarities that reflect what MO is. Based on these perspectives, Lafferty and Hult (2001) synthesized and integrated these perspective into cultural and managerial foci.

In line with these perspectives, several definitions and conceptualizations of MO have been highlighted. For example, MO has been defined as the culture of the firm that creates essential behaviors to deliver value to customers in an efficient and effective manner, so that the firm can realize superior performance. In other words, it is a business culture that produces better performance by the commitment of the business firms in creating superior value for its customers (Slater & Narver, 2000).

According to Kohli, Jaworski and Kumar (1993), MO is organizational response to specific external environmental factors related to its consumers and competitors. Therefore, to respond to environmental changes, business firms need to adopt MO in their firms (Suliyanto & Rahab, 2012). Similarly, MO is seen as a valuable resource that is extremely rare, which cannot be easily copied by competitors, due to the continuous search and learning about customers' needs and strategy of competitors (Didonet, Simmons, Díaz-Villavicencio, & Palmer, 2012). Therefore, knowledge about the market demand and its responses to these market demands in relation to business performance are explained by a firm's MO (Haugland *et al.*, 2007).

Building on the market intelligence perspective, the basic concept of MO includes the generating, disseminating and sharing of information (Jaworski & Kohli, 1993; Kohli *et al.*, 1993; Kohli & Jaworski, 1990). Similarly, MO is viewed as systematic information generation on existing and potential customers and competitors, analyzing the information to understand the market and using the analyzed information to develop strategies (Lafferty & Hult, 2001). It also includes an appropriate response to changes in market needs in order to satisfy stakeholders and customers' needs and other organizational goals (Wang *et al.*, 2012). The success of a business firm depends on its long term commitment to maintaining its relationship with customers and stakeholders through quality services and innovation. Consequently, MO is considered as an important firm resource achieve these long term commitments (Kara *et al.*, 2005).

On the other hand, based on the organizational culture of customer orientation, competitor orientation and inter-functional coordination (Narver & Slater, 1990) develop a measure of MO. This is another way of conceptualizing MO as a culture-oriented based concept which refers to efficient and effective organizational culture in terms of creating superior value for customers (Slater & Narver, 2000).

2.5.1 Customer Orientation

Customer orientation is an important component of MO. It refers to the ability of the business firm to understand the needs of its potential customers in order to provide the customers with continued added value for their products and services (Narver & Slater, 1990). They suggest that firms should try and achieve its objectives by providing

customer satisfaction and consider customers' needs and preferences. Customer orientation is the ability of business firms to understand current and potential needs of their existing and target market (Narver & Slater, 1993). Similarly, Alam (2010) refers to customer orientation as firm ability to understand the needs of their customers, and provide superior value to them.

In the same vein, it is a firm activity that reflects the process of acquiring and disseminating information about customers (Mahmoud & Yusif, 2012). Ruekert (1992) defines customer orientation as the extent to which business firms obtain and use information from their customers and develop a way to meet customer needs by responding quickly. Customer orientation refers to the firm understanding of customer needs. This indicates that satisfying customers' need is important in developing MO strategies (Polat & Mutlu, 2012).

2.5.2 Competitor Orientation

Competitor orientation is an act of understanding the strengths and weaknesses of the key competitors and ability to understand their capabilities and strategies (Narver & Slater, 1990). Slater and Narver (2000) also refer to competitor orientation as the ability to understand the current and future strategies of the competitors in terms of their strengths, weaknesses and capabilities. Thus, business firms can perform better than their competitors by getting information about their competitors and using it across their firm. Additionally, Narver and Slater (1993) state that success of business firms depends on

understanding their capabilities and intentions to satisfy perceived customer needs through several alternative sources.

Competitor orientation stresses the importance of understanding market competitors, such as strategies of both potential and existing rivals in the market (Alam, 2010). Consequently, for a business firm to outperform its rivals, it is very important to know more about competitors, their marketing strategies and their capabilities in the market (Polat & Mutlu, 2012). In addition, Mahmoud and Yusif (2012) opine that competitor orientation implies the ability of the business firms to collect information about their market competitors and spread the information to the relevant users within the firm.

2.5.3 Inter-Functional Coordination

To add value for target customers, it is paramount to coordinate the firm resources. This process is referred to as inter-functional coordination (Narver & Slater, 1990). Inter-functional coordination is the organizational process that involves the integration of all functional units within the firm in order to deliver superior value to customers (Mahmoud & Yusif, 2012). Slater and Narver (2000) opine that inter-functional coordination is an act of achieving firm objectives through coordination of different functional units of the firm by putting aside all functional interests within it.

Business firms must coordinate all their resources and utilize all their functions to create superior value for customers. In other words, business firms need to communicate; share information and resources; and integrate and collaborate the different functional

areas/departments (Narver & Slater, 1993). Inter-functional coordination covers the collective efforts of the various departments of the firm to deliver superior customer value. Thus, inter-functional coordination has an effect on superior customer value provided by the firm as well as its performance. Therefore, firms that coordinate their activities will eventually succeed.

In other words, the inter-functional coordination refers to the strategies used by business firms to utilize their resources among all the functional areas based on the customer information in order to deliver superior customer value (Polat & Mutlu, 2012). Inter-functional coordination is the firm's ability to use its resources strategically among all the organizational functional areas in response to the information about the customers' needs, and sharing the information to improve customers' satisfaction (Alam, 2010).

Thus, this study defines MO as a culture that focuses on discovering and meeting the needs and desires of customers through the activities of customer orientation, competitor orientation and inter-functional coordination.

Generally, MO as the implementation of marketing concept, has gained considerable attention in the firm performance literature (Dauda & Akingbade, 2010). Furthermore, several studies have reported different results on the importance of MO in influencing the performance of business firms and businesses in general (Agarwal, Erramilli, & Dev, 2003; Baker & Sinkula, 2009; Farrell *et al.*, 2008; Haugland *et al.*, 2007; Idar & Mahmood, 2011; Jaworski & Kohli, 1993; Kara *et al.*, 2005; Kropp *et al.*, 2006; Li *et al.*,

2008; Mahmoud & Yusif, 2012; Mahmoud, 2011; Moorthy *et al.*, 2012; Narver & Slater, 1993; Nikoomaram & Ma'atoofi, 2011; Noble *et al.*, 2002; Slater & Narver, 2000).

A significant effect of MO on firm performance is reported in a study on strategic human resource management, MO and firm performance (Harris & Ogbonna, 2001). Farrell and Oczkowski (2002), in a study on MO, LO and superior performance, found that superior performance is significantly affected by a firm's MO. Similarly, Agarwal *et al.* (2003) investigate the relationship between MO and performance and role of innovation in 201 service firms. The study found a significant impact of MO on subjective firm performance. Furthermore, the study reports that a better relationship between MO and objective performance could be achieved through innovation. Additionally, the impact of MO on business performance is better if moderated by a business operation mode (Lee & Tsai, 2005).

Kara *et al.* (2005) report a significant effect between MO and small-sized firm performance. The study concludes that MO is a significant predictor of business performance. However, despite the notable importance of MO in predicting firm performance, Keskin (2006) found no direct influence of MO on firm performance. The study further reports that MO influences performance via LO and innovativeness. Besides, Olavarrieta and Friedmann (2008) found no significant direct influence of MO on overall firm performance. Even though the result shows an expected direct effect sign, they are not statistically significant. Similarly, a study on 744 firms reports that MO has no direct relationship with firm performance (Jiménez-Jimenez *et al.*, 2008).

Contrary findings by Dauda and Akingbade (2010) indicate that small businesses that engage in MO activities recorded a superior performance compared to others that have not applied MO. Furthermore, using data from 53 Malaysian small firms, a study on the relationship between MO and firm performance reports a significant effect of three MO components on performance (Alam, 2010). Similarly, MO and performance relationship was found to be significant in a study of 356 SMEs in Malaysia (Idar & Mahmood, 2011). Likewise, a study on SMEs in Ghana indicates a significant impact of MO on firm performance (Mahmoud, 2011). In the Chinese service industry, 588 hotels were surveyed and firm performance was found to be positively affected by MO. However, the study reveals that relationship is better through total quality management and external environmental factors strengthen the relationship (Wang *et al.*, 2012).

While significant positive influences of MO have been reported, Suliyanto and Rahab (2012), in a study of 150 SMEs, found no significant direct impact of MO on firm performance. Similarly, Polat and Mutlu (2012) report no significant relationship between MO and firm performance. Specifically, competitor orientation and inter-functional coordination have no influence on firm performance, while customer orientation is found to influence firm performance negatively. Equally, an investigation on the effect of knowledge management, strategic orientation measured by MO on innovativeness and firm performance found no contribution of MO as a dimension of strategic orientation to firm performance (Ferraresi *et al.*, 2012).

However, some studies report a significant positive effect of MO on firm performance; for instance, MO has been found to be a significant determinant of firm performance in Vietnam (Long, 2013). Similarly, Laukkanen *et al.* (2013) report that in Finland and Hungary, MO influences firm growth through branding and market performance. In addition, there is a positive and significant relationship between customer orientation and inter-functional coordination and firm performance and competitor orientation has no significant effect (Alizadeh *et al.*, 2013).

Despite a notable influence of MO on overall firm performance, some past studies have reported different results on the effect of MO on either subjective or objective performance (Farrell *et al.*, 2008; Jaworski & Kohli, 1993; Mavondo *et al.*, 2005; Slater & Narver, 2000). For instance, in a study of two national samples, Jaworski and Kohli (1993) suggest that MO influences only subjective firm performance. The study reports that MO is not related to objective firm performance.

In contrast, despite a relative small sample used in the study of business corporations in three western cities in USA on the effect of MO on firm profitability. The study reveals that relationship between MO and business profitability is positive (Slater & Narver, 2000). Similarly, Mavondo *et al.* (2005) report that MO influences only financial performance. In comparison, a study on MO and performance in the service industry by Haugland *et al.* (2007) report a modest effect of MO on relative productivity and no effect on return on assets. Therefore, the study concludes that MO has effect on subjective performance alone. Similarly, Farrell *et al.* (2008) report a non-significant

impact of MO on return on investment although it reported a significant influence on other performance measures.

Baker and Sinkula (2009) report a significant positive relationship between MO and firm profitability. In the same vein, in a study of small firms and objective performance, MO has been found to be significant and positive predictor of firm financial performance (Nikoomaram & Ma'atoofi, 2011). Similarly, in studying MO and small businesses' financial performance, a positive relationship between MO and financial performance of small businesses has been reported (Boohene, Agyapong, & Asomaning, 2012).

In examining the impact of the adoption of MO and LO on non-profit organizations' performance, Mahmoud and Yusif (2012) found a significant positive effect of MO on both economic and non-economic performance. Consequently, based on these empirical findings, it can be concluded that the effect of MO on firm performance varies depending on the performance measure adopted in the study.

Past studies have shown the contextual nature of strategic orientation, such as MO. For instance, MO and firm performance relationship has been found to be not positively significant, the relationship becomes significant when moderated by technological capability (Hsu, Tsai, Hsieh, & Wang, 2014). Hence, the link between MO and performance has been conclusively argued to be based on the number of contextual factors such as cultural differences, market size and economic development (Ellis, 2006). Additionally, Diamantopoulos and Hart (1993) stress the contextual nature of MO and

firm performance relationship. This can also be seen in the study of Jaworski and Kohli (1993) who argue that relationship between MO and firm performance is better moderated by the environment.

2.6 Learning Orientation (LO)

The concept of LO has become an interesting area of study in management and strategic management literature, more specifically in relation to competitive advantage that enhances firm performance. Although the concept can be found in several areas of research, including psychology, sociology and education, LO has become one of the principal strategic orientations in strategic management (Mavondo *et al.*, 2005). Slater and Narver (1995) argue that due to the inability of MO to predict firm performance, business firms need to be learning oriented if they want to be successful in the long-run. Similar to this argument, Farrell (2000) states that there is a need for business firms to facilitate learning in their firms. This is because LO is a source of competitive advantage. However, Slater and Narver (1995) contend that market-oriented firms must develop LO culture in order to face competition effectively.

According to Baker and Sinkula (1999), LO is the key to firm performance, and is a set of organizational behavior that affects how business firms learn from their business environment and respond to the needs of the environment. In the same vein, LO is a firm valuable resource that influences the tendency of the firm to create and use knowledge (Farrell & Mavondo, 2004). Lee and Tsai (2005) argue LO is an instrument that affects firm's ability to learn and change from the old way of doing things to new techniques and

methods. In other words, LO is development or acquisition of insight or new knowledge that will have an impact on how things are done. These processes include the utilization of knowledge through its acquisition, enhancement and transfer (Ratten, 2008). Additionally, LO represents a fundamental element of learning in the firm. Therefore, the approach towards learning and the degree to which firm values learning for benefits in the long-run is referred to as LO (Ratten, 2008).

In the same view, LO is a process of understanding market or technology with the aim of achieving firm performance through turning opportunities into actions. It is therefore, an act of influencing behavior through knowledge development or knowledge acquiring process (Hakala, 2011). In addition, LO relates to the creation of knowledge, arranging the activities of the firm and members' responsibilities that may support the activities of the firm to achieve firm performance (Hakala, 2013). This is in line with the argument of Slater and Narver (1995) that LO is a process of acquiring knowledge, skills and abilities, which will enable the firm to have an edge over and above its competitors. Therefore, it is necessary for business firms to be learning oriented if they want to compete in the long-term and be successful in their business.

Due to the importance of LO in achieving competitive advantage, it has been considered by many as the capacity to learn faster than competitors and as the only way to achieve competitive advantage (Brockman & Morgan, 2003). Idowu (2013) opines that firms with high levels of LO are expected to have a high level of innovation and higher financial performance. In other words, the ability of business firms to create new

knowledge, and effectively spread it through the firm, influences performance. As a result, LO is an additional vital strategic orientation used to study firm performance (Keskin, 2006).

Sinkula *et al.* (1997) define LO as a firm's inclination to knowledge creation and utilization with the aim of achieving competitive advantage. Similarly, Baker and Sinkula (2002) view LO as a firm's ability to change how the firms should be managed with modern technologies and strategies and it challenges old assumptions about the customer and the market at large. Therefore, LO enables business firms in emerging markets to access management and technical capabilities needed to compete globally, so that they can respond to market demand and other environmental changes more promptly than competitors (Keskin, 2006; Slater & Narver, 1995).

As risks and uncertainties are inevitable in business, business firms can only reduce it but not eliminate it. Therefore, to successfully minimize risk and uncertainties as well as maximize business opportunities, firms must improve their learning culture, exploit their existing knowledge and acquire new ones (Zhao *et al.*, 2011). Additionally, LO provides enhancement of knowledge that will allow firms to address issues related to the business environment (Tajeddini, 2009). LO has been given great attention due to its substantial capability to understand the dynamic nature of the business environment (Tajeddini, 2011).

Past studies have been using LO and organizational learning interchangeably. However, Mavondo *et al.* (2005) provide a distinction between the two. The latter refers to staff training on several knowledge instruments and skills; while the former has to do with the tendency of the firm to learn from experience and adapt to the situation. Therefore, the adaptation and change aspects of LO make it wider in concept than organizational learning. According to Sinkula *et al.* (1997), LO has three important interrelated elements: commitment to learning; open-mindedness; and shared vision. Therefore, to benefit from LO, firms must utilize these features of LO (Baker & Sinkula, 2002).

2.6.1 Commitment to Learning

Levitt and March (1988) indicate that the fundamental determinant of a firm's competitive advantage is the ability of the firm and individuals within the firm to learn faster than competitors. Firms are seen as learning entities if they are committed to convert experiences from history into procedures that guide behavior of the firm. It is apparently important to note that commitment to learning is a managerial duty of firm leaders to improve and encourage understanding of its environment over time (Farrell & Mavondo, 2004; Slater & Narver, 1995). Therefore, commitment of the leaders indicates likelihood of learning to occur which will lead to competitive advantage (Sinkula *et al.*, 1997).

Commitment to learning requires firm leaders to encourage knowledge development and reward and support individuals and departments that utilize learning to achieve superior performance. In other words, LO refers to the extent to which firm values that encourage

learning culture are utilized (Keskin, 2006). The level of values attached to the learning culture in the firm, developing the learning culture and ability to think and reason within the firm is explained as commitment to learn (Paparoidamis, 2005).

Also, it refers to the amount of value a firm places on learning in modernizing the firm's assets and abilities based on environmental needs (Wang, 2008). Martinette and Obenchain-Leeson (2012) define commitment to learning as the extent to which firms indicate the significance of understanding the cause and effect of their actions and learn from it. Thus, employees must be encouraged to develop new knowledge, mind-set, and new ideas that will lead them to achieve superior performance (Bennett, 1998).

2.6.2 Open Mindedness

For business firms to be continuously proactive in understanding the activities, operational routines and to accept new ideas, they need to be open minded (Sinkula *et al.*, 1997). To achieve competitive advantage, business firms need to learn from the past, understand the future and develop the ability to change. Business firms must open the doors for new ideas and new markets. On the other hand, open mindedness is closely related to the concept of unlearning, which is the ability to unlearn from existing LO culture. If they lack the ability to keenly unlearn existing knowledge, firms are endangering future abilities of the firm (Farrell & Mavondo, 2004). In a nutshell, open mindedness refers to organizational value that provides the firm with new ideas and market opportunities (Martinette & Obenchain-Leeson, 2012).

Open mindedness produces a willingness to challenge current ways and methods of doing things through quick learning from opportunities from different perspectives and sharing the generated ideas (Cegarra-Navarro & Cepeda-Carrión, 2008). Sinkula *et al.* (1997) define open mindedness as the willingness and ability of a business firm to reflect ideas and thoughts that are new or different from the status quo. According to Ozsahin, Zehir and Acar (2011), firms learn from their success and failures, invariably, this experience affects their future activities and decision making. Hence, open mindedness is connected to the idea of learning from the past experiences (Wang, 2008).

2.6.3 Shared Vision

Shared vision has to do with a firm's understanding of the direction of learning, and the focus of learning to the firm members. It has to do with focusing on the firm's preferred leadership position, to enhance the contribution of all other functions of the firm to the unique capabilities needed to perform (Day, 1994). Similarly, Sinkula *et al.* (1997) state that shared vision has to do with providing guidance that will help the firm to recognize what is needed to be learned. As a result, LO is a firm resource that combines all other resources together to achieve competitive advantage (Slater & Narver, 1995).

Also, Sinkula *et al.* (1997) suggest that generating information and disseminating it to various departments within the firm is the most important element of MO. However, firms may not have knowledge of their customers and environment without LO and may not share this information and how it explains the future of the business (Farrell & Mavondo, 2004). Shared vision also provides business firms with the ability to change

and make appropriate response to the changes in the environment and market at large (Martinette & Obenchain-Leeson, 2012).

Therefore, this study defines LO as the degree to which SMEs learn from experience, support learning culture, and how knowledge is created and used differently from competitors through the activities of commitment to learning, open-mindedness and shared vision.

The inclusion of LO as a firm strategic resource serves as another source of competitive advantage to business firms (Dickson, 1996). Accordingly, Hardley and Mavondo (2000) suggest that LO is the one of the most valuable firm resources for competitive advantage. Additionally, for business firms to achieve competitive advantage, there is a need for LO which will change their employees' attitudes as they struggle to address issues related to competition (Pesämaa, Shoham, Wincent, & Ruvio, 2013). Hence, LO is considered to be crucial for future business success.

On the basis of these arguments, a number of studies on the impact of LO on firm performance has been conducted (Alegre & Chiva, 2009; Baker & Sinkula, 1999; Farrell *et al.*, 2008; Farrell & Mavondo, 2004; Hakala, 2011; Hardley & Mavondo, 2000; Kropp *et al.*, 2006; Lee & Tsai, 2005; Long, 2013; Suliyanto & Rahab, 2012). Farrell (1999) examines the antecedents and consequences of LO, the result shows that there is a positive relationship between LO, organizational commitment and esprit de corps. In a survey of 268 firms, Farrell (2000) found that LO has a stronger significantly positive

effect on business performance. Hardley and Mavondo (2000) report that relationship between LO and firm profitability is not direct but through the mediation effect of customer orientation. Furthermore, the study indicates the importance of learning for firm growth and profitability.

Additionally, another study indicates a significant effect of LO when it relates to performance alone. However, when related to performance with an additional variable, for instance, MO, LO becomes insignificant to the performance (Farrell & Oczkowski, 2002). Using SEM and data from 220 businesses, LO is found to have a negative relationship with operating efficiency and innovation performance. While an indirect relationship was found between LO, marketing effectiveness and financial performance (Mavondo *et al.*, 2005) and innovation performance (Alegre & Chiva, 2009). Likewise, Lee and Tsai (2005) investigate the interrelationships among MO, LO and innovativeness and their effect on firm performance. The study found that LO has a significant effect on business performance. Similarly, a study of 449 entrepreneurs reports that firm performance is positively affected by LO culture of the firm (Kropp *et al.*, 2006).

In trying to find a clear picture of whether businesses should focus more on LO or MO, Farrell *et al.* (2008) found LO significantly influences performance of international joint ventures although MO has more significant influence. Another study examines 213 medium to large firms and the result reveals that LO has a significant effect on performance and mediates the relationship between EO and firm performance (Wang, 2008). Jiménez-Jimenez *et al.* (2008) found that organizational learning has no

significant direct effect on performance. Investigation on the relationships between drivers of innovativeness and the mediation effects of LO reveals that MO and EO significantly affect LO. Also, LO affects innovativeness, and innovativeness influences firm performance. Notably, relationship between MO, EO and innovativeness is mediated by LO (Rhee *et al.*, 2010).

In a study of 607 firms on the effect of EO and experimental and acquisitive learning on firm performance, Zhao *et al.* (2011) report a significant relationship between learning and performance. Another study on the influence of LO dimensions found a significant relationship between three dimensions of LO and small firms' performance (profitability, sales and return on investment) (Nikoomaram & Ma'atoofi, 2011). Similarly, the relationships of three dimensions of LO were found to be significantly related to performance (Ozsahin *et al.*, 2011). In addition, Jiménez-Jiménez and Sanz-Valle (2011) investigate organizational learning process and its effect on innovativeness and performance. The study found that organizational learning has a positive influence on business performance. Also, in studying the market adaptation and LO on 118 non-profit organizations' performance, Mahmoud and Yusif (2012) report a positive significant relationship between LO and non-economic performance. The study also indicates a positive significant relationship between LO and economic performance.

A contrary result was reported by Suliyanto and Rahab (2012), the result indicates that there is no positive effect of LO on firm performance. Similarly, Long (2013) studies the impact of strategic orientations on firm performance, the study found no significant

relationship between LO and firm performance. A result of the structural model from a study of SMEs in Hungary and Finland shows that the relationships between LO and firm performance vary across countries. The results suggest that while the direct relationship between LO and brand performance is positive among Hungarian SMEs, the relationship is negative among Finnish SMEs (Laukkanen *et al.*, 2013). Furthermore, this study indicates the contextual nature of LO in predicting firm performance.

Hakala (2013) examines the mediating role of LO on EO and the software sector's growth and profitability. The study reports that LO has a direct effect on performance, more specifically firm growth and profitability and effect of EO on profitability is mediated by LO behaviors. However, the study indicates that LO does not appear to have a similar effect on growth. Pesämaa *et al.* (2013) examine the moderating role of LO in an integrative model of innovativeness and performance in the service industry. The finding shows LO moderates the impacts of risk-taking, creativity, competitor benchmarking orientation and environmental opportunities on innovativeness. Likewise, the result indicates the moderating role of LO on the relationship between innovativeness and firm performance.

2.7 Technology Orientation

Another important element of strategic orientation is TO. Ettlie, Bridges and O'keefe (1984) suggest that technology in a firm promotes creative effort of the firm. Technology has to do with firm activities and processes related to technological innovations aimed at promoting innovative capabilities (Ettlie *et al.*, 1984). In improving or developing

products, business firms must be proactive in acquiring new technologies and adopt such technologies (Cooper, 1994). According to Anderson and Tushman (1990), technology is a set of developed interdependent systems used by practitioners to achieve business goals. Furthermore, research and development, technological know-how, and technical skills seem to be a nerve centre for innovating better products (Wind & Mahajan, 1997). Technology is one of the important drivers of changes in business firms. Hence, it is a key in studying the business firms' activities (Tushman & Anderson, 1986).

Achieving business goal lies on the ability of the firm to welcome new ideas and quick adaptation of new technologies (Hurley & Hult, 1998). Technological superiority determines the acceptability of the product in the market because consumers prefer quality goods and services. Thus, firms that are committed to research and development, and that employ new technologies will undoubtedly achieve competitive advantage (Voss & Voss, 2000). In addition, the changing nature of the environment makes it very difficult for firms to understand the variations without technological know-how (Tushman & Anderson, 1986).

Therefore, business firms commit their resources to explore new technologies and strategically position technology and innovation as their priorities (Hurley & Hult, 1998). As such, firms that improve their technology have more advantage of coming up with superior products and services, which will distinguish them from their market rivals (Gatignon & Xuereb, 1997). Accordingly, commitment to research and development gives technology-oriented firms the ability to discover new technologies and applications

of the latest technology to satisfy their target market (Gatignon & Xuereb, 1997). Firms that utilize their technological abilities in providing products and services to their target market appear to be more superior in terms of performance compared to their rivals (Song & Parry, 1997). Recently, TO has been focused on in several strategic orientation literature as one of the essential components that contributes to firm value delivery (Gatignon & Xuereb, 1997).

However, TO seem to be a costly resource for a firm. Gatignon and Xuereb (1997) state that TO as business strategy can obtain cost advantages. Thus, TO stresses the need for innovation in the firm that can give advantage of innovation cost. A firm's innovation capability depends on its commitment to TO and applying the concept in the provision of goods and services (Paladino, 2007). Additionally, TO is a process of creating or improving product differentiation and product design more than the competitors (Wind & Mahajan, 1997). In other words, TO is a firm's ability and willingness to develop technological mind-set and utilize it in improving or developing products and services (Gatignon & Xuereb, 1997). It also referred to as the ability of the firm to utilize its technical knowledge to build a new technical solution to satisfy the needs and wants of the market (Gatignon & Xuereb, 1997; Spanjol, Qualls, & Rosa, 2011). Rusetski (2011) conceptualizes TO as the ability and willingness of business firms to obtain technical knowledge and use it to improve product development.

The basic idea of TO is the creation of a technological solution for development of products and services, through which the long-term success of the firm can be sustained.

Business firms can develop products with high technological precision that can give superior technological capability over their competitors (Hakala & Kohtamaki, 2011). TO is a firm's ability and willingness to develop technological mind-set and utilize it in improving or developing products and services (Gatignon & Xuereb, 1997).

According to Zhou, *et al.* (2005), TO leads to incremental innovation or breakthrough innovation. To be specific, firms adopting small and simple changes in TO that will lead to minor and simple changes to their products or services is referred to as incremental innovation. Thus, existing performance will be improved and customers will benefit from the improved products. In contrast, breakthrough innovations are entirely new and unique technologies used in product improvement or development that can easily affect the market.

Additionally, Hakala and Kohtamaki (2010) suggest that entrepreneurial innovativeness is not a synonym of TO. They argue that entrepreneurial innovativeness has to do with firm ability to identify and utilize new business opportunities. On the other hand, TO has to do with a firm's technological ability to adopt new technology as a source of either product improvement or development of product and services. In other words, it refers to innovation ability of the firm in terms of products and services.

Hence, in this study TO is defined as SME's technological ability to adopt new technology as a source of product improvement or development in order to satisfy the target market.

Several studies have been conducted on the contribution of TO to firm performance (Gao *et al.*, 2007; Gatignon & Xuereb, 1997; Hakala & Kohtamaki, 2010, 2011; Hoq, 2009; Hortinha *et al.*, 2011; Mu & Di Benedetto, 2011; Spanjol *et al.*, 2011; Voss & Voss, 2000). Gatignon and Xuereb (1997) report a significant relationship between TO and innovation superiority and firm performance. In contrast, in a study on strategic orientations and firm performance, Voss and Voss (2000) found no significant effect of TO on both subjective and objective performance of a firm. Gao *et al.* (2007) examine the roles of customer orientation, competitor orientation and TO in a transitional economy. The study reveals that TO positively affect firm profitability and product performance with average technological changes, while it has no significant effect on sales growth. However, the study indicates that with little technological turbulence, TO has a negative effect on business performance.

Using TO measures to represent firm innovation, Paladino (2007) reports a significant relationship between TO and overall firm performance. In a similar study on the influence of social capital, MO, EO and TO on firm performance, the study reports positive influence of TO on firm performance (Hoq, 2009). In a study that examined the interplay between EO, TO and customer orientation and company performance of 164 software companies, the results show that TO has no direct significant relationship with performance (Hakala & Kohtamaki, 2010). However, Hakala and Kohtamaki (2011) provides evidence that firms combining several strategic orientations perform better than those focusing solely on single strategic orientation.

A contrary result found that TO has significant positive influence on product performance, particularly in terms of newness of the product to customers (Salavou, 2010). Firms guided by TO can accumulate rich technological knowledge that can improve their adaptive capability. Therefore, firms need to improve their TO as a driver of adaptive capacity (Zhou & Li, 2010). Additionally, a study of four strategic orientations by Mu and Di Benedetto (2011) found TO has a significant effect on product commercialization performance. Similarly, Spanjol *et al.* (2011) report similar findings on the significant positive effect of TO on a firm's product innovation performance.

In contrast, Hortinha *et al.* (2011) study mutual benefits between customer orientation and TO in relation to innovation and export performance and the result shows that TO does not affect performance directly. Contrary to the studies that found insignificant influence of TO, another study investigates the roles of technological capability on the influence of strategic orientation on both market and financial performance of new products. The study found that TO positively affects market performance, but not financial performance (Hsu *et al.*, 2014).

Conclusively, EO has to do with firm behaviour, such as risk taking ability, acting proactively and ability to innovate. On the other hand, MO emphasizes on how firms interact with their customers and market rivals. The LO is the firm ability to earn skills through commitment to learning, unlearning efforts to transpire, sharing and transferring knowledge. Firms need to put so much commitment in research and development to obtain new technologies and new ideas. Therefore, TO is simply the technological ability

of the firm in terms of new technology and innovation capability to produce, improve or develop products and services. All these strategic orientations are organizational culture, principles and/or mechanisms used by firms to achieve competitive advantage, which will lead to better performance of the firm (Hakala, 2011).

2.8 Access to Finance

Of late, there is emerging acknowledgement that a better access to finance for SMEs can improve their performance, and in turn lead to private and socioeconomic benefits for the nation's economy (Kumar, 2005). Hence, access to critical resources, such as finance, is among the significant and important factors that encourages SMEs' business activities in any economy (Kelley, Singer, & Herrington, 2012; Xavier *et al.*, 2013). Availability of financing can affect the performance of SMEs either positively or negatively. According to Margaritis and Psillaki (2010), superior firm performance is influenced by high level of leverage. On the other hand, high indebtedness can lead to a product market's underperformance (Campello, 2006).

Measures of access to financial resources can be seen from two perspectives, either from providers of financial resources or from users of financial resources perspective. Kumar (2005) identifies three major elements for measuring access to financial resources. Firstly, the institutional dimension that measures the degree of modern financial services, with the understanding of the actual idea of reliability, objective efficiency, standard terms and conditions of financial service provisions and close observation. Secondly, the functional dimension which refers to non-collective financial service available for a

particular sector or user. It focuses on the ability and willingness of the provider to provide specific financial services. Thirdly, the product dimension which measures the rate at which basic financial services are available, it is a deeper measure of the levels of financial service.

In addition, Dong and Chao (2014) affirm that accessibility of information on credit, economic development and the institutional setting affect the availability of financial resources of younger and small firms in the non-manufacturing sector. Interestingly, Chauffour and Farole (2009) propose that without having sufficient funds and the capacity to get financing, SMEs would be to a great extent, restricted in their business activities. Theoretically and empirically, a firm's access to financing can be from internal or external sources of finance or both (Harris & Raviv, 1991). However, Krishnan *et al.* (2013) report comparable findings that getting both internal and external financing fundamentally influences firm performance. Notwithstanding, the fact that the effect of internal financing declines with an increase in the firm's access to external financing (Rahaman, 2011).

Both researchers and practitioners have an extraordinary enthusiasm on the SMEs' access to internal and external finance. There is considerable confirmation to support the argument that SMEs, specifically, confront various hindrances and issues in obtaining financial resources (Cassar & Holmes, 2003). Likewise, evidence shows that one of the significant causes for SMEs' feeble development is the absence of financial access (Amorós & Bosma, 2014; Rogerson, 2008). Access to finance is fundamental to the

operation of the SMEs in a variety of ways, Kyophilavong (2011) confirms that access to finance is among the top obstacles to running SMEs compared to the cost of the finance. Similarly, without sufficient access to finance, SMEs' performance will be extremely difficult to achieve such as growth, employment generation, profitability, export performance, efficiency, productivity and returns (Harvie, Oum, & Narjoko, 2011).

It has been contended that most SMEs in developing economies are restricted in accessing finances, which invariably affects their growth and development (United Nations Industrial Development Organization [UNIDO], 2007). Therefore, inability of SMEs to access finance can be a restriction for their development. Although the uncertainties associated with SMEs contribute to the difficulty for lenders to assess the risk of the investment (Dobbs & Hamilton, 2007). Beck & Demirguc-Kunt (2006) further explain that the financial insufficiencies problem might prevent SMEs from growing and achieving their best performance. It also explains the inability of SMEs to influence economic development. Consequently, most of the SMEs rate access to finance as their major constraint to achieve superior performance (Bouri *et al.*, 2011).

However, others opine that SMEs' lack of access to finance is related to SMEs' peculiar characteristics, operations and strategic activities (Mazanai & Fatoki, 2012). Access to financial resources determines SMEs' success all through the diverse stages of their development. In that capacity, if a business has insufficient financial assets, it is more difficult for the enterprise to enter the market. Therefore, in these circumstances, picking up an aggressive position and getting target customers may be more of a chance than a

venture with accessible financial capital. In a more established stage, getting sufficient financial resources is determined by the firm's peculiar characteristics, processes and strategic activities which further affect the development of the firm (Steinerowska-streb & Steiner, 2014). On these grounds, issues identified on raising financing, is severe in SMEs due their nature of business operations and strategies, hence leading to numerous failures in SMEs.

The financial deficiencies may vary with country factors. Nonetheless, both in the developing and developed countries, SMEs have been found to have less access to finance which constrains their operations and growth (Schiantarelli & Jaramillo, 2002). Hence, countries throughout the world adopt all sorts of policies and mechanisms to support the development of SMEs, for example, tax cuts, loans and credit from government and financial institutions to support SMEs' funding and growth (SMEDAN, 2012).

In Nigeria, which is a developing nation, SMEs' access to resources related to financial assets is truly constrained. According to Mohammed and Obeleagu-nzelibe (2014), access to financing and concessional taxation have been found to be major causes for SMEs failures in Nigeria. In a nutshell, access to finance is one of the critical issues responsible for gross low performance of SMEs in Nigeria (SMEDAN, 2012). Firstly, SMEs in Nigeria typically do not have sufficient information with regards to accessibility of financial alternatives that could be harnessed. Secondly, the intricate, formalized and high administrative procedures demoralize SME owners to utilize external financing.

Thirdly, and above all, SMEs activities, operations and strategies are not adapted towards enhancing their sales volume and profit which affect the external financiers' decisions. From this viewpoint, the restriction of their strategic orientation leads Nigerian SMEs to find it very hard to have enough cash flow, make sound investments and business growth strategies which could persuade external financiers to provide finances.

Looking at the importance of access to finance several definitions were set forth in the literature. Kelley *et al.* (2012) state that access to financial resources refers to the availability of financial capital and other financial services to SMEs. Similarly, Bouri *et al.* (2011) define access to finance as the availability of financial resources (internal, debt and equity) for SMEs. It also refers to financial services provided by financial institutions (SMEDAN, 2012). Access to financing refers to the difference between SMEs' demand for financial resources and supply of the necessary financial resources (Mazanai & Fatoki, 2012). In a wider definition, access to finance can be defined as the lack of financial and non-financial barriers in accessing financial resources and services. In other words, it is the extent to which financial resources and services are available to users at reasonable cost of capital (Ganbold, 2008).

Thus, this study conceptualizes access to finance as the possibility of the SME to obtain financial resources (internal and external) with minimal or absence of financial and non-financial barriers.

Several studies have shown that a firm's superior performance is attributed to the ability of the firm to access required financial capital (Ayyagari, Demirgu-Kunt, & Maksimovic, 2008; Batra *et al.*, 2003; Frank *et al.*, 2010; Kyophilavong, 2011; Wiklund & Shepherd, 2005). Batra *et al.* (2003) note that access to finance enhances a firm's growth and development. Thus, access to financial facilities will certainly have a positive impact on overall economic performance. Gabrielsson, Sasi and Darling (2004) study the finance strategies of rapidly-growing Finnish Born Globals SMEs, the results prove that Born Globals perform better due to their greater access to financial resources.

The contingency and configuration study of Wiklund and Shepherd (2005) report that access to capital is essential to small businesses' performance. While the two-way interaction reports that access to finance does not moderate the EO and firm performance relationship. However, small businesses perform better when they have access to finance. Ayyagari, Beck and Demirguc-Kunt (2007) uphold that those firms perform better when cost of entry is low and credit information is available. In addition, Ayyagari *et al.* (2008) affirm that lack of financial resources is among the three true constraints that have a negative effect on firm growth directly. It means lack of financial resources decreases firm performance.

Access to financing is found to have a positive effect on firm performance of both privatized and publicly-owned industries (Knyazeva, Knyazeva, & Stiglitz, 2009). In a replicative study, Frank *et al.* (2010) confirm that access to finance influences the relationship between EO and firm performance. Shariff and Peou (2008) study the effect

of entrepreneurial values, firm financing, management and the performance of SMEs in Cambodia. The result shows that firm performance is not influenced by firm financing. Likewise, Shariff, Peou and Ali (2010) report that relationship between firm financing and SMEs' performance is not significant.

A study on financing options available to Nigerian SMEs and their contribution to economic growth, reports that SMEs' financing and firm growth have a significantly positive relationship (Akingunola, 2011). Similarly, Mazanai and Fatoki (2012) reveal that accessing finance has a direct relationship with SMEs' performance. Thus, the lack of finance disrupts the realization of the SMEs' full potential as economic drivers. Kyophilavong (2011) supports that access to finance might increase SMEs' performance. Moreover, superior firm productivity and performance are directly and positively related to high access to finance (Demir & Caglayan, 2012).

SMEs' performance study by Turyahebwa, Sunday and Ssekajugo (2013) has reached the same conclusion that there is a positive and significant link between firm financing and business performance. According to Ayyagari, Demirgu-Kunt and Maksimovic (2010), access to formal financing significantly enhances firm performance. However, raising financial capital from other channels is not, hence, firms with formal financing are associated with faster growth. Privately owned firms that are having difficulty in accessing formal finances are likely to depend on informal financing.

Informal financing can diminish the strain of cash flow; however, it cannot tackle the financing difficulty. Zhang (2009) contends that informal finance has relative focal point in SMEs' financing, primarily on information cost, negotiation cost, regulation cost, etc. He further argues that firms can carry out a particular economic activity more efficiently than other activities, as the size of internal financing increases. Similarly, Su and Sun (2011) found that firm performance is influenced by informal finance and trade credit. Specifically, trade credit is more viable in wholesale and trading business firms, while informal financing is more imperative to manufacturing firms. Convincingly, there is a balance between informal finance and formal finance as they are complementing each other, particularly in developing countries (Mauri, 2005). These indicate that access to finances, whether formal or informal, determines the performance of SMEs since they finance their operations from both sources.

Regardless of the fact that lack of getting finance by SMEs is a deterrent to entrepreneurial headway, perhaps SMEs need to connect this stress with the improvement of business activities (Kelley *et al.*, 2012). Improving strategic activities may play a paramount role in improving the internal financial capacity, hence it can reduce the external financing imperatives (Rahaman, 2011). Even during the financial crisis, the impacts of financing on SMEs performance was constrained by the unavailability of the cash flows which improve the accessibility of bank debt (Huang, Kabir, & Zubair, 2014). Hence, successful business activities will positively affect the firms' financial access in the future, although it might not be the case in the short-term (Aktan & Bulut, 2008).

In addition, Chen and Chen (2011) contend that SMEs have deficiencies with regards to accessing financial capital because of their strategic activities, which in turn affect the development of their business operations. According to Fonseka *et al.* (2013), the reason firms are different in terms of their accessibility to finance is because they adopt different strategic orientations. Subsequently, Ganbold (2008) points out that firms' failure to utilize principles that will direct and influence viable behaviors and activities, is a significant reason impeding SMEs to get required financial resources. Specifically, poor strategic action in SMEs is one of the primary reasons that SMEs could not access finance. Thus, a firm's strategic activities that will magnify cash flows, sales volume and profit, could increase the availability of financing for firms (Ghimire & Abo, 2013; Pandula, 2011).

SMEs that create effective strategic orientations can make more returns and profits and attract more external finances (Cheng *et al.*, 2014). Likewise, Rahaman (2011) and Tadesse (2014) argue that strategic capability of SMEs is a key component in getting finance as it demonstrates the firm's ability to produce profitable cash flows that will indicate repayment ability. In line with this argument, Steinerowska-streb and Steiner (2014) argue that SMEs' strategic activities are clearly related to the ability to access finance, since potential financial capital suppliers, whether formal or informal, are not likely to be committed to the business which they see as not being profitable (Abor & Quartey, 2010).

There are few studies that show the relationship between the firms' strategic activities and firms' financial availability. However, the first signs of fruitful entrepreneurial achievements may be acquired from the target market; for instance, high sales volume and customer base. This can be achieved by taking aggressive position in the market as the results of good strategic orientation (Hayton, 2005). Alavera, Xiong and Xiong (2010) examine the effect of social capital on financial obstacles confronted by entrepreneurs using a pooled data 270 SMEs. The result shows that business affiliations expand the likelihood of having a financial credit.

Achleitner, Braun and Kohn (2011) found that the extent of financing and the choice of capital sources are both driven by a multitude of a firm's strategic abilities. This can be seen in a study of Zampetakis *et al.* (2011) that EO influences access to finance. Access to debt financing in SMEs is influenced by a firm's location, industry, size, business information, age, incorporation and collateral (Kira & He, 2012; Kira, 2013). In a similar finding, corporate social responsibility performance faces fundamentally lower capital requirements. However, evidence shows that good stakeholder engagement and transparency improve access to finance (Cheng *et al.*, 2014). Kamukama and Natamba (2013) investigated the mediating effect of social capital in the relationship between social intermediation and financial services. The study reports that social intermediation and social capital are good predictors of access to financial services and social capital partially mediates the relationship.

A study on the impact of an entrepreneur's social capital on performance reveals that access to finance mediates the relationship between social capital and firm performance (Fornoni *et al.*, 2012). Fatoki (2012) confirms that firm performance depends on the firm's access to finance, which in turn, depends on the firm's strategic orientations. Since the inclination to take more risky, proactive and innovative actions are high in EO oriented firms. Further, entrepreneurial skill is found to be a significant factor required for business success and profitability in Nigeria, which can lead to high retained earnings (Mohammed & Obeleagu-nzelibe, 2014).

Another study found MO to have positive influence on firms' profitability (Baker & Sinkula, 2009). Therefore, market-oriented firms can generate high income, specifically through learning from the environment, and the products and services will sell themselves in the market (Zhang *et al.*, 2007). Likewise, a firm with technological superiority can improve its ability to have more funds, since it can produce superior products that can compete favorably in the market.

Using the RBV, Fonseca *et al.* (2013) and Zou *et al.* (2010) provide further confirmation that the basic mechanism that may lead to SMEs' performance is access to resources, particularly financial resources. Consequently, it is clear that SMEs with better strategic orientations will have more and prominent access to financing and should have the capacity to enhance their performance (Cheng *et al.*, 2014; Ghimire & Abo, 2013). However, there is limited studies that have been carried out with respect to investigating

the influence of strategic orientations on access to finance and how it explains the relationship between these intangible resources and firm performance.

2.9 Business Environment

Several studies on firm performance stress the need for business firm to study and adapt to their environment if at all they want to exist. Business firms must therefore adjust their strategies and actions to capture the environmental changes. Additionally, there is no universally accepted strategic choice, a firm needs to match its strategies with corresponding environmental changes (Peng, 2003). Therefore, business firms that change their strategies based on the environmental context can achieve superior performance (Naman & Slevin, 1993; Venkatraman & Prescott, 1990).

Business environment refers to the factors affecting business activities based on the setting it operates in. These include political, economic, sociocultural, technological, environmental/ecological and legal environmental factors (Daft, 2009; Walsh, 2005). This refers to a more general definition of the business environment. Task environment is most widely used in literature, and it classifies the environment based on its influence on the firm (Dess & Beard, 1984). It is a set of factors which business firms must take into consideration when making decisions (Anderson & Paine, 1975). These are physical and non-physical things that affect firm and the behavior of individuals within it (Duncan, 1972).

Duncan (1972) divided the environmental factors into internal and external environmental factors. Internal environment is physical and non-physical factors within the firm, such as management, employees and functional and staff units that have influence on individual behavior and firm's decision making. External environment consists of all physical and non-physical factors outside the firm, such as customers, suppliers, competitors and socio-political and technological factors that affect the individual behavior and firm's decision making. In this definition, physical refers to all factors that are tangible while non-physical refers to intangible factors, such as social factors.

Specifically, Duncan (1972) conceptualizes environment in two dimensions: simple complex dimension and static dynamic dimension. Similarly, Dess and Beard (1984) view business environment as firms' internal and external factors that influence firm's activities. Internal environment refers to the firm's internal stakeholders, such as the management and employees. While external environment refers to the operating environment, such as the government, sociocultural, customers and suppliers.

From another perspective, business environment is viewed as factors that affect business firms, such as dynamism, hostility and complexity (Miller & Friesen, 1983). The environmental dynamism refers to the rate of change of innovation in the industry, and market and uncertainty of the competition and customers. The second element is hostility that has to do with the degree of environmental risk to the business firm. Thus, hostile environment comprises environmental factors that serve as a threat to the success and

performance of the firm, such as intense competition, harsh business climate, lack of business opportunities and unsafe business setting. On the other hand, non-hostile/benign or favorable environment refers to the environmental factors that provide a harmless and supportive business setting. Lastly, complexity or heterogeneity refers to the rate of variations among business firms that need diversity in product and markets.

A more focused definition of the business environment is the one by Dess and Beard (1984). They define environment as organizational task environmental factors that have direct consequences on the survival of the firm. Goals and objectives, resources needed by the firm, products and services of the firm, firms' customers and the market at large are affected by environmental factors. Organizational task environment refers to the three elements of the business environment that affect a business organization: munificence, dynamism and complexity (Aldrich, 1979). However, the strategic orientation – firm performance relationship depend on the context and introducing environmental munificence as contextual variable that moderate this relationship is important. Yet, most of the past studies did not explore this factor that may contribute to a better understanding of the link.

Aldrich and Pfeffer (1976) define environmental munificence as availability or lack of resources provided by the business environment. In other words, it refers to how supportive the environment is to the business firms. Similarly, Dess and Beard (1984) state that munificence is the capacity of the environment to sustain growth and development of the business firm. Thus, munificent environment refers to the availability

of resources while scarce environment refers to the lack of resources provided by the environment. Castrogiovanni (1991) defines munificence as the scarcity or abundance of key firm resources to be used by firms operating in the same environment.

Similarly, Mar Fuentes-Fuentes, Albacete-Sáez and Lloréns-Montes (2004) define munificence as the extent to which the environment can adequately support the growth of firms within it through the provision of sufficient resources. Environmental munificence is the degree of abundance or shortage of resources needed by business firms operating within an environment. Availability of resources within the environment affects the survival and performance of firms operating within it (Randolph & Dess, 1984).

Environmental munificence is similar to supportive environment or environmental capacity. Firms operating in munificent environments will have more access to raw materials, finance and customer markets compared to firms operating in scarce environments (Daft, 2009). A munificent environment may imply funding by the government, tax reduction, lower cost of capital, availability of new technologies, good infrastructure and substantial markets (Rueda Manzanares, Aragon Correa, & Sharma, 2008). Thus, enterprises will get more opportunities to utilize their resources and explore more resources. Similarly, environmental munificence refers to the availability of help and support services that can improve the performance of business firms. Furthermore, government's policies, socioeconomic conditions, entrepreneurial and business skills,

financial support and non-financial support to businesses are grouped as the environmental munificence related to the entrepreneurs (Gnyawali & Fogel, 1994).

Thus, this study defines business environment as the extent to which the business environment can adequately sustain the growth of the SMEs operating within it by providing resources, assistance and support services that may enhance their performance.

Several studies have been conducted on the role of various aspects of the business environment in firm performance literature (Ensley, Pearce, & Hmieleski, 2006; Goll & Rasheed, 2004; Jong & Thai, 2008; Rasheed, 2005; Rueda Manzanares *et al.*, 2008; Tang *et al.*, 2008; Tang, 2008; Tang & Hull, 2012; Wiklund & Shepherd, 2005). However, empirical studies on the influence of supportive environment on firms' strategic activities and performance are limited in the RBV (Rueda Manzanares *et al.*, 2008).

Slater and Narver (1995) indicate little support for the moderation effect of the competitive environment in modifying the relationship between MO and firm performance. The study shows little effect on the strengthening of the MO- performance relationship. In contrast, relationship between corporate entrepreneurship and financial performance is found to be stronger as moderated by hostile environment (Zahra & Covin, 1995). A study on the business environment and operations strategy effect on firm performance reported a strong relationship between environmental factors and firm performance through operations strategy (Badri, Davis, & Davis, 2000).

Similarly, a study on corporate social responsibility found a significant moderating effect of munificent environment on the social responsibility and firm performance relationship (Goll & Rasheed, 2004). In a study of Wiklund and Shepherd (2005), a contingency model indicates that the relationship between EO and small business performance is not moderated by environmental dynamism. However, the configurational model environment is found to be a significant moderator between EO and firm performance.

In a similar conclusion, Rasheed (2005) reports that SMEs in more munificent environment will have higher rates of international expansion when using non-equity modes. The influence of transformational leadership behavior on the performance of a new business can be enhanced in a dynamic environment. A study found that the dynamic environment has negative moderating effect on transactional leadership and a new venture's performance (Ensley *et al.*, 2006). According to Tang *et al.* (2008), the business environment in China is more turbulent and less munificent than that in the US. These explain the curvilinear relationship between EO and firm performance in China.

In another study, environmental munificence was used as an independent variable to investigate its effect on entrepreneurs' alertness and commitments. The study revealed that self-efficient entrepreneurs will improve the relationship between environmental munificence and entrepreneurs' alertness (Tang, 2008). In addition, considerable evidence has shown the effects of environmental munificence in improving multinational enterprises performance (Jong & Thai, 2008). Frank *et al.* (2010), in a contingency model, indicated no moderation effect of a dynamic environment on EO and

firm performance relationship. However, moderation effect by business environment was reported in the configurational model.

A study that investigated the impact of environmental dynamism, innovativeness and firm performance reported the influence of environmental dynamism on firm performance through innovativeness (Gul, 2011). Similarly, Ullah, Shah, Hassan and Zaman (2011) investigate the effect of environmental factors on EO in Pakistan. The study reported a positive influence of both environmental dynamism and heterogeneity in predicting EO. In examining individual, organizational and environmental factors responsible for differences in EO of family and non-family firms, environmental dynamism was found to be partially mediating the effect of the family business status on EO (Yordanova, 2011).

In the same conclusion, Mahmoud (2011) reports that business environment strengthens the impact of MO on SMEs' performance. External environmental factors measured by competitive intensity, technology and market turbulence were found to be good moderators between total quality management, MO and hotel performance (Wang *et al.*, 2012). This is in line with findings of Tang and Hull (2012) that Chinese enterprises tend to apply more marketing strategies due to environmental perception.

Tang and Tang (2012) study relationship between EO and performance and environmental munificence was used as control variable, the result indicates environmental munificence is related to performance. Environmental uncertainty as an

element of external business environment has been reported as having significant effect on firm performance (Polat & Mutlu, 2012). Similarly, study on environmental uncertainty and small businesses' MO reveals the dynamic nature of strategic orientation constructs which invariably create superior performance (Didonet *et al.*, 2012).

2.10 Underpinning Theory

In the field of strategic management, the concern is largely on how firms generate and achieve performance. There are several theoretical approaches for studying available resources and firm performance. Hence, this study adopts the RBV theory to explain the relationship between strategic orientations as the independent variable and firm performance. The Pecking Order Theory and Contingency Theory are also adopted to support the RBV.

2.10.1 Resource Based View (RBV)

The RBV theory is one of the widely known theory related to firm performance. The foundation of the RBV can be traced back to earlier works that emphasized on the significance of resources in enhancing firm performance (Penrose, 1959). Following the work of Wernerfelt (1984); Chandler (1990) and Barney (1991), the RBV became an influential theory within the field of strategic management. The RBV postulates that the basis for competitive advantage of a firm depends on the firm's ability to utilize the available bundle of valuable intangible and tangible resources (Barney, 1991; Rumelt, 1984; Wernerfelt, 1984).

It is argued that these resources must be valuable, rare, inimitable and non-substitutable (VRIN) resources (Barney, 1991). To be specific, the RBV emerged as the theory that explains firm performance, which is driven by resources that are heterogeneous rather than market power. According to Penrose (1959), business firms are bundle of resources that give the firm a competitive advantage. Competitive advantage is defined as the firm's ability to adopt strategies that are value-creative and not simultaneously used by competitors or potential entrants (Barney, 1991).

The RBV originated from the work of Penrose (1959) which describes a firm as a combination of resources. Later, Barney (1991) provides a better description of RBV, defining a firm's resources as assets, capabilities, procedures, characteristics and knowledge that can be used by the firm to formulate and implement competitive strategies. Firm resources are assets or entities that can be used by the firm strategically to maintain competitive advantage (Daft, 2009). This is in line with Peteraf (1993) that conditions underlying sustained competitive advantage include superior resources (heterogeneity within an industry), being retroactive to competition, imperfect resource mobility and being proactive to competition.

Therefore, firms can gain competitive advantage when the resources are different across firms. They are not easy to be transferred from one firm to another and cannot be duplicated before or after implementation (Peteraf, 1993). The RBV attempts to find the factors that affect different performance results between firms, through the collection of heterogeneous resources, or factors of production (Godfrey & Hill, 1995).

There are two fundamental assertions of the RBV. Firstly, assets, capabilities, procedures, characteristics and knowledge possessed by the firm are different from its competitor (heterogeneity). Secondly, the difference may be for a long time, i.e., immobility of the resources is sustained for a long time (Barney, 1991). Heterogeneity is needed for a firm to achieve competitive advantage. The resources possessed must not be owned by its competitors at least for some period. Immobility of resources refers to the difficulty faced by the competitors in copying the strategy of the firm that possesses the resources.

The RBV has several classifications for a firm's resources. For instance, Godfrey and Hill (1995) classify resources as physical, human or organizational methods. Physical resources are a firm's tangible resources that are physical or property-based; while human and organizational routines are intangible resources that are experience or process-based. Another classification sees a firm's resources as discrete or systematic. The former has value within or outside of the firm; while the latter has value because of the context within which it operates (Balgobin, 2003).

Barney (1991) gives a more detailed classification of a firm's resources, i.e. physical, human and organizational resources. Physical resources are tangible resources of the firm while human and organizational resources are intangible resources of the firm. Human resources are person-specific, which include experience, training, judgment, skills and execution abilities of individuals within the firm. Organizational resources, on the other hand, are firm-specific, which include reporting structure, environmental scanning

methods, cultural strength and relationships among members of the firm and its environment (Barney, 1991).

Most RBV research has focused on intangible assets, which include information (Sampler, 1998); dynamic capabilities (Ambrosini & Bowman, 2009; Teece, Pisano, & Shuen, 1997; Teece & Pisano, 1994); strategic orientations (Covin & Slevin, 1989; Gatignon & Xuereb, 1997; Lumpkin & Dess, 1996; Narver & Slater, 1990; Sinkula *et al.*, 1997); and knowledge (Grant, 1996; Liebeskind & Zack, 1996; Spender & Grant, 1996; Spender, 1996). Consequently, EO, MO, LO and TO are intangible and valuable resources that will give a firm competitive advantage over its competitors.

EO is perceived as a heterogeneous, complex and unique entrepreneurial behavior. It can likely give a firm strengths and opportunities in various competitive environments and is a potential source of competitive advantage (Campos *et al.*, 2012). According to Long (2013), an EO is a firm's VRIN resource since a firm with high degree of EO could possibly be more innovative, a risk taker and act proactively. Firms that are more entrepreneurially oriented have the possibility of meeting market demands. They are more active in business in terms of exploring and implementing new ideas and products, in response to the business environment.

MO as a firm's VRIN resource can help the firm to outperform its competitors. It enables the firm to understand and respond to customer needs through inimitable marketing strategies (Day, 1994). This is in line with Slater and Narver (1998) MO is a unique firm

resource that provides customers with superior value. Additionally, MO is a firm's valuable resource that is difficult to copy and capable of creating a competitive advantage for superior performance (Mahmoud & Yusif, 2012; Mahmoud, 2011).

According to the RBV, learning is a firm's resource that is likely to give the firm a sustainable competitive advantage, because it is based on the firm's history and experience which make its strategies different, rare and unique (Barney, 1991). Farrell *et al.* (2008) argue that LO enables a firm to outperform competitors because it satisfies the attributes of VRIN. Additionally, learning is expected to improve knowledge within the business firms, since its path dependence makes it exceptional and difficult for competitors to imitate (Grant & Baden-Fuller, 2004).

Finally, a firm's TO can provide a competitive advantage in two ways through the development of new products and efficient production processes; or through product innovations (Salavou, 2010). One of the significant ways of sustaining competitive advantage is by responding to market needs and wants, using TO as the firm's valuable resource, which can build new technical solutions for the target market. Therefore, it complements other orientations by attempting to meet the needs of customers through the technological solutions it devises (Hakala & Kohtamaki, 2010). Consequently, technological ability of the firm constitutes the essential elements to achieve competitive advantage (Aragon Sanchez & Sanchez Marín, 2005). Cho and Pucik (2005) opine that due to the rapid changes in technology, short product life cycles and increase in

competition TO is among the primary sources of a firm's sustainable competitive advantage.

Therefore, based on the VRIN nature of these resources, this study uses the RBV theory (Barney, 1991) that suggests a firm's sustainable competitive advantage indeed results from a complementary bundle of valuable internal and external resources.

2.10.2 Pecking Order Theory

Several theories related to firm finance have been developed. Static trade-off theory was the earliest, and it explains the formulation of firm capital structure; then the agency theory and the pecking order theory (Chen & Chen, 2011). The financial theory related to the SMEs' access to finance is the pecking order theory. It emerged as a result of asymmetric information in financial markets and external financing transaction costs (Vasiliou, Eriotis, & Daskalakis, 2009). It holds that usually, firm managers hold superior information about the conditions and prospects of their firms than outside investors.

Therefore, managers may choose not to execute lucrative investments if the financing source is risky or costly for their firms (Myers & Majluf, 1984). Thus, the theory postulates that firm managers will prefer to finance their projects, first from retained earnings, then with debt, hybrid forms of finance, such as convertible loans and lastly, external equity (Myers & Majluf, 1984). Firms, especially small firms, seem to develop structures that have a minimum rather than a maximum amount of debt. Consequently, small firm owner-managers do not want to dilute their ownership, and that is why they

often prefer retained profits in order to maintain the control of assets and business operations (Cassar & Holmes, 2003; Holmes & Kent, 1991). This study adopts the pecking order theory that suggests the hierarchical choice of the available financing.

However, the pecking order theory does not sufficiently explain the behavior of SMEs in developing countries because of the exclusive settings of the environment. Nonetheless, the application of the RBV sees firms obtaining a set of available resources can maximize profits. Therefore, the resource-based strategy is considered in terms of the RBV and the accessibility of the capital is connected with other management options in terms of the pecking order theory.

2.10.3 Contingency Theory

The environment in which business firms operate may have a significant effect on how firms' activities are conducted. Several studies have shown the role played by the business environment in providing opportunities or threats to firms operating within it (Ensley *et al.*, 2006; Frank *et al.*, 2010; Tang *et al.*, 2008; Tang, 2008; Ullah *et al.*, 2011; Wiklund & Shepherd, 2005).

However, the limitation of other management theories to integrate business environment as a factor that affects the survival of the firm has given rise to the contingency theory. Two fundamental assumptions of heterogeneity and resources immobility of the RBV, which explain the firm's ability to achieve competitive advantage are static (Barney, 1991). As a result, the ability of the firm to create future valuable resources or how the

business environment can shape the resources of the firm has been ignored (Balgobin, 2003). The contingency theory assumes that business firms are organic systems. So, there is a relationship of interdependence between the firm and the environment, as well as within and between its various sub-systems (Venkatraman & Prescott, 1990).

The contingency theory is behavioral theory that claims that there is no common way to manage business firms or to make decisions. The ability to perform depends on the nature of the environment and the extent to which the firms consider the environment (Scott, 2002). In the work of Lawrence, Lorsch and Garrison (1967), the importance of the environment was stressed in shaping and affecting the actions and decisions of business firms. They argue that firms that match their activities and decisions with the demands of their environments will achieve the best performance.

Several contingency approaches have been developed, such as business strategy (Hofer, 1975); leadership (Fiedler, 1964, 2006); individual behavior (Skinner, 1969); organization design (Lawrence & Lorsch, 1969; Woodward, Dawson, & Wedderburn, 1965; Woodward, 2003); and decision-making (Vroom & Yetton, 1973). The contingency theory rejects the notion of management universality. It holds that firms should plan, define the goals and objectives and formulate policies according to prevailing environmental conditions.

In other words, managerial activities, decisions and policies must respond to changes in the environment (Fiedler, 1964, 2006; Ginsberg & Venkatraman, 1985). It is theorized

that the bundle of resources is not the only thing that matters to gain competitive advantage. Firms must learn about their environment and build up processes and procedures, new skills and capabilities based on the demand of the environment (Donaldson, 2006). The contingency theory posits strategic orientations are affected by a specific setting of the business environment. Therefore, if firms match the strategy with the environment, they can achieve better performance (Drazin & Van de Ven, 1985).

The function of strategic management is changing, combining and reconfiguring both internal and external organizational competencies and resources in the direction of the business environment is very vital. It is important for firms to study their internal and external environment and address the rapid changes of the business environment (Lee & Miller, 1996). Therefore, if a firm possesses VRIN resources but does not consider the environment, the competitive advantage may not be prolonged. Finally, based on this theoretical basis, it can be concluded that firms that manage environmental influence by developing, reorganizing and reconfiguring their VRIN resources can achieve competitive advantage (Farrell *et al.*, 2008).

Based on the above, this study uses the contingency theory that suggests the need for business firms to adapt to the business environment and exploit potential opportunities. Business firms can achieve this through appropriate changes, integration and reconfiguration of the firm resources to match the requirements of the environment.

2.11 Chapter Summary

This chapter discusses and explains definitions, conceptualizations and dimensions of the key variables of the study based on the previous studies. Reviews of the literature available on the performance of SMEs and possible strategic orientations that can affect the performance are also discussed. In this chapter, past studies related to the impact of EO, MO, LO, TO and performance are discussed as well as the extent to which these strategic orientations are linked to performance. Additionally, the chapter discusses the underpinning theories for this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the conceptual framework, hypotheses development, operationalization of the variables and source of the survey items of the study. The research design which refers to the philosophical framework within which data is gathered and analysed for a research project (Brown, 2006) is also discussed. Consequently, this chapter discusses the population, sample, data collection instrument and strategy, and procedures for data analysis. It also explains the methods and techniques that are used for data collection and analysis. These include location, time and the unit of analysis as well as the sampling technique and size to be used.

3.2 Research Framework

Based on the literature reviewed and suggestions by several studies, this study has developed a framework to investigate the mediating role of access to finance and the moderating role of business environment on the relationship between EO, MO, LO, TO and performance of SMEs in Nigeria. The research framework has four independent variables that represent the firm's valuable resources, namely EO, MO, LO and TO. Firm performance is the dependent variable, while access to finance is the mediating variable and business environment is the moderating variable.

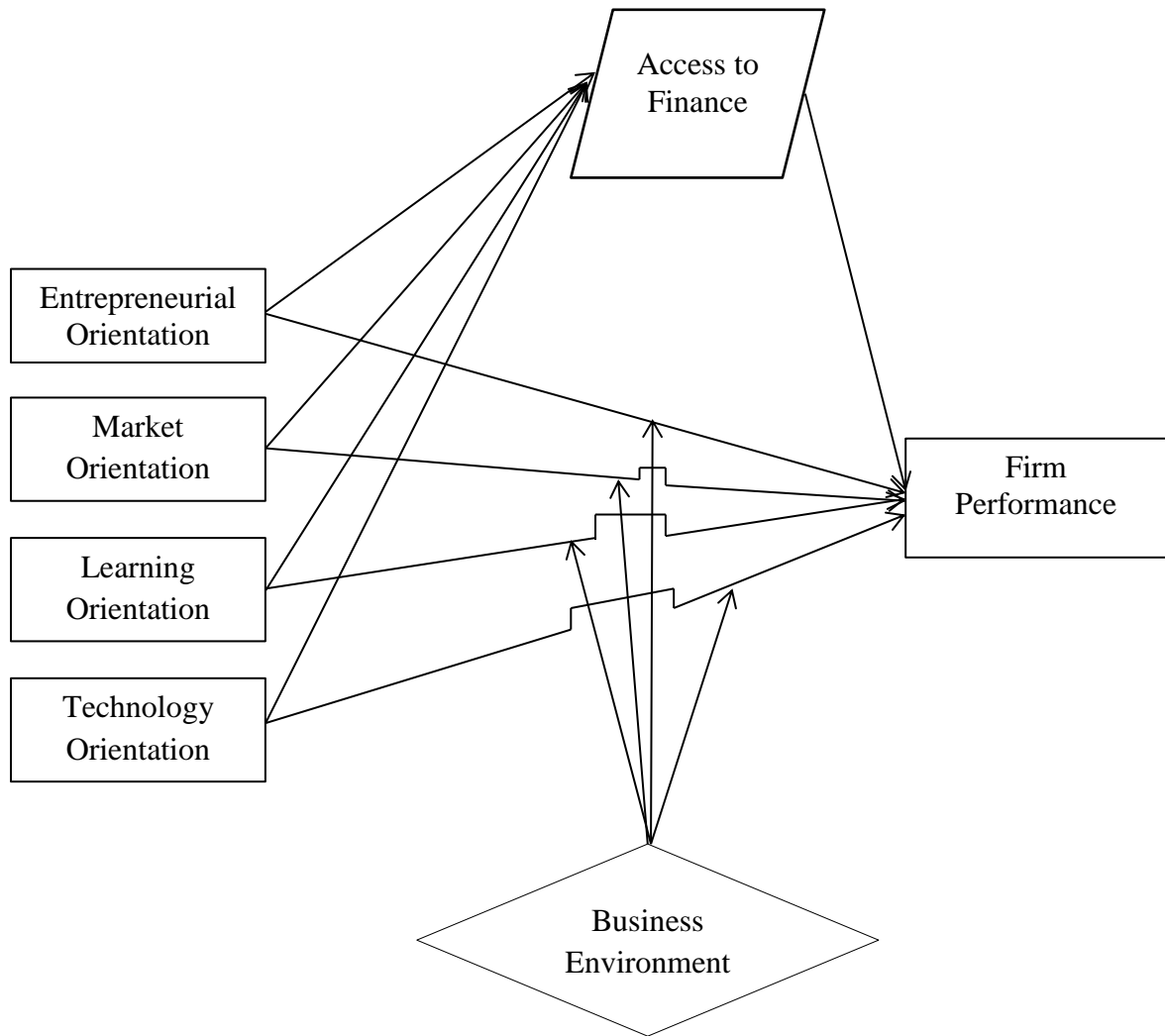


Figure 3.1
Research Framework

EO as suggested by the literature is one of widely used strategic orientation variables. It has been shown in several studies that EO is a very important firm resource as postulated by the theory. Several studies have used this important VRIN resource to investigate the performance of the business firms (Fatoki, 2012; Frank *et al.*, 2010; Long, 2013; Madhoushi *et al.*, 2011; Tang & Tang, 2012). Therefore, this study adapts EO as an independent variable that indicates the extent to which SMEs are entrepreneurial in terms

of proactiveness, risk taking and innovativeness (Hakala & Kohtamaki, 2011). This is in line with the suggestion that future studies that investigate firm performance should include EO (Didonet *et al.*, 2012).

Several studies have shown the VRIN nature of MO in creating necessary behaviours to achieve competitive advantage for superior performance (Alam, 2010; Li *et al.*, 2008; Mahmoud & Yusif, 2012; Mahmoud, 2011; Olavarrieta & Friedmann, 2008; Wang *et al.*, 2012). A number of studies have suggested further investigation on the effect of MO on performance. For instance, Didonet *et al.* (2012) suggest an inclusion of MO in firm performance studies. Therefore, this study adapted MO as the SMEs' valuable resource that focuses on understanding and meeting customers' needs and desires through the activities of customer orientation, competitor orientation and inter-functional coordination (Suliyanto & Rahab, 2012).

The study by Slater and Narver (1995) shows the capability of LO in predicting firm performance even with the rapid changes in the environment. Consequently, several studies recognize the power of LO in predicting firm performance; this has made LO a more valuable firm resource in several studies (Farrell & Oczkowski, 2002; Hakala, 2011; Long, 2013; Mavondo *et al.*, 2005; Nikoomaram & Ma'atoofi, 2011; Suliyanto & Rahab, 2012; Zhao *et al.*, 2011). Consequently, this study adapts LO as an independent variable that indicates the influence of SMEs values in creating knowledge and using knowledge to enhance performance through the activities of commitment to learning, open-mindedness and shared vision (Farrell *et al.*, 2008).

The last independent variable in this study, TO, is also found to be an important factor that gives a firm competitive advantage (Hakala & Kohtamaki, 2010; Hortinha *et al.*, 2011; Mu & Di Benedetto, 2011; Voss & Voss, 2000). This is in line with view of Cho and Pucik (2005) that technology orientation is a VRIN resource that can determine the performance of business firms. Therefore, based on the previous studies, this study adapts TO as an independent variable that indicates the ability of the SMEs in terms of using new technology and innovation to produce, improve or develop products and services (Spanjol *et al.*, 2011). Finally, the essential idea is that strategic orientations are complementary; hence, the combination of these resources will provide firms with competitive advantage (Hakala & Kohtamaki, 2011).

According to Demir and Caglayan (2012), firm performance is positively related to having access to financial resources. In a similar finding, it has been indicated that an increased access to finance positively influences firm productivity and performance (Kasseeah & Tandrayen-Ragoobur, 2011; Krishnan *et al.*, 2013). Additionally, Wiklund and Shepherd (2005) state that access to finance is an important factor in determining small businesses' performance. Similarly, Frank *et al.* (2010) found that access to finance enhances performance. Therefore, this study adopt access to finance as the mediating variable to indicate how SMEs can achieve competitive advantage if they have access finance (internal and external) with minimal or absence of financial and non-financial barriers (Ganbold, 2008). This is line with suggestions of (Al-swidi & Al-hosam, 2012; Liu & Fu, 2011; Polat & Mutlu, 2012).

The contingency theory postulates that for a firm to achieve competitive advantage, it must consider its internal and external environments (Donaldson, 2006). Therefore, business environment is perceived as a contingent variable that can have impact on the strategic orientations and firm performance relationship (Barney, 1991). Besides, strategic orientation studies appear to be deficient without taking the environmental contingencies into consideration (Awang *et al.*, 2009). Correspondingly, Frank *et al.* (2010) infer that strategic orientations are portrayed by environment and social contrasts.

Therefore, business environment is adapted as a moderating variable that indicates the extent to which a business environment can provide resources, assistance and support needed by SMEs operating within an environment for sustainability and growth of the enterprise (Castrogiovanni, 1991). This is in line with suggestions made for future research (Boohene, *et al.*, 2012; Moorthy *et al.*, 2012; Polat & Mutlu, 2012; Suliyanto & Rahab, 2012).

3.3 Hypothesis Development

Based on the objectives of this study and available evidence in literature, the following hypotheses were developed. Hypotheses (H1-H4) were developed based on the first objective of this study, which is concerned with the direct relationship between the independent variables and the dependent variable. The second objective provides grounds for hypotheses (H5-H8) which are concerned with the relationship between the independent variables and the mediator variable. Based on the third objective of this study, hypotheses (H9-H13) were developed which are concerned with the role of the

mediating variable on the relationship between the independent variables and the dependent variable. Finally, hypotheses (H14-17) were developed based on the fourth objective of this study, which concerned with the role of the moderating variable on the relationship between the independent variables and the dependent variable.

3.3.1 Relationship between EO, MO, LO, TO and Firm Performance

EO is one of the prominent constructs in management, strategy and entrepreneurship literature that affects firm performance. Early studies that investigated business performance have shown the importance of the EO construct on a firm's actions. Several scholars theorized a relationship between EO and firm performance (Covin & Slevin, 1991; Lumpkin & Dess, 1996; Miller & Friesen, 1983). It has been reported by studies on firm performance that firms that are characterized by entrepreneurial behaviour, such as risk taking, innovativeness and proactiveness, can achieve superior performance. For instance, Yang (2008) argues that superior business performance can be achieved if the firm has sound entrepreneurial behaviour.

The influence of EO on firm performance has been confirmed by Awang *et al.* (2009) who report direct impact of combination of proactiveness, autonomy and innovativeness on firm performance. Similarly, EO improves firm performance as most performing firms exhibit some or all of EO activities (Fairoz *et al.*, 2010). Additionally, it has been reported that business firms achieve superior performance through EO (Ferreira *et al.*, 2011). Another study on EO and innovation performance reported a direct and indirect effect of EO on performance (Madhoushi *et al.*, 2011; Zainol & Wan Daud, 2011).

Entrepreneurial processes may lead to favourable outcomes on firm performance, EO enhances a firm's ability to take risks, be more innovative and act ahead of competitors (Al-swidi & Al-hosam, 2012; Al-Swidi & Mahmood, 2012; Idar & Mahmood, 2011). Some studies have revealed that EO dimensions are significantly and positively related to business performance. The results confirm that the one dimensional EO construct will significantly affect business performance (Boohene, Marfo-Yiadom, *et al.*, 2012; Zhang & Zhang, 2012). As EO gives firm a first move advantage, firms achieve higher performance (Fatoki, 2012). Therefore, a business with EO culture can act ahead of competitors by investing large amounts of resources in new market opportunities for high returns, which will lead to high performance (Long, 2013).

A number of empirical studies which tested the impact of MO on performance have reported that MO improves the firm performance. For example, Baker and Sinkula (2009) report a significant positive relationship between MO and firm performance. As MO represents an on-going response to customer needs and desires it facilitates the development of strategies focused on creating customer value, ultimately achieving competitive advantage (Dauda & Akingbade, 2010). Alam (2010) emphasizes that considering customer needs and satisfaction as major priorities and constantly reassessing strengths and weaknesses relative to competitors, improves firm performance.

Thus, MO as a culture, is an important determinant of the firm performance because by tracking and responding to customer needs and preferences, market-oriented firms can better satisfy customers and enhanced financial performance (Mahmoud & Yusif, 2012;

Nikoomaram & Ma'atoofi, 2011). The creation of a market-oriented firm culture and behaviour, focusing on the collection of information about customer needs, competitor capabilities and market agents can be an important factor in achieving superior performance (Idar & Mahmood, 2011; Mahmoud, 2011). The effective and efficient ability of MO in creating the necessary behaviours towards better value for customers, can help firms to achieve continuous superior performance (Long, 2013; Wang *et al.*, 2012).

Farrell *et al.* (2008) state that as a valuable resource, LO allows the firm to exploit opportunities and neutralize threats in a business environment. Thus, firms can understand the needs of customers better than their competitors, which will result in competitive advantage. According to Wang (2008), when business firms are learning orientated, they will learn and develop a culture and behaviour that will influence performance of the firm. Zhao *et al.*, (2011) argue that there is a significant relationship between LO and performance, because it makes the firm to have a strong focus on the market, technology and environment at large.

Nikoomaram and Ma'atoofi (2011) have found that business firms that place a high value on learning have significantly higher levels of performance. Hence, LO promotes a successful development of products that will satisfy market needs (Ozsahin *et al.*, 2011). Business firms that are characterized with a high learning culture have been found to be able to challenge old assumptions about the market and reorganize their firms to achieve competitive advantage (Jiménez-Jiménez & Sanz-Valle, 2011; Jiménez-Jimenez *et al.*,

2008). It can be concluded that due to the basic principle that firms learn from experience, learning can lead to improved economic performance by reducing the cost of production (Mahmoud & Yusif, 2012).

Technology oriented firms appear to possess the ability and will to acquire better technologies and use it to achieve superior performance (Gao *et al.*, 2007). These firms have adopted the idea that innovation should be a strategic priority; as a result, they tend to excel in technical skills, adaptability and creativity and be proactive in the development of products and services (Paladino, 2007). Therefore, TO is a major way for a firm to create product differentiation and promote product designs that exceed those of competitors'; as a result, firm performance would be enhanced (Hoq, 2009). The performance of the business firm can be improved through adaptive capability, so companies need to enhance their technological capacity (Zhou & Li, 2010).

Technology-led firms advocate a strong commitment to R & D, acquisition of new technologies and the application of the latest technologies which can lead to better performance (Mu & Di Benedetto, 2011). As a result, technology oriented firms have a competitive advantage in terms of technology leadership and offer different products, which can lead to higher performance (Spanjol *et al.*, 2011). Hakala and Kohtamaki (2010) opine that TO has a positive relationship with a firm's product and overall performance. As such, the following hypotheses are formulated:

H1 EO is positively related to performance of SMEs in Nigeria.

H2 MO is positively related to performance of SMEs in Nigeria.

H3 LO is positively related to performance of SMEs in Nigeria.

H4 TO is positively related to performance of SMEs in Nigeria.

3.3.2 Relationship between EO, MO, LO, TO and Firm Access to Finance

Due to increasingly short supply of financial capital, businesses in general need to utilize their firm resources, including strategic orientations to improve their financial requirements. Aktan and Bulut (2008) have found that strategic activities positively affect the firms' financial access. Similarly, firms with better strategies will have more access to financing and should have the ability to enhance their performance (Achleitner *et al.*, 2011). In other words, a firm's strategic activities improve the firm's cash flow, sales volume and profit which could increase the availability of financing (Ghimire & Abo, 2013; Pandula, 2011). They argue that the extent of financing and the choice of capital sources are both driven by a multitude of the firm's strategic abilities.

Thus, ability of SMEs to get required business capital relies on various strategies. SMEs that create effective strategic orientations can make more returns and profits and attract more external finances (Cheng *et al.*, 2014). Ganbold (2008) points out that a firm's failure to utilize principles that will direct and influence viable behaviours and activities is a significant reason impeding SMEs to get financial resources. Specifically, poor strategic action in SMEs is one of the primary reasons why SMEs cannot get access finance.

However, there are broad strategic orientation options available to a firm, but ability to configure and utilize the available strategic orientations will give the firm better financial capital access. EO, MO, LO and TO as firm resources, are found to be good strategies that can improve firm financial performance that will ultimately affect its financial access. For instance, a firm with better EO can have more access to funds (Zampetakis *et al.*, 2011) and debt (Fatoki, 2012). Additionally, as an important firm resource, MO can improve a firm's access to finance. In addition to being market-oriented, firms can generate high income, specifically through learning from the environment. Firms with technological prevalence can enhance their capability and their ability to have more funds. The products and services will offer themselves in the market, more particularly with great market-learning orientation concepts. In this way, SMEs that combine together these imperative orientations are expected to deliver more and generate both internal and external financing. Taken together, this study hypothesizes that:

H5 There is a positive relationship between EO and SMEs' access to finance in Nigeria.

H6 There is a positive relationship between MO and SMEs' access to finance in Nigeria.

H7 There is a positive relationship between LO and SMEs' access to finance in Nigeria.

H8 There is a positive relationship between TO and SMEs' access to finance in Nigeria.

3.3.3 Mediating Role of Access to Finance

Financial capital is the most common type of resource and relatively easily converted into other types of resources. Hence, access to capital is important for small businesses' performance (Wiklund & Shepherd, 2005). Access to finance is one of the critical issues

responsible for gross low performance of SMEs in Nigeria. Therefore, having financial resources can enhance their performance (SMEDAN, 2012). There is a need to establish a significant relationship between access to finance and performance.

Several studies have shown that a firm's superior performance is attributed to the ability of the firm to access required financial capital (Ayyagari *et al.*, 2008; Batra *et al.*, 2003; Kyophilavong, 2011; Wiklund & Shepherd, 2005). According to Batra *et al.* (2003), ensuring accessibility to finance enhances firms' growth and development and in turn, influences overall economic performance positively. Wiklund and Shepherd (2005) report that for small businesses to achieve and sustain competitive advantage, they need good access to financial resources. Likewise, Frank *et al.* (2010) confirm that access to financial capital can improve firm performance. Kyophilavong (2011) supports that access to finance positively influences SMEs' performance. Moreover, Demir and Caglayan (2012) affirm that firm performance is positively influenced by access to finance. Similarly, it is concluded that there is a positive and significant link between a firm's financing and business performance (Turyahebwa *et al.*, 2013). Based on these issues, it is expected that access to finance will have significant positive influence on performance of SMEs in Nigeria. Therefore, this study posits that:

H9 There is a positive relationship between access to finance and performance of SMEs in Nigeria.

Lastly, as access to finance improves firm performance, it evidently depends on the firm's strategies (Cheng *et al.*, 2014; Ghimire & Abo, 2013). It is apparent that firms with high entrepreneurial skills will have better access to resources, including financial resources (Mohammed & Obeleagu-nzelibe, 2014). Similarly, firms that are market-oriented have been found to have positive influence on the firm's profitability (Baker & Sinkula, 2009). In short, it is expected that market-oriented firms can generate high income, specifically through learning from the environment; hence, the products and services will sell themselves in the market. Technological superiority is no doubt a good firm strategy that can improve ability to have more funds, since such firms can produce superior products that can compete favorably in the market.

Based on this premise, it is expected that access to finance can be a mechanism through which EO, MO, LO, and TO positively relate to SMEs' performance. This is one of the important empirical contributions of this study because it offers a more nuanced explanation on how these strategic orientations affect firm performance. Although numerous studies (Baker & Sinkula, 2009; Hakala, 2011; Long, 2013) have explained that EO, MO, LO and TO influence firm performance there is, however, a lack of empirical evidence on the mechanisms, such as access to finance through which firm performance is affected. Hence, access to finance may provide the necessary explanation of how EO, MO, LO and TO enhance firm performance. In other words, this study posits that:

H10. Access to finance mediates the positive relationship between EO and performance of SMEs in Nigeria.

H11. Access to finance mediates the positive relationship between MO and performance of SMEs in Nigeria.

H12. Access to finance mediates the positive relationship between LO and performance of SMEs in Nigeria.

H13. Access to finance mediates the positive relationship between TO and performance of SMEs in Nigeria.

3.3.4 Moderating Role of Business Environment

Business firms are affected by several environmental factors; these environmental factors are rapidly changing, uncertain, and complex. Any firm that ignores or not respond to these environmental factors is bound to perform below expectation. Some researchers have suggested that the relationship between the several strategic orientations and performance depends on the environment (Covin & Slevin, 1989; Tang & Tang, 2012; Wang *et al.*, 2012). The opportunity for the entrepreneurs to make decisions and act is affected by the environment (Tang, 2008).

Certain structures should facilitate entrepreneurial attitudes, market activities and technological advancement of business enterprises. For instance, in developed and some middle income countries, enterprises do well, due to the relative stability of the business environment (Ullah *et al.*, 2011). Hence, the munificent, dynamic and complex nature of business environment serves as a source of entrepreneurial opportunities. Business

environment can benefit firms with high entrepreneurial activities, commitment to customers' satisfaction, industry innovation and R & D (Gul, 2011). Mahmoud (2011) reports that business environment strengthens MO and SMEs' performance relationship. Business environmental factors are sometimes an advantage and benefits for entrepreneurial ventures, because in such situations, they take risks and get high rewards, use better technology and deliver better value to their customers more than their competitors (Polat & Mutlu, 2012; Wang *et al.*, 2012). Therefore, on these bases business environment is expected to modify the relationship between the independent and dependent variables in this study, and it is hypothesised that:

H14. Business environment moderates the positive relationship between EO and performance of SMEs in Nigeria.

H15. Business environment moderates the positive relationship between MO and performance of SMEs in Nigeria.

H16. Business environment moderates the positive relationship between LO and performance of SMEs in Nigeria.

H17. Business environment moderates the positive relationship between TO and performance of SMEs in Nigeria.

3.4 Research Design

Research design refers to the outline for the collection and analysis of data (Bryman, 2004). Sekaran and Bougie (2010) explain that research design is a way of gathering and analysing data to arrive at a solution. This study follows a quantitative methodology.

Quantitative data is a measurement where numbers are used to represent the phenomenon being studied (Hair Jr., Black, Babin, & Anderson, 2010). This study adopts a survey research design. A survey method is adopted when a study is trying to assess thoughts, feelings, and opinions about a given situation by collecting primary data from the respondents (Fisher, 2010). The survey method allows the researcher to gather quantitative data and analyse it using descriptive and inferential statistics. Then, possible reasons for particular relationships between variables can be suggested and models of these relationships can be produced (Saunders, Lewis, & Thornhill, 2009).

Survey research provides a fast, cheap, efficient and accurate assessment and information about a given population (Zikmund, Babin, Carr, & Griffin, 2013). Additionally, survey research using questionnaires compared to observation, secondary data and interview is inexpensive and easy, especially when collecting data from a large sample. In an interview, the nature and characteristics of the interviewer may influence the answers of respondents compared to the questionnaire. Observation, may not give a better understanding of certain behaviours because people may behave differently when they know they are being observed (Zikmund *et al.*, 2013). Similarly, secondary data may be inappropriate for study like this one, because of record keeping problem of the respondents. In the event were records are available, the information may be outdated, since the data was collected many years ago. Also, the information may refer to the entire country when this study aimed to study a specific region. Hence, the quality of the secondary data may not be guaranteed (Saunders *et al.*, 2009).

Therefore, a survey method using questionnaire as the instrument for data collection is found to be more appropriate for this study. This is because the study involves collection of data from SMEs owner-mangers in Nigeria in order to determine the mediating role of access to finance and moderating role of business environment on the relationship between EO, MO, LO, TO and SMEs' performance in Nigeria. In other words, this study makes use of quantitative data in order to describe the characteristics of the SMEs and summarize the information and testing of the stated hypotheses. The study gathered data and describes the characteristics of the population of the study at one time and not over a long period of time; therefore, this study is a cross- sectional study.

3.5 Operationalization of Variables

Saunders *et al.* (2009) describe operationalization of constructs as the translation of concepts into tangible indicators of their existence. Operationalization of constructs consists of defining the measures of the variables used to represent constructs and how they will be measured (Hair Jr. *et al.*, 2010). Therefore, this section provides definition of the constructs and the selection of the items for each construct.

Based on literature, strategic orientations and firm performance are normally operationalized from the organizational/firm level perspective (Covin & Slevin, 1989; Escriba-Esteve, Sanchez-Peinado, & Sanchez-Peinado, 2009; Hakala, 2011; Hortinha *et al.*, 2011; Wiklund & Shepherd, 2005). In SMEs studies, the target respondents are usually the owner-managers, given that they have more knowledge regarding their companies' strategies and overall business situations (Zahra & Covin, 1995). Therefore,

the unit analysis of this study is the organization/firm and the target respondents are SME owner-manager in Kano, Kaduna and Sokoto states of north-western Nigeria. This is in line with several studies on SMEs' performance (Fairoz *et al.*, 2010; Hakala & Kohtamaki, 2011; Lechner & Gudmundsson, 2012; Nikoomaram & Ma'atoofi, 2011).

3.5.1 Operationalization of Firm Performance

Performance is defined as a measure of the achievement of firm objectives (Daft, 2009). In the same way, this study operationally defines firm performance as the ability of the SMEs to effectively and efficiently utilize the available resources in order to survive, satisfy customers and contribute to creation of employment. Additionally, the study operationalizes performance as a one-dimensional construct using an index of six performance measures adapted from Suliyanto and Rahab (2012), and gauged on a seven-point Likert type scale (1 = Strongly disagree; 2 = Disagree; 3 = Somewhat disagree; 4 = Neither agree or disagree (Neutral); 5 = Somewhat agree; 6 = Agree; 7 = Strongly agree).

3.5.2 Operationalization of EO

The EO used in this study is based on the original work of Miller (1983), modified by Covin and Slevin (1989) and adapted by Hakala and Kohtamaki (2011). In this study, EO is operationally defined as the entrepreneurial behaviour that indicates the extent to which SMEs are entrepreneurial in terms of proactiveness, risk taking and innovativeness. Additionally, EO has been theorized and operationalized as a one-dimensional construct (Covin & Slevin, 1989; Hakala & Kohtamaki, 2011). It is argued that this scale has been found to be psychometrically sound in measuring EO construct (Lumpkin, Coglisier, &

Schneider, 2009). Therefore, this study operationally measures EO as an independent variable and as a one-dimensional construct measured with 12 items adapted from Hakala and Kohtamaki (2011). All items used to measure EO construct in this study were measured using seven-point Likert type scale (1 = Strongly disagree; 2 = Disagree; 3 = Somewhat disagree; 4 = Neither agree or disagree (Neutral); 5 = Somewhat agree; 6 = Agree; 7 = Strongly agree).

3.5.3 Operationalization of MO

MO is a firm culture related to the ability of the business firm to understand physical and latent needs of the customer and coordinate all of its functions and resources to satisfy customers (Narver & Slater, 1993). They conceptualize MO as the activities of customer orientation, competitor orientation and inter-functional coordination. Therefore, this study operationally defines MO as the SMEs' behaviour that focuses on understanding and meeting customers' needs and desires through the activities of customer orientation, competitor orientation and inter-functional coordination. Consistent with Sulyanto and Rahab (2012), MO is operationally measured as a one dimensional construct with 13 items. Past studies have shown these measures have demonstrated sound psychometric properties (Farrell *et al.*, 2008). Also, all items used to measure MO construct in this study were measured using seven-point Likert type scale (1 = Strongly disagree; 2 = Disagree; 3 = Somewhat disagree; 4 = Neither agree or disagree (Neutral); 5 = Somewhat agree; 6 = Agree; 7 = Strongly agree).

3.5.4 Operationalization of LO

LO refers to the firm values that influence the creation of knowledge and using knowledge to enhance performance by focusing on commitment to learning, open-mindedness and shared vision (Sinkula *et al.*, 1997). In the same vein, LO in this study refers to the SMEs' values that create knowledge and using the knowledge to enhance performance through the activities of commitment to learning, open-mindedness and shared vision (Farrell *et al.*, 2008). In this study, LO is operationalized as a one-dimensional construct using 12 items adapted from Farrell *et al.* (2008). They were gauged using a seven-point Likert type scale (1 = Strongly disagree; 2 = Disagree; 3 = Somewhat disagree; 4 = Neither agree or disagree (Neutral); 5 = Somewhat agree; 6 = Agree; 7 = Strongly agree).

3.5.5 Operationalization of TO

TO refers to the firm's ability to use sophisticated technologies in product improvement and/or product development. It is also seen as the rapid integration of new technologies and proactive development of new technologies to improve or create new product ideas (Gatignon & Xuereb, 1997). Similarly, this study operationally defines TO as the technological ability of the SMEs in terms of using new technology and innovation capability to produce, improve or develop products and services. In this study, TO is operationalized using Gatignon and Xuereb (1997) measures adapted from Spanjol *et al.* (2011). Hence in this study, TO is measured with 11 items using seven-point Likert scale (1 = Strongly disagree; 2 = Disagree; 3 = Somewhat disagree; 4 = Neither agree or disagree (Neutral); 5 = Somewhat agree; 6 = Agree; 7 = Strongly agree).

3.5.6 Operationalization of Access to Finance

Ganbold, (2008) refers access to finance as the lack of financial and non-financial barriers in accessing financial resources and services. Therefore, this study adapts this definition and operationalizes access to finance as the possibility of the SMEs to access financial resources with minimal or absence of financial and non-financial barriers. According to Wiklund and Shepherd (2005), resources availability can likely influence the owner-manager's satisfaction and agree with the questions. However, if the resources are not available for the firm's development, it is likely that the owner-manager will be dissatisfied and disagree with the questions. Therefore, a subjective measure of the owner-manager's level of agreement based on satisfaction with his or her access to financial capital can measure his or her accessibility to financial resources. In line with this argument, this study adopts eight items from Martin, Cullen, Johnson and Parboteeah (2007) to operationally measure access to finance as the mediating variable measured on a seven-point Likert scale (1 = Strongly disagree; 2 = Disagree; 3 = Somewhat disagree; 4 = Neither agree or disagree (Neutral); 5 = Somewhat agree; 6 = Agree; 7 = Strongly agree).

3.5.7 Operationalization of Business Environment

Dess and Beard (1984) explain business environment as environmental dynamism, environmental munificence and/or environmental complexity. They have classified and developed very useful indicators for operationalizing business environment. They further argue that the choice of which operational definition to be used in a study is determined by each researcher's perspective concerning the influence of the environment on the firm.

Hence, in this study, business environment is operationally defined as the degree to which a business environment can provide resources, assistance and support needed by the SMEs operating within an environment and resources that may improve the sustainability and performance of the SMEs. This is in line with Castrogiovanni (1991) that environmental munificence describes the capacity of the environment to encourage firms in the marketplace. Therefore, this study operationally measures business environment as a moderating variable using eight items adapted from Tang (2008). All the eight items were measured using seven-point Likert-type scale (1 = Strongly disagree; 2 = Disagree; 3 = Somewhat disagree; 4 = Neither agree or disagree (Neutral); 5 = Somewhat agree; 6 = Agree; 7 = Strongly agree).

3.6 Measurement of Variables/Instrumentation

The study adapted measurements based on the previous studies relevant to the current research context (Churchill, 1979). The research model consists of seven constructs: EO, MO, LO, TO, access to finance, business environment, and firm performance. In this study, the Likert scale was adopted for all the items, the respondents were asked to indicate their responses to each question on a seven-point scale.

The Likert scale is found to be more appropriate for this study due to the nature of the respondents and the information they are required to provide (Alreck & Settle, 1995). Additionally, Krosnick and Fabrigar (1997) opine that a scale between five and seven points is more reliable than higher or lower scales and a scale with no midpoint may increase the measurement error. Similarly, Dawes (2008) states that a five or seven point

scale is likely to produce better results and seven point scales are a little better than five point scales (Sauro, 2010). Based on existing literature Table 3.1 presents the adapted survey items that will capture the study variables.

Table 3.1
Measurement Instruments

Variables	Questions
FP	1 Compared to three years ago, our products/services reach a wider market.
	2 Compared to three years ago, our enterprise sales volume has increased
	3 Compared to three years ago, our enterprise profits have increased
	4 Compared to three years ago, the level of complaints from customers has decreased.
	5 Compared to three years ago, the number of employees has increased
	6 Compared to three years ago, the number of our customers has increased
EO	1 We emphasize on R&D, technological leadership and innovativeness instead of trusting only those products/services, which we have traditionally found to be good.
	2 Within the last three years, we have brought several new products/services to the market.
	3 Within the last three years, the changes in our product lines have been dramatic.
	4 Innovativeness is appreciated above all else.
	5 In our enterprise, many people want to take risks.
	6 We think that bold and wide-ranging acts are needed to achieve our goals.
	7 We emphasize risk-taking instead of being careful.
	8 We have emphasis on high-risk-high-return product/services.
	9 We intend to get into markets before our competitors.
	10 We do things which our competitors then respond to.
	11 In our enterprise, people want to be first in the markets.
	12 We are typically ahead of the competition in presenting new products/services or procedures.

Table 3.1 (Continued)

Variables	Questions
MO	1 Our enterprise seeks to create value-added customer products/services.
	2 Our enterprise is always trying to understand the needs of consumers.
	3 Our enterprise always strives to provide customer satisfaction.
	4 Our enterprise always attempts to measure our customer satisfaction.
	5 Our enterprise provides after-sales service for customers.
	6 Our enterprise shares information about the enterprise's competitors with our employees.
	7 Our enterprise responds quickly to the actions of competitors.
	8 Our enterprise always responds to competitors' strategies undertaken.
	9 Our enterprise has a target to create the product/service competitiveness.
	10 There is coordination within our enterprise.
	11 Departments/units in our enterprise share information.
	12 There is cooperation between divisions in formulating marketing strategy.
	13 All parts in our enterprise participate in the creation of added value for customers.
LO	1 The basic values of this enterprise include learning as a key to improvement.
	2 The sense around here is that employee learning is an investment, not an expense.
	3 Learning in our enterprise is seen as a key commodity necessary to guarantee firm survival.
	4 The collective wisdom in this enterprise is that once we quit learning, we endanger our future.
	5 There is a well-expressed concept of who we are and where we are going as a business.
	6 There is total agreement on our enterprise's vision across all levels, functions and divisions.
	7 All employees are committed to the goals of this firm.
	8 As the owner-manager, I believe in sharing vision of this enterprise with the employees.
	9 We do not have a well-defined vision for the firm.
	10 Our enterprise places a high value on open-mindedness.
	11 As the owner-manager, I encourage creative thinking among employees.
	12 Original ideas are highly valued in this enterprise.

Table 3.1 (Continued)

Variables	Questions
TO	1 Our enterprise uses sophisticated technologies in its product/services development.
	2 Our products/services are always at the state of the art of the technology.
	3 Our enterprise is very proactive in the development of new technologies.
	4 Our enterprise has the will and the capacity to build and to market a technological breakthrough.
	5 Our enterprise has built a large and strong network of relationships with suppliers of technological equipment.
	6 Our enterprise has an aggressive technological patent strategy.
	7 Our enterprise has better industrial methods than the competitors.
	8 We have a better technological knowledge than our competitors.
	9 Relative to our competitors, our R&D programs are more ambitious.
	10 Our enterprise is very proactive in the construction of new technical solutions to answer users' needs.
	11 Our firm is always the first one to use a new technology for its product development.
AF	1 Our enterprise is financed with personal money.
	2 Our enterprise is financed with funds generated from retained earnings.
	3 Our enterprise is financed with loans from friend and family.
	4 Because of high collateral requirements, our enterprise cannot get external financing.
	5 Our enterprise paid high interest rates charged on external financing.
	6 Our enterprise sourced it finances from lease financing.
	7 Our enterprise uses the trade credit facilities from suppliers to finance my business.
	8 There is sufficient financial information.
BE	1 The infrastructures encourage us to be independent and maintain our own businesses.
	2 Government provided good support for SMEs owners.
	3 Bankers and other investors help SMEs owners.
	4 Other community groups provide good support for business firms.
	5 There are many examples of well-respected people who succeed through SMEs.
	6 Many of my friends are SMEs owners.
	7 Many of my family and kin are into SMEs.
	8 The local media does a good job of covering local business news.

Note: FP=Firm Performance, EO=Entrepreneurial Orientation, MO=Market Orientation, LO=Learning Orientation, TO=Technology Orientation, AF=Access to Finance, BE=Business Environment

The reliability and validity of the collected data and the response rate depend largely on how the questions in the questionnaire are designed, the structure of the questionnaire and the rigor of the pilot testing (Saunders *et al.*, 2009). Questionnaires are found to be more appropriate for the study due its advantages over other methods of data collection, in terms of better and straight-forward generation of statistics, such as coding, tabulation and analysis (Dawson, 2007). Most of the people are more familiar with questionnaires. Hence, they are more comfortable responding to questionnaires than participating in an interview. The accompanying cover letter to the questionnaire on the confidentiality of the respondents may encourage them to provide sensitive information compared to interview.

The close-ended questionnaires have many check boxes for respondents to complete, while open-ended questionnaires have a number of questions that are open for respondents to comment (Fisher, 2010). The close-ended questionnaire is among the reliable data collection instruments widely used. It helps the respondents to make choices quickly and it is easy for the researcher to code the information for further analysis (Sekaran & Bougie, 2010). Close-ended questionnaires are found to be more appropriate for study like this one due its advantages over other methods of data collection, in terms of better and straight-forward generation of statistics, such as coding, tabulation and analysis (Dawson, 2007). Likewise, based on the characteristics of the respondents, this study employed close-ended questionnaire with multiple choice questions. The questionnaires were personally-administered in line with Asika (1991) that the response rate for mailed questionnaires in Nigeria is very low.

3.7 Control Variables

To ensure the robustness of the results, this study included firm size, firm age and industry type as control variables. This is in line with other studies (Frank *et al.*, 2010; Mu & Di Benedetto, 2011; Wiklund & Shepherd, 2005). Firstly, firm size influences the behaviour of the firm and its decision making in terms of exploitation of opportunities, competencies and innovations. Therefore, firms can exhibit different behaviour based on their size. In this study, firm size is measured by the number of employees. Ability of the firm to learn and respond appropriately depends largely on its number of years spent in the business or industry. Therefore, firm behaviour and environmental perception may be different among older and newer firms. This study measures firm age by the number of years the enterprise has been in existence in the business. Lastly, enterprise behaviour and its environmental characteristics can be influenced by the industry it is operating in. A firm in a manufacturing industry may exhibit different behaviours compared to one in a service industry. Hence, this study measures industry by asking the respondents the main line of business of their enterprise, i.e., manufacturing or service.

3.8 Population of the Study

According to Cavana, Delahaye and Sekaran (2001), population refers to the entire group of people, events or things of interest that the study tries to examine. The population in this study are the SMEs operating in the Kano, Kaduna and Sokoto states of north-western Nigeria (as shown in Table 3.2). North-western Nigeria has the highest number of SMEs in the country, out of which 5,010 are small and medium (SMEDAN, 2012).

Additionally, the north-western region recorded the highest population during the last census exercise in the country (National Population Commission [NPC], 2006).

Also, north-western Nigeria has the highest number of states, namely Kano, Kaduna, Katsina, Jigawa, Kebbi, Sokoto and Zamfara. Among these states, Jigawa, Katsina, Zamfara and Kebbi were created from Kano, Kaduna and Sokoto, respectively. In addition, Kano is the most populated state in the country with highest number of SMEs in the country and the region. Kaduna is third most populated state in the country with second highest number of SMEs in the region. Sokoto state is the third highest in both population and number of SMEs in the region. Therefore, the concentration of SMEs in these three states is high, i.e., about 73% of the SMEs in the region are located within these three states.

The region has a long history of commercial activities, particularly Kano state which is the country's centre of commerce. Kano state is the second most industrialized state in Nigeria and the economic nerve centre of the entire northern region and some parts of Niger republic, Chad and Cameroon (Kano State Economic Empowerment and Development Strategy [KSEEDS], 2004). Despite the long history of commercial activities and high number of SMEs, the region still has the highest unemployment and poverty rates in the country (NBS, 2012). More importantly, the north-western region is selected based on the availability of data, such as access to the respondents and the willingness of the respondents to participate in the study.

Table 3.2
Population

States	Population
1. Kano	1,808
2. Kaduna	1,282
3. Sokoto	581
Total	3,671

Source: SMEDAN (2012)

Regional studies may suffer from regional bias, especially if there are differences within the regions (Barkham, Gudgin, & Hart, 1996). Therefore, since the sample for this study is selected from the population of SMEs in Kano, Kaduna and Sokoto states, the study may be affected by regional bias. However, studies have clearly indicated that regional studies are not affected by regional bias; the relevance of region-specific factors in SMEs studies are stressed upon (Audretsch & Keilbach, 2004; Fritsch, 2004; Hoogstra & van Dijk, 2004; Storey, Watson, Wynarczyk, & Britain, 1989).

3.9 Sample Size

It is practically impossible for research that investigates large number of elements to collect data, test or examine every element (Sekaran & Bougie, 2010). Therefore, a sample is selected for examination which is a sub-set of the population of the study (Cavana *et al.*, 2001). Sample can be defined as a sub-set or some part of the larger population of the study (Zikmund *et al.*, 2013). The samples of this study are SMEs selected from the entire population of SMEs operating in Kano, Kaduna and Sokoto states of Nigeria. The sample size for this study is 347.63 or approximately 348 SMEs. This is obtained from the sampling formula by Dillman (2007). The sample was increased to 522 to avoid non-response problem and sample size error (Salkind, 1997).

$$N_s = \frac{(Np)(p)(1-p)}{(Np-1)\left(\frac{B}{C}\right)^2 + (p)(1-p)}$$

Where:

N_s = The actual sample size

Np = Size of population which is 3,671

p = The population proportion expected to choose among the two response categories is 0.5

B = Sample error at 0.05 (5%)

C = Confidence level at 0.05 is 1.96.

Therefore the sample of this study is calculated as follows

$$n = \frac{(3,671)(0.5)(1-0.5)}{(3,671-1)\left(\frac{0.05}{1.96}\right)^2 + (0.5)(1-0.5)}$$

$$n = \frac{917.75}{3,670 * 0.000651 + 0.25}$$

$$n = \frac{917.75}{2.64}$$

$$n = 347.63$$

3.10 Sampling Method

According to Saunders *et al.* (2009), cluster sampling involves dividing the population into two or more discrete groups prior to sampling based on one or a number of attributes. Cluster sampling is categorized as a probability sampling method because clusters are selected randomly or the random selection of elements within each cluster (Zikmund *et al.*, 2013). Cluster sampling technique has advantages in terms of simplicity and cost (Saunders *et al.*, 2009). Therefore, this study employed cluster sampling technique to divide the three states into three clusters. This is consistent with previous studies that divide target population according to the location of the company (Fornoni *et al.*, 2012; Zhang & Zhang, 2012).

Samples were selected randomly from each cluster based on the respective sample size (Sekaran & Bougie, 2010). Using the list of SMEs (sampling frame) that were provided by SMEDAN, 522 questionnaires (as shown in Table 3.3) were administered on the randomly selected target respondents (SMEs owner-managers). Samples for each cluster were selected using a random number generated function in MS Excel 2010 (RAND) in line with (Saunders *et al.*, 2009). However, it was realized that the actual sample from some of the states was small compared to others with large number of SMEs. For example, Sokoto which has low number of SMEs had fewer samples. Therefore, this study adopted disproportionate sampling to confirm that sufficient number of respondents are selected from each state (Sekaran & Bougie, 2010).

Table 3.3
Sample Frame

State	SMEs Population by State	Disproportionate sample for each State
1. Kano	1,808	190
2. Kaduna	1,282	180
3. Sokoto	581	152
Total	3,671	522

3.11 Data Collection Strategy

In this study, the data collection started in the month of October 2013 after conducting the pilot test. To be precise the data collection took place between the periods of 19th October 2013 to 20th January 2014. The data was collected through a personally-administered questionnaire. The nature of the SMEs in Nigeria made it compulsory for this study to use personally-administered method in order to achieve the required number of responses. Consequently, this will ensure the non-response bias does not affect the results.

Sekaran and Bougie (2010) state that personally-administered questionnaire helps the researcher to establish greater understanding with the respondents when introducing the survey. It also serves as one way of making clarifications to the respondents immediately, and the response rate can be high since the collection of the questionnaires is immediate. Additionally, all completed responses can be collected within a short period of time.

Firstly, an official letter was collected from the Othman Yeop Abdullah Graduate School of Business (OYAGSB), introducing the researcher and also explain the purpose of the

study. Therefore, this letter was used to get cooperation from the respondents. The questionnaire was six pages including the cover letter, the questionnaire and a pen with UUM logo and consultation was used to encourage the participants in the survey. The cover letter clearly highlights the background and purpose of the study and also provides instructions on how to answer the questionnaire. To further increase the willingness of the participants to partake in the survey, their secrecy and confidentiality were confirmed in the cover letter (see Appendix A).

The survey period was divided into two parts as follows. Firstly, all questionnaires collected within the period of October 19th-3rd Dec 2013 were considered early respondents. Specifically, 188 usable questionnaires were collected during the early response period. Considering the time frame, a follow-up phone calls and SMS were also sent to the respondents as reminder. Additionally, extra effort was made in distribution and collection of the questionnaires per day. Therefore, this effort produced a good result and 279 usable questionnaires were collected. Likewise, these questionnaires were collected within the period of Dec 4th-Jan 20th 2014 and were considered late respondents. These two groups of collected questionnaires were used in conducting non-response bias on the study variables.

3.12 Reliability and Validity Test of the Measures

In order to ensure goodness of the measures of the adapted items, validity and reliability tests were conducted on the data. The items adapted to measure concepts must be correctly measuring the variable and actually measuring the concept that is to be

measured. Reliability measures the stability and consistency of the adapted measurement in measuring the concept (Cavana *et al.*, 2001; Hair Jr. *et al.*, 2010). Reliability relates to the extent to which particular items adapted in a study will yield the same results on different occasions (Greener, 2008). Like in several studies, Cronbach's alpha was used in the pilot study and composite reliability was used in the main analysis to determine the internal consistency of the measurement scale adapted in this study.

Validity refers to the extent to which the instruments, methods or measures used in a study actually measure what it is supposed to describe or measure (Lancaster, 2005). It concerns the evidence that the instrument, technique or process used in a study is appropriately measuring the intended concept (Hair Jr. *et al.*, 2010; Sekaran & Bougie, 2010). There are many different types of validity, including content validity, predictive validity, concurrent validity, construct validity, face validity, internal and external validity and statistical validity (Vanderstoep & Johnston, 2009). Greener (2008) suggests the importance of face validity, construct validity and internal validity. He argues that construct validity is one of the important aspects of data analysis.

Therefore, this study conducted face validity to ensure the validity of the items on the face of it is measuring the intended construct. Construct validity is also conducted to ensure the items are actually measuring what the study has been operationalized to measure. In other words, it is used to attest whether the results obtained from the use of the adapted items can fit the theories around which the test was designed. This study used

the two ways to determine construct validity, i.e., convergent validity and discriminant validity (Hair Jr., Hult, Ringle, & Sarstedt, 2013; Vanderstoep & Johnston, 2009).

3.13 Method of Data Analysis

Method of data analysis is the procedure and statistical tools by which researchers analyse data, test research hypotheses and subsequently refine theories. In this study, descriptive and inferential statistics were employed to analyse the data. The Partial Least Squares Structural Equation Modeling (PLS-SEM) approach was adopted for data analysis.

After raw data was collected from the field, the entire usable questionnaires were coded and keyed-in to the Statistical Package for the Social Sciences (SPSS v18). Then the following method of data analysis was adopted to analyse the data. Firstly, the data underwent screening to find data entry errors; frequency test was run for each variable to identify and correct the possible missing value using the respective mean values. Then, descriptive statistics was used to describe and compare the demographics (Saunders *et al.*, 2009).

Lastly, the PLS-SEM which is the second generation SEM was adopted. SEM has become an important approach when it comes to investigating the cause and effect relations between latent constructs (Hair, Ringle, & Sarstedt, 2011). Generally, PLS-SEM is a path modelling statistical method for modelling complex multivariate analysis of relationships between observed and latent variables (Esposito Vinzi, Chin, Henseler, &

Wang, 2010). The PLS-SEM approach is a strong, superior and flexible tool for statistical model building as well as testing and predicting theory (Lowry & Gaskin, 2014; Ringle, Wande, & Becker, 2014; Robins, 2012). Wan Afthanorhan (2013) stresses that reliable and valid confirmatory factor analysis is better achieved using PLS-SEM path modelling.

PLS-SEM is a statistical methodology that has been used by several researchers in various research areas in social sciences, including business research (Hair Jr., Sarstedt, Hopkins, & Kuppelwieser, 2014). For instance, marketing (Hair, Sarstedt, Ringle, & Mena, 2012; Henseler, Ringle, & Sinkovics, 2009; Reinartz, Krafft, & Hoyer, 2004); management information system (Chin, Marcolin, & Newsted, 2003; Marcoulides, Chin, & Saunders, 2009); human resource (Becker, Klein, & Wetzels, 2012); family business (Sarstedt, Ringle, Smith, Reams, & Hair, 2014); operations management (Peng & Lai, 2012); and strategic management (Gudergan, Devinney, Richter, & Ellis, 2012; Hulland, 1999; Lew & Sinkovics, 2013). This is because PLS-SEM has the ability to assess latent variables and their relationship with the items (outer model) and test the relationship between the latent variables (inner model) (Hair, *et al.*, 2012; Henseler *et al.*, 2009).

PLS-SEM is more robust in handling non-normal data because it has flexible assumptions about the normality of the distribution of variables (Henseler *et al.*, 2009). In particular, PLS-SEM estimates paths under conditions of normality with large sample sizes and is more likely to detect variances among groups than the covariance-based SEM approach (Marcoulides *et al.*, 2009). However, under non-normality conditions and smaller samples, the PLS-SEM method seems to be more preferable. But even in the moderately

non-normal data, large sample size is needed even though the approach is less sensitive to sample and normal distribution (Marcoulides & Saunders, 2006). PLS-SEM addresses the problem of statistical power within analysis in similar conditions of data than covariance based SEM (Haenlein & Kaplan, 2011; Reinartz, Haenlein, & Henseler, 2009). However, some of the benefits of PLS-SEM, such as small sample size, abnormality of data and prediction ability are added advantages for PLS-SEM method rather than a condition (Sarstedt, Ringle, & Hair, 2014).

To this end, PLS-SEM has been demonstrated to be a superior model that performs estimations better than first generation and other co-variance based regressions models for assessing mediation and moderation. Specifically, based on the arguments for choosing a suitable technique to estimate structural equation models, PLS-SEM is adopted for this study due to the complexity of the research model. This is in line with (Haenlein & Kaplan, 2004; Hair, *et al.*, 2012) that PLS-SEM is a more suitable for model with high number of exogenous latent variables explaining small number of endogenous latent variables.

Particularly, PLS-SEM, as a multivariate analysis method, can be applied in marketing, strategic management and other social sciences research. Additionally, compared to other covariance based techniques, PLS-SEM has no restrictions in terms of the interaction technique used in moderation test; therefore, it is a feasible alternative for testing moderation effect (Chin *et al.*, 2003; Esposito Vinzi, Trinchera, & Amato, 2010). Lastly, PLS-SEM allows for complex models that include chains of effects, such as mediation

and other more complex relationships (Lowry & Gaskin, 2014). Therefore, this study used SmartPLS v3.0 (Ringle *et al.*, 2014) to determine the outer model (reliability, convergent validity and discriminant validity) and inner model (significance of the path coefficients, coefficient determination, the effect size and predictive relevance).

3.14 Pilot/Preliminary Test

A pilot test was conducted in this study, first to test the validity and reliability of the survey instrument. Secondly, to get a glimpse of the real conditions of the impact assessment, which allows the researcher to anticipate potential problems and adjust when embarking on the actual research. Among the main concerns of the pilot study is the validity and reliability of the instrument. According to Sekaran and Bougie (2010), validity measures the extent to which an instrument is measuring what it should be measuring, while the reliability measures the extent to which an instrument is free from error, consistent and stable across various items of the scale.

3.14.1 Validity Test

To ensure how well an instrument measures what it is purported to measure, content/face validity was conducted in this study. Consultations were made with a small sample of respondents and/or a panel of experts to make a judgment on the appropriateness of items chosen to measure the construct. Experts consulted included senior lecturers, associate professors and professors in the School of Business, Universiti Utara Malaysia and Bayero University, Kano Nigeria. Further, a few Ph.D. students who are acquainted with the environmental context of the study were consulted to test the clarity of the study

instrument. Additionally, some SMEs owners and managers were also consulted for their input. On account of this, some items were re-worded/re-phrased appropriately to measure the construct and also to be understood by the potential respondents. Within two weeks in the month of September 2013, this process was completed.

After taking into account the observations of experts, the researcher adapted an improved version of the instrument, which was administered for the pilot study. In most pilot tests, the sample is generally small (Fink, 2003), although it is usual to increase it to 100 responses (Dillman, 2007). Therefore, a total of 60 copies of the questionnaires were randomly personally-administered. Out of the distributed questionnaires, 52 were collected and six were not properly completed, so only 46 responses were considered for analysis. Some questionnaires were received after the closing date and consequently, were not included in the analysis. The high response rate of about 76.7% was achieved due to the distribution and collection of questionnaires personally. This process ended within two weeks in the month of September and October, 2013.

3.14.2 Reliability Test

Different types of testing reliability are used. However, the most popular method used by researchers to test the inter-item consistency and reliability is the Cronbach's alpha coefficient (Sekaran & Bougie, 2010). It indicates the extent to which answers of the respondents to all the items are consistent. After running reliability test using SPSS v18 for Windows, it was found that all the measures had a high reliability standard ranging from 0.72 to 0.95. This is in line with the criterion that a Cronbach's alpha coefficient of

0.60 is considered an average reliability, while a coefficient of 0.70 or higher indicates that the instrument has a high reliability standard (Hair Jr. *et al.*, 2010; Nunnally, 1978; Sekaran & Bougie, 2010).

Table 3.4
Reliability Test

	Constructs	Number of Items	Cronbach's Alpha
1	Firm Performance	6	0.84
2	Entrepreneurial Orientation	12	0.86
3	Market Orientation	13	0.91
4	Learning Orientation	12	0.89
5	Technology Orientation	11	0.95
6	Access to Finance	8	0.74
7	Business Environment	8	0.72
	Total	70	

Table 3.4 shows the summary of the reliability results. It can be seen from that the results of the pilot test show that the Cronbach's alpha values for the respective constructs under investigation are all above 0.70. Consequently, given the established yardstick of 0.70, it can be concluded all the constructs are reliable, and therefore there was no need to remove any item.

3.15 Chapter Summary

This chapter explains the relationship between the variables in the theoretical framework hypotheses development and the operationalization of the study variables. The chapter highlights that the study adopts a cross-sectional survey research design with the population of all SMEs operating in Kano, Kaduna and Sokoto states of north-western

Nigeria. The chapter explains the sampling method used in selecting the sample from the population. Also, detail explanations of the survey instrument and the strategy for data collection were presented. Additionally, PLS-SEM as a method for data analysis using SPSS v18 and SmartPLS to conduct preliminary data analysis, descriptive statistics, measurement model (reliability and validity tests), and structural model evaluation was highlighted. Finally, the chapter presents the reason and result of the pilot study.

CHAPTER FOUR

ANALYSIS AND FINDINGS

4.1 Introduction

The primary objective of this chapter is to provide research results, which include demographics using descriptive statistics, reliability and validity, as well as results of the hypotheses tests. This chapter presents the research findings of the study based on the data collected from respondent SMEs located in Kano, Kaduna and Sokoto states. In detail, this chapter contains the following sections: Firstly, response rate, non-response bias and common method bias tests are presented; secondly, data cleaning and preliminary data screening and preparation are outlined, and details of the characteristics of the sample are presented; thirdly, the results of tests for reliability and validity of the scales are assessed and presented which is the measurement model; and finally, the results of the testing of hypotheses, coefficient determination, the effect size and predictive relevance are examined and reported.

4.2 Response Rate

The data used for this research were collected from owners-managers of SMEs in northwestern Nigeria. In this study, questionnaires were personally-administered, whereby the questionnaires were accompanied with a pen as a gift. Apart from this, free consultations were provided to further help in quickening completion of the questionnaires. Efforts were made to increase the response rate by reminding respondents through phone calls, SMS and personal visits (Sekaran & Bougie, 2010). Because of these efforts, 475 questionnaires were returned out of 522 questionnaires that are

personally-administered to the respondents (owner-managers of SMEs) in Nigeria. Consequently, this makes the response rate of 91.0%; however, out of the 475 responses obtained, only 467 questionnaires were used for further analysis making a valid response rate of 89.46% (Yehuda, 1999). This is because out of the 475 questionnaires collected, eight were discovered to be wrongly filled, and rejected for further analysis. The response rate is comparable with other past studies (Kropp *et al.*, 2006; Li *et al.*, 2008; Mohammed & Obeleagu-nzelibe, 2014; Muthuvelayutham & Jeyakodeeswari, 2014; Narver & Slater, 1990; Voss & Voss, 2000).

Table 4.1
Response Rate of the Questionnaires

Response	Kano	Kaduna	Sokoto	Freq/Rate
No. of distributed questionnaires	190	180	152	522
Returned questionnaires	181	151	143	475
Returned and usable questionnaires	177	149	141	467
Returned and excluded questionnaires	4	2	2	8
Questionnaires not returned	9	29	9	47
Response rate %	95.26	83.89	94.08	91.00
Usable response rate %	93.16	82.78	92.76	89.46

4.3 Non-response Bias Test

The problem of non-response bias occurs in surveys if the answers of respondents differ in meaningful ways from those who did not answer. Non-response error refers to the inability to get information from the respondents. For example, difficulty in contacting the respondents, or respondents' refusal to take part in the survey may be possible reasons for not responding (Yehuda, 1999).

The real problem of non-response errors are derived from responses to questions, and the information given by respondents being different from those who refused to respond (Armstrong & Overton, 1977). Therefore, if non-response bias occurs, results will not allow one to say how the total sample responded. Consequently, non-response bias may affect the generalization of the sample to the population. Therefore, in a survey research such as this one, it is important to assess this type of error before moving to the main analysis.

Firstly, in order to address the problem of non-response bias in this study, the sample was increased to 50% as suggested by Salkind (1997); follow-up through phone calls, SMS and personal visits and some gifts and consultation were offered as motivation (Churchill Jr. & Iacobucci, 2004). In addition, despite the high response rate in this study, the potential difference between respondents who responded first and those who responded late were compared using the study variables. Therefore, test of response bias was performed by dividing the respondents into two groups, based on early and late respondents.

An independent sample t-test was then conducted for all variables, including the dependent, independent, mediating and moderating variables to find out if there is any bias among the groups. Levene's test for equality of variance was used to know whether the variances between the early and late respondents differ. Additionally, based on Levine's test, the two-tailed equality of means t-test was used to identify the exact p-

value associated with the hypotheses, to allow a decision on whether or not there is a significant difference between the two groups.

Table 4.2
Group Descriptive Statistics for the Early and Late Respondents

Variables	Response	N	Mean	Std. Deviation	Std. Error Mean
FP	Early	188	5.59	1.02	.07
	Late	279	5.45	1.03	.06
EO	Early	188	5.15	.87	.06
	Late	279	5.18	.88	.05
MO	Early	188	5.53	.83	.06
	Late	279	5.67	.79	.05
LO	Early	188	5.47	.76	.06
	Late	279	5.50	.64	.04
TO	Early	188	4.69	1.11	.08
	Late	279	4.86	1.20	.07
AF	Early	188	4.72	.97	.07
	Late	279	4.63	.95	.06
BE	Early	188	4.66	1.00	.07
	Late	279	4.48	1.10	.07

Note: FP=Firm Performance, EO=Entrepreneurial Orientation, MO=Market Orientation, LO=Learning Orientation, TO=Technology Orientation, AF=Access to Finance, BE=Business Environment

Table 4.3
Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
FP	Equal variances assumed	.04	.85	1.47	465	.14	.14	.10	-.05	.33
	Equal variances not assumed			1.47	403.64	.14	.14	.10	-.05	.33
EO	Equal variances assumed	.51	.48	-.37	465	.71	-.03	.08	-.19	.13
	Equal variances not assumed			-.37	405.18	.71	-.03	.08	-.19	.13
MO	Equal variances assumed	.71	.40	-1.84	465	.07	-.14	.08	-.29	.01
	Equal variances not assumed			-1.82	389.16	.07	-.14	.08	-.29	.01
LO	Equal variances assumed	1.80	.18	-.55	465	.58	-.04	.07	-.16	.09
	Equal variances not assumed			-.53	352.37	.60	-.04	.07	-.17	.10
TO	Equal variances assumed	.87	.35	-1.50	465	.13	-.16	.11	-.38	.05
	Equal variances not assumed			-1.52	420.94	.13	-.16	.11	-.38	.05
AF	Equal variances assumed	1.01	.32	1.00	465	.32	.09	.09	-.09	.27
	Equal variances not assumed			1.00	395.81	.32	.09	.09	-.09	.27
BE	Equal variances assumed	4.01	.05	1.83	465	.07	.18	.10	-.01	.38
	Equal variances not assumed			1.87	426.58	.06	.18	.10	-.01	.38

Note: FP=Firm Performance, EO=Entrepreneurial Orientation, MO=Market Orientation, LO=Learning Orientation, TO=Technology Orientation, AF=Access to Finance, BE=Business Environment

Table 4.2 reveals that the group mean and standard deviation for early response and late response are not very different. In Table 4.3, the result of Levene's test based on firm performance, EO, MO, LO, TO and access to finance shows that the variance between the early response and late response is the same. In general, the two-tailed t-test indicates that there is no significant difference between early respondents and late respondents based on the study variables.

With respect to firm performance, the mean and standard deviation of early respondents reported no significant difference ($M=5.59$, $SD=1.02$) than the late respondents ($M=5.45$, $SD=1.03$). In addition, the result indicates that there is no significant difference between early and late responses ($t=1.47$, $p<.05$). Therefore, the null hypothesis is accepted. Similarly, the result indicates that the early respondents based on EO ($M=5.15$, $SD=.87$) and late respondents ($M=5.18$, $SD=.88$) are nearly the same. The two-tailed t-test ($t=-.37$, $p<.05$) shows no significant difference between early and late respondents. Thus, null hypothesis is accepted.

Further, results from an independent samples t-test based on MO indicates that there is no significant difference between early respondents ($M=5.53$, $SD=.83$) and late respondents ($M=5.67$, $SD=.79$). In addition, the two-tailed t-test ($t=-1.84$, $p<.05$) indicates that the variance between early and late respondents is equal. Hence, the null hypothesis is accepted. The result with respect to LO indicates that early respondents ($M=5.47$, $SD=.76$) and late respondents ($M=5.50$, $SD=.64$) are similar. The result further shows

that there is no significant difference in the early and late respondents' variances assumed ($t=-.55$, $p<.05$). Hence, the null hypothesis is accepted.

In the same way, based on TO, the independent samples t-test indicate that response of the early respondents ($M=4.69$, $SD=1.11$) is the same as the late respondents ($M=4.86$, $SD=1.20$). This result failed to reveal a significant difference between the early and late respondents ($t=-1.50$, $p<.05$). As a result, the null hypothesis is accepted. In addition, the group mean of access to finance between early respondents ($M=4.72$, $SD=.97$) and late respondents ($M=4.63$, $SD=.95$) is found to be not significantly different. In the same way, there is no significant difference between the two groups ($t=1.00$, $p<.05$). Consequently, the null hypothesis is accepted.

Finally, based on business environment, the early respondents ($M=4.66$, $SD=1.00$) and late respondents ($M=4.48$, $SD=1.10$) respond in a similar way. However, Levene's test indicates that the variances are not equal across the early and late respondents, but as suggested by Pallant (2010), the two-tailed test of equal variances not assumed is found to be not significant ($t=1.87$, $p<.05$). Therefore, the alternate hypothesis is rejected. Taking into account the independent samples t-test result above, it can be established that there is no difference between the early respondents and the late respondents, and therefore, there is no issue of non-response bias.

4.4 Common Method Bias Test

Since the data on the endogenous and exogenous variables were collected at the same time using the same instrument, common methods bias could distort the data collected. Therefore, considering the potential problem caused by common method bias in behavioral studies, this study conducted a test to make sure that there is no variance in observed scores and correlations are not inflated because of the methods effect. Common method bias refers to the variance attributable exclusively to the measurement procedure as opposed to the actual variables the measures represent (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).

There are many arguments on the extent of seriousness of common method bias on data (Bagozzi, 2011). It is therefore an important consideration in this study. There are several procedures and statistical techniques to treat common method variance. These include wording questions in reverse, clarity of questions or items, confidentiality of the respondents and statistical Harman's one-factor test (Podsakoff *et al.*, 2003). In this study, un-rotated factor analysis with seventy items of all the variables of the study revealed that no single factor accounted for more than 50% of the variance. The result produced 16 distinct factors and only 21.61% of the total variance was accounted by a single factor, indicating the absence of common method bias in this study. This is in line with Podsakoff *et al.*, (2003) and Lowry and Gaskin (2014), who argue that common method bias is present when a single factor explains more than 50% of the variance.

4.5 Initial Data Examination, Screening and Preparation

Screening, editing and preparation of initial data are essential steps before any further multivariate analysis. It is also important to conduct data screening to identify any potential violation of the basic assumptions related to the application of multivariate techniques (Hair Jr *et al.*, 2010). In addition, preliminary data examination enables the researcher to gain a deeper understanding of the data collected. Therefore, missing data, outliers, normality and multicollinearity are checked and treated accordingly.

4.5.1 Analysis of Missing Data

Counting on the negative effects of missing data in the analysis, the researcher called for protective action at the collection point in an attempt to reduce their occurrence. Upon receipt of the completed questionnaires, the researcher quickly checked by ensuring that all questions were answered appropriately. Attention of the respondents was drawn if a question(s) was/were ignored and they were asked to kindly complete filling the questionnaire accurately. According to Hair Jr. *et al.* (2013), missing values should be replaced using mean when there are less than 5% missing values per item. In this study, missing value analysis indicated none of the indicators had 5% of missing values; it ranged from 0.2% to 1.5%. Hence, missing values were replaced through SPSS v18 using mean replacement.

4.5.2 Analysis of Outliers

An outlier is a point that is far from observing other observations. Outliers may be due to variation in the measurement and can perhaps show an experimental error (Churchill Jr. & Iacobucci, 2004). Outliers can occur in any random distribution, but they are often indicative either of measurement error or that the population suffers hard-tail distribution. Investigating outliers is an important step because skipping initial examination of outliers can distort statistical tests if it happens to be a problematic outlier (Hair Jr. *et al.*, 2010). In particular, it distorts statistics and may lead to results that do not generalize to certain samples except one with the same type of outliers (Tabachnick & Fidell, 2013).

In line with the suggestion of Tabachnick and Fidell (2013), in this study, Mahalanobis D^2 measure was employed to identify and deal with multivariate outliers. Additionally, treating multivariate outliers will take care of univariate outliers. However, treating univariate outliers will not necessarily take care of multivariate outliers (Hair Jr. *et al.*, 2010). Hence, Mahalanobis D^2 was calculated using linear regression methods in IBM SPSS v18, followed by the computation of the Chi-square value. Given that 70 items were used, 69 represent the degree of freedom in the Chi-square table with $p < 0.001$, so the criterion is 112.31 (Tabachnick & Fidell, 2013). This means that any case with a Mahalanobis D^2 value of 112.31 and above is a multivariate outlier and should be removed. Hence, cases with a value of 112.31 and above were removed from further analysis.

4.5.3 Normality Test

After examination of outliers, the normal distribution of the data was assessed. The normal distribution is a key assumption for statistical analysis and structural equation model (Hair Jr. *et al.*, 2010). The PLS-SEM is a lenient model that makes no assumptions about the normality of the data distributions (Hair Jr. *et al.*, 2013; Henseler *et al.*, 2009; Temme, Kreis, & Hildebrandt, 2010). Although PLS-SEM is a non-parametric statistical method and does not require data to be distributed normally, it is important to check if the data is not too far from being normal (Hair Jr. *et al.*, 2013). Because extremely non-normal data can be a problem in assessing the parameters and the standard errors may be inflated from bootstrapping.

According to Hair Jr *et al.*, (2010), normality refers to the shape of the distribution of data for an individual metric variable and its correspondence to the normal distribution of the benchmark for statistical methods. To check the normality, i.e., assessing possible deviation from normality and the shape of the distributions, this study applied statistical method of Skewness and Kurtosis (Curran, West, & Finch, 1996; Hair Jr. *et al.*, 2010; Kline, 2011; Tabachnick & Fidell, 2013; West, Finch, & Curran, 1995). However, Tabachnick and Fidell (2013) state that deviation from normality of Skewness and Kurtosis often do not make a substantive difference in the analysis when the samples is more than 200.

According to Curran *et al.* (1996) and West *et al.* (1995), Skewness values should be less than 2 and Kurtosis values should be less than 7. Additionally, following similar argument Kline (2011) states that the absolute value of Skewness greater than 3 and Kurtosis value greater than 10 may indicate a problem; and values above 20 may indicate a more serious problem. Based on this recommendation, the absolute values of the Skewness and Kurtosis of all the items in this study are within the acceptable range of < 2 and < 7 , respectively.

4.5.4 Multicollinearity

Multicollinearity refers to the relationship between two or more exogenous variables, where the independent variables demonstrate little correlation with other independent variables (Hair Jr. *et al.*, 2010). Multicollinearity problem occurs when the independent variables are highly correlated to each other (Hair Jr. *et al.*, 2010; Pallant, 2010; Tabachnick & Fidell, 2013). Therefore, when two or more variables are highly correlated, it means they contain unnecessary information. Not all are needed in the same analysis because they increase the error terms.

Further, when multicollinearity between variables is high, the standard error of the regression coefficient increases; so the statistical significance of these coefficients becomes less reliable. The most reliable statistical test of multicollinearity is examination of tolerance and Variance Inflation Factor (VIF) with the thresholds of more than 0.1 and less than 10 respectively (Hair Jr. *et al.*, 2010; Pallant, 2010). Therefore, in this study,

multicollinearity was tested first by examining correlation matrix and secondly, by tolerance and VIF level for the independent variables.

The correlation matrix of the independent variables was examined to find out if there is any indication of high correlations among the variables. According to Hair Jr *et al.* (2010) and Pallant (2010), multicollinearity exists when correlation between independent variables is 0.9 and higher. However, Pallant (2010), suggests a correlation value above 0.7 as threshold for multicollinearity among independent variables. The result showed that none of the exogenous variables is highly correlated with any other exogenous variable. Table 4.4 shows that the correlation values are well below the threshold of 0.7 and higher. It is therefore concluded that there is no problem of high correlation among the variables.

Table 4.4
Correlations among the Exogenous Variables

Variables	EO	MO	LO	TO	AF	BE
EO	1					
MO	.64	1				
LO	.09	.27	1			
TO	.59	.58	.25	1		
AF	.24	.27	.11	.39	1	
BE	.20	.17	.33	.24	.04	1

Note: EO=Entrepreneurial Orientation, MO=Market Orientation, LO=Learning Orientation, TO=Technology Orientation, AF=Access to Finance, BE=Business Environment

Secondly, multicollinearity was tested through examination of tolerance and VIF using regression results provided by the SPSS collinearity diagnostics result. As recommended, this is the most important and reliable test of multicollinearity (Hair Jr. *et al.*, 2010). From Table 4.5, it is clear that the tolerance ranges between 0.521 and 0.856 substantially greater than 0.1 and VIF ranges from 1.18 and 1.95 considerably less than 10. In line with Hair Jr *et al.* (2010) and Pallant (2010), that the tolerance values below 0.10 and VIF values above 10 indicate high collinearity, this result shows that multicollinearity does not exist in this study.

Table 4.5
Multicollinearity Test based on Tolerance and VIF Values

	Tolerance	VIF
EO	.52	1.92
MO	.52	1.91
LO	.82	1.23
TO	.51	1.95
AF	.84	1.19
BE	.85	1.18

Note: EO=Entrepreneurial Orientation, MO=Market Orientation, LO=Learning Orientation, TO=Technology Orientation, AF=Access to Finance, BE=Business Environment

4.6 Sample Characteristics

Respondents were asked to indicate a number of aspects relating to their firms, such as job position, business type, location of the business, age of the firm, number of employees, ownership type and estimated total assets. The following are the results of the features of the respondents.

Firstly, to confirm whether the respondents were eligible to complete the survey and to know who is managing the firm, respondents were asked to indicate their position in the firm. Respondents were asked to indicate their job position by selecting one of the two options provided in the questionnaire. The options indicate whether the firm is managed by the owner or manager, respectively. The descriptive analysis revealed that 60.77% of firms are managed by the owner; while 39.23% are managed by the manager. This indicates more than half of the SMEs in Nigeria are managed by the owners. Besides job position, respondents were also asked to indicate whether the firm's main line of business is manufacturing or service. While 51.10% of the firms refer to manufacturing firms, the remaining 48.90% are service firms. As for the location of the business, 34.25% are located in Kano, 35.08% in Kaduna and 30.66% in Sokoto.

With respect to years in operation, 28.73% of the respondents answered that their firms are less than five years in operation; 38.67% of the firms have been operating for about five to 10 years; and 20.44% indicated that their firms are 11 to 15 years in operation. Finally, only 12.15% have been in existence for more than 15 years. Number of employees represents the firm size in this study. Respondents were asked to indicate the size of their firm by selecting one of two options provided in the questionnaire. The two options indicate whether the firm is small 10 to 49; or medium 50 to 199. The descriptive analysis revealed that the majority of SMEs operating in Nigeria are small with an average of 90.61%; and only 9.39% are medium.

Type of ownership is another aspect that was investigated as part of the questionnaire. Based on the categorization provided in the questionnaire, namely: 1) sole proprietorship; 2) Partnership 3) a limited liability company that is not publicly traded; and 4) a limited liability company that is publicly traded, respondents were asked to indicate the option that represents their firm's type of ownership. All the four types are represented in the sample, with 77.07% - sole proprietorship; partnership 20.17%; 2.49% limited liability company that is not publicly traded; and 0.28% limited liability company that is publicly traded. All the 362 respondents answered the question about the estimated total assets of their firm. The analysis revealed that 66.30% of total assets of the firms is less than N5 million; and 29.83% of the firms have between N5 million to less than N50 million. The analysis also revealed that the firm with total assets between N50 million to less than N500 million and N500 million and above are 3.59% and 0.28%, respectively.

Table 4.6
Summary of Respondents' Demography

Item	Frequency	Percentage
Job position in the firm		
Owner	220	60.77
Manager	142	39.23
Main line of business in your firm		
Manufacturing	185	51.10
Services	177	48.90
Location of Business		
Kano	124	34.25
Kaduna	127	35.08
Sokoto	111	30.66
Years of enterprise been in existence		
Less than 5 years	104	28.73
5 -10 years	140	38.67
11- 15 years	74	20.44
More than 15 years	44	12.15

Table 4.6 (Continued)

Item	Frequency	Percentage
Number of employees		
10 to 49	328	90.61
50 to 199	34	9.39
Current ownership/equity type		
Sole proprietorship	279	77.07
Partnership	73	20.17
Limited liability Company, not publicly traded	9	2.49
Limited liability Company, publicly traded	1	.28
Company's estimated total assets		
Less than N5m	240	66.30
Between N5m to less than N50m	108	29.83
Between N50m to less than 500m	13	3.59
Between N500m and above	1	.28

4.7 Evaluation of PLS-SEM Result

In this part, the presentation of the factor analysis results is reported. As previously mentioned in chapter three, all the items were adapted from previous studies. This study evaluates the reliability and validity of the construct measures. The outer model implies the unidimensionality of the study variables, in the meaning of factor analysis. Then, after confirming the reliability and validity of the construct measure, the structural models were assessed and the relationships between the latent variables were examined.

After the checking and screening of the data as described in the previous discussion, the next step was to assess the outer model and inner model (Esposito Vinzi *et al.*, 2010; Hair Jr. *et al.*, 2013). PLS-SEM was used in this study to evaluate the outer model (measurement model) and the inner model (structural model). In other words, PLS-SEM was used to analyze the direct, mediating and moderating results of this study. SmartPLS

3.0 by Ringle *et al.* (2014) was used to determine causal links among the constructs in these theoretical models.

Before conducting the PLS-SEM analysis, there is a need to configure the model in a way that it will be clearly understood. To do this, indicators should be clarified to establish which indicators are formative if any, and which are reflective. It is essential to note that model configuration is vital because approach in testing reflective measurement model is quite different from approach used in testing formative measurement model (Hair Jr. *et al.*, 2013; Lowry & Gaskin, 2014). In this study, all the indicators of latent variables are reflective.

Specifically, the latent (unobserved) variables and the indicator (observed) variables are reflective rather than formative variables. Further, the analysis did not involve testing second-order structures that contain two layers of components. In other words, the study constructs in the inner model were treated as first order constructs. In terms of the sequence and relationship among the constructs, the study has six exogenous latent variables which include four independent variables (EO, MO, LO and TO), one mediating variable access to finance and one moderating variable business environment. The endogenous variable in this study are the mediating variable access to finance and the dependent variable firm performance.

4.7.1 The Measurement Model

The first step in PLS-SEM analysis is the assessment of the measurement model (outer model). The outer model deals with the measurement of the component, which determines how well the indicators (items) load theoretically and associate with respective constructs. In other words, analysis of the outer model confirms that the survey items measure the constructs they were designed to measure, thus ensuring that they are reliable and valid.

Reliability and validity are the two main criteria used in PLS-SEM analysis to evaluate the outer model (Hair Jr. *et al.*, 2013; Hulland, 1999; Ramayah, Lee, & In, 2011). The conclusion about the nature of the relationship among constructs (inner model) depends on the reliability and validity of the measures. The suitability of the outer model can be assessed by looking at: (1) individual item reliabilities, i.e., indicator reliability and internal consistency reliability using composite reliability (CR); (2) convergent validity of the measures associated with individual constructs using average variance extracted (AVE); and (3) discriminant validity using Fornell-Larcker criterion and the indicator's outer loadings.

To begin with, internal consistency usually measures the consistency of result between items of the same test. It measures whether the proposed items measuring the construct are producing similar scores (Hair Jr. *et al.*, 2013). Therefore, in this study, internal consistency reliability was assessed by examining CR.

According to Hair Jr. *et al.* (2013), unlike Cronbach's alpha, CR does not assume an equal indicator loading of construct. CR varies between 0 and 1; the threshold value should not be lower than 0.60 (Henseler *et al.*, 2009) but value from 0.70 and above is most desirable (Hair, *et al.*, 2012). Accordingly, CR value between 0.6 and 0.7 indicates average internal consistency, while value between 0.70 and 0.90 is regarded as more adequate (Nunnally & Bernstein, 1994).

Therefore, in this study, CR and Cronbach's alpha values for all the constructs were examined, and the results in Table 4.7 show that all CR and Cronbach's alpha values exceed the recommended threshold value of 0.70 (Hair Jr. *et al.*, 2013; Henseler *et al.*, 2009). The CR values in this study range between 0.84 to 0.94, indicating the reliability of the measurement model.

Next is convergent validity, which refers to the extent to which measures of the same constructs that are theoretically related to each other are related (Henseler *et al.*, 2009). Hence, it shows the degree of correlation among the measures of the same construct (Hair Jr. *et al.*, 2013). With regards to identifying an element of convergence in the measurements of the construct, AVE is used with a threshold value of 0.50 and above (Hair *et al.*, 2012; Henseler *et al.*, 2009).

AVE value of 0.50 indicates adequate convergent validity. In other words, latent construct explains half of the variance of its indicators and indicates adequate convergent validity (Hair Jr. *et al.*, 2013). In this study, convergent validity was assessed by

examining AVE values. Results in Table 4.7 show that the AVE value of all the constructs exceed the threshold value of 0.50 (Hair *et al.*, 2012; Henseler *et al.*, 2009). The result reveals AVE values range from 0.52 to 0.66; so it can be concluded that convergent validity is established.

Table 4.7
Loadings, Reliability and Convergent Validity Values

Variables	Items	Loading	Indicator Reliability	Cronbach's Alpha	CR	AVE	Discriminant Validity?
FP	AFP1	.85	.73	.87	.91	.66	Yes
	AFP2	.87	.76				
	AFP3	.87	.75				
	AFP5	.63	.40				
	AFP6	.82	.68				
	BEO10	.85	.71				
EO	BEO11	.72	.51	.88	.90	.57	Yes
	BEO12	.66	.44				
	BEO2	.76	.57				
	BEO3	.80	.64				
	BEO4	.68	.47				
	BEO9	.82	.68				
MO	CMO10	.76	.58	.88	.91	.54	Yes
	CMO11	.76	.57				
	CMO12	.75	.57				
	CMO13	.72	.52				
	CMO6	.74	.55				
	CMO7	.72	.52				
LO	CMO8	.74	.55	.85	.89	.62	Yes
	CMO9	.70	.49				
	DLO1	.78	.61				
	DLO2	.86	.74				
	DLO3	.87	.77				
	DLO4	.76	.58				
	DLO5	.63	.40				

Table 4.7 (Continued)

Variables	Items	Loading	Indicator Reliability	Cronbach's Alpha	CR	AVE	Discriminant Validity?
TO	ETO10	.79	.62	.93	.94	.64	Yes
	ETO11	.77	.59				
	ETO3	.84	.71				
	ETO4	.86	.75				
	ETO5	.82	.67				
	ETO6	.71	.50				
	ETO7	.82	.67				
	ETO8	.81	.66				
	ETO9	.74	.55				
	AF	FAF1	.67				
FAF2		.86	.73				
FAF3		.67	.45				
FAF7		.69	.48				
FAF8		.70	.49				
BE	GBE2	.86	.74	.79	.86	.60	Yes
	GBE3	.82	.66				
	GBE4	.66	.43				
	GBE8	.76	.58				

Note: FP=Firm Performance, EO=Entrepreneurial Orientation, MO=Market Orientation, LO=Learning Orientation, TO=Technology Orientation, AF=Access to Finance, BE=Business Environment, CR=Composite Reliability, AVE=Average Variance Extracted

Then, discriminant validity was considered, which concerns with the extent to which one construct is actually different from another construct. In other words, the measures of constructs that are theoretically not related to each other are actually not related to each other (Churchill, 1979; Hair Jr. *et al.*, 2013). The most conventional approach in assessing discriminant validity is Fornell-Larcker criterion (Hair Jr. *et al.*, 2013). Others include cross-loading examination method, which is considered more liberal, since it is likely to have more constructs exhibiting discriminant validity.

Discriminant validity is established when the value of the square root of AVE of each construct is higher than the construct's highest correlation with any other latent construct (Hair Jr. *et al.*, 2013; Henseler *et al.*, 2009). Therefore, in this study, discriminant validity was assessed by comparing the square root of the AVE for each construct with the correlations presented in the correlation matrix. Table 4.8 shows the results of Fornell-Larcker Criterion assessment with the square root of the constructs. The square root of AVE in bold is greater than its highest construct's correlation with any other constructs. Thus, it is concluded that discriminant validity on the construct has been established (Hair Jr. *et al.*, 2013; Henseler *et al.*, 2009).

Table 4.8
Discriminant Validity

Variables	FP	TO	LO	BE	EO	MO	AF
FP	.81						
TO	.41	.80					
LO	.18	.24	.79				
BE	.22	.30	.22	.78			
EO	.46	.68	.10	.20	.76		
MO	.40	.60	.21	.20	.73	.74	
AF	.29	.40	.21	.15	.25	.33	.72

Note: The bold values represent the square root of Average Variance Extracted (AVE)

FP=Firm Performance, EO=Entrepreneurial Orientation, MO=Market Orientation, LO=Learning Orientation, TO=Technology Orientation, AF=Access to Finance, BE=Business Environment

Lastly, in this study outer factor loading as important criteria in assessing indicator's contribution to assigned construct was examined. Outer loadings were examined based on the threshold value of 0.50 and above (Hair Jr. *et al.*, 2010). However, Hair Jr. *et al.* (2013) stressed that outer loading greater than 0.40 but less than 0.70 should be carefully

analyzed and should be deleted only if it increases the value of CR and AVE. Based on these recommendations regarding item deletion, 27 items were deleted out of 70 items.

Table 4.9 indicates that all the bold values of the loading exceed the suggested threshold of 0.50 and above, showing satisfactory contribution of the indicators to assigned constructs. Additionally, as argued by Hair Jr. *et al.*, (2013), discriminant validity can be assessed by examining the indicators' outer loadings. They argue that discriminant validity can be established when the indicator's outer loading on a construct is higher than all its cross-loading with other constructs. Hence, Table 4.9 indicates absence of discriminant validity problem since the loadings are greater than 0.5, and no any other indicator has loading more than the one it intends to measure.

Table 4.9
Factor Loading and Cross Loading

Items	FP	EO	MO	LO	TO	AF	BE
AFP1	.85	.40	.33	.19	.36	.25	.22
AFP2	.87	.37	.29	.15	.33	.25	.17
AFP3	.87	.40	.37	.12	.41	.27	.21
AFP5	.63	.30	.30	.13	.21	.16	.12
AFP6	.82	.40	.36	.15	.33	.23	.15
BEO10	.37	.85	.62	.06	.52	.20	.17
BEO11	.35	.72	.54	.00	.44	.24	.17
BEO12	.35	.66	.44	.18	.53	.15	.14
BEO2	.40	.76	.55	.12	.62	.20	.18
BEO3	.38	.80	.56	.01	.53	.15	.13
BEO4	.24	.68	.50	.07	.45	.15	.18
BEO9	.33	.82	.61	.07	.49	.21	.10

Table 4.9 (Continued)

Items	FP	EO	MO	LO	TO	AF	BE
CMO10	.32	.49	.76	.13	.45	.29	.14
CMO11	.25	.48	.76	.11	.44	.22	.12
CMO12	.30	.43	.75	.17	.43	.27	.12
CMO13	.32	.49	.72	.24	.50	.23	.17
CMO6	.32	.59	.74	.12	.39	.23	.15
CMO7	.25	.62	.72	.15	.43	.21	.15
CMO8	.31	.61	.74	.19	.44	.25	.18
CMO9	.28	.57	.70	.13	.44	.21	.15
DLO1	.11	.05	.13	.78	.14	.11	.16
DLO2	.14	.07	.17	.86	.21	.21	.17
DLO3	.18	.11	.19	.87	.26	.20	.16
DLO4	.17	.06	.16	.76	.22	.21	.17
DLO5	.09	.08	.18	.63	.10	.15	.21
ETO10	.31	.57	.42	.17	.79	.37	.21
ETO11	.29	.57	.42	.15	.77	.28	.14
ETO3	.35	.58	.47	.26	.84	.38	.22
ETO4	.37	.62	.53	.17	.86	.36	.26
ETO5	.37	.60	.58	.14	.82	.36	.24
ETO6	.28	.37	.44	.34	.71	.36	.32
ETO7	.33	.57	.46	.12	.82	.23	.25
ETO8	.29	.56	.48	.11	.81	.23	.19
ETO9	.33	.41	.46	.29	.75	.34	.26
FAF1	.21	.24	.26	.01	.25	.67	.08
FAF2	.25	.23	.32	.21	.34	.86	.17
FAF3	.21	.13	.17	.13	.26	.67	.06
FAF7	.13	.15	.13	.12	.22	.69	.06
FAF8	.20	.15	.25	.28	.37	.70	.14
GBE2	.19	.17	.15	.17	.20	.13	.86
GBE3	.15	.15	.09	.11	.21	.08	.82
GBE4	.09	.11	.11	.11	.19	.10	.66
GBE8	.21	.18	.23	.25	.30	.15	.76

Note. The bold values indicate the items that belong to the column's construct
 FP=Firm Performance, EO=Entrepreneurial Orientation, MO=Market Orientation, LO=Learning
 Orientation, TO=Technology Orientation, AF=Access to Finance, BE=Business Environment

After obtaining a good result of the evaluation of the outer model (measurement model), precisely the latent variables indicate satisfactory evidence of reliability and validity, the next step was evaluation of inner model (structural model). However, because the original framework is based on what is obtained in the literature, there is a need to revise and amend it since the outer model assessment has been conducted. This is because the analysis of the outer model led to the deletion of 27 indicators out of 70. However, none of the constructs was eliminated and have sufficient number of indicators per construct (Hair, Sarstedt, Pieper, & Ringle, 2012).

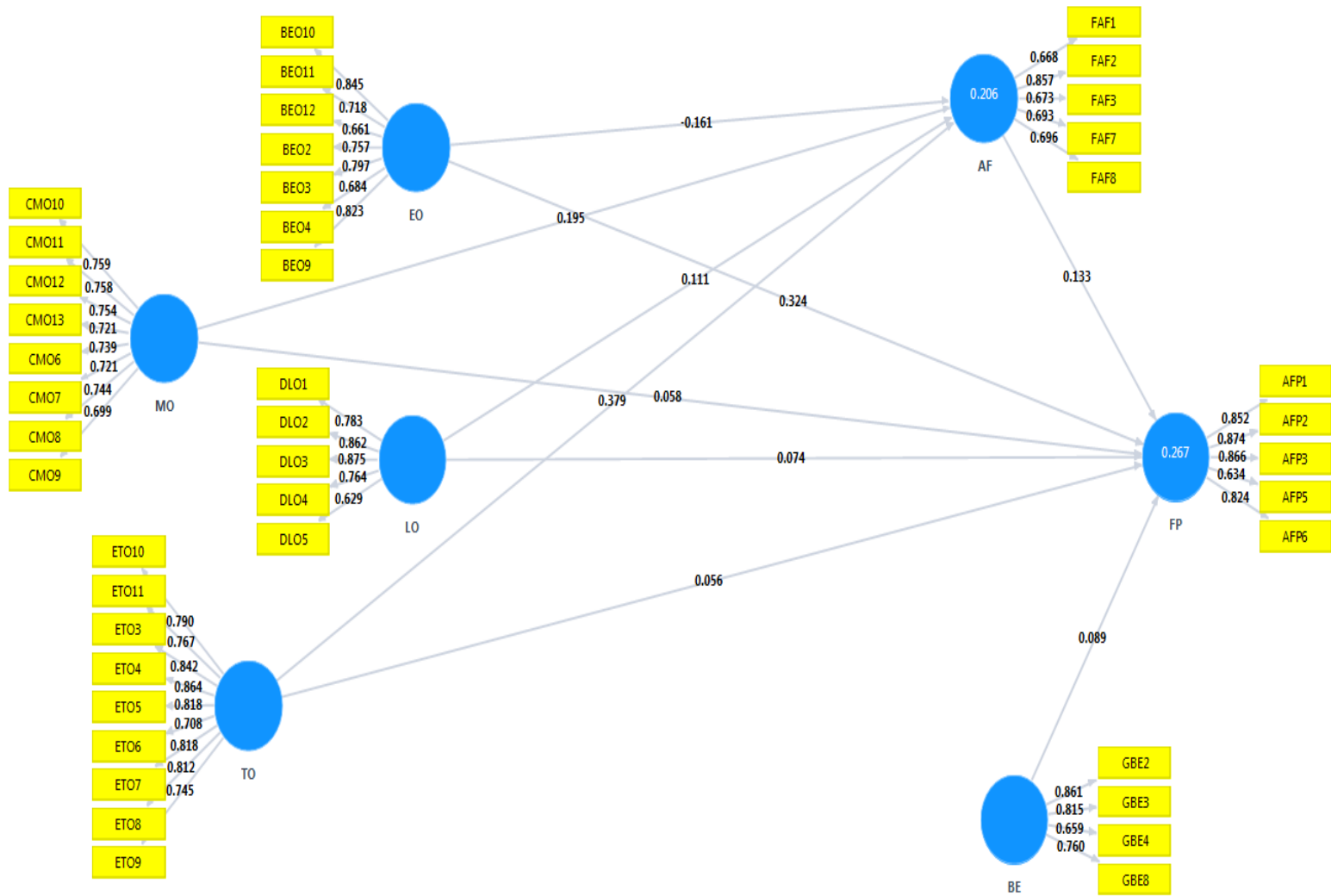


Figure 4.1
Measurement Model

4.7.2 The Structural Model

As mentioned earlier, once the measurement model (outer model) is examined and the reliability and validity of the model are established, the next step was to evaluate the outer model (structural model) results. This involved assessing the outer model's predictive abilities and the relationships between the constructs. As suggested by Hair Jr. *et al.* (2013), before assessing the structural model, collinearity should be examined.

Subsequent to the examination of multicollinearity in the preceding section, it was confirmed there is no multicollinearity problem among the exogenous variables. However, this study reassessed the collinearity as suggested by Hair Jr. *et al.* (2013). The results in Table 4.10 show the values of VIF are clearly below the threshold of 5. Therefore, it is concluded there is no collinearity problem among the predictor constructs in the structural model, and further analysis should be carried out.

Table 4.10
Collinearity

First Set		Second Set	
Constructs	VIF	Constructs	VIF
EO	2.75	EO	2.71
MO	2.31	MO	2.26
LO	1.15	LO	1.11
TO	2.27	TO	2.03
AF	1.26		
BE	1.12		

Note: EO=Entrepreneurial Orientation, MO=Market Orientation, LO=Learning Orientation, TO=Technology Orientation, AF=Access to Finance, BE=Business Environment

After checking and reconfirming absence for collinearity problem, the next step was to assess the structural model. According to Hair Jr. *et al.* (2013), the key criteria for assessing the structural model in PLS-SEM are the significance of the path coefficients, coefficient determination (R^2), the effect size (f^2) and predictive relevance (Q^2).

4.7.2.1 Direct Relationships

In this study, a systematic model analysis of the structural model was carried out to provide a detailed picture of the results and to test Hypotheses 1 to 17 comprehensively. The evaluation of the inner model begins with an examination of the direct relationships between the independent variables and the dependent variable. The size of the path coefficients was examined through PLS-SEM Algorithm, and the significance of the relationship was examined through PLS-SEM bootstrapping procedure in the SmartPLS 3.0. The original number of cases was used as the number of cases, and 5,000 was used as bootstrapping samples (Hair, Ringle, & Sarstedt, 2011; Hair, *et al.*, 2012; Hair Jr. *et al.*, 2013; Henseler *et al.*, 2009).

The first model focused on the analysis of the direct relationship between the independent variables and the dependent variable (H1 to H4). In the second model, a mediator variable was introduced, and analysis of the relationship between the independent variables and the mediator (H6 to H8) was carried out. Then, the relationship between mediator variable and dependent variable was also examined. Additionally, in the second model, the mediation analysis took place, where H9 to H13 were examined. In the third

model, the moderator was introduced and its relationship and interactions effect were examined, which took care of H14 to H17.

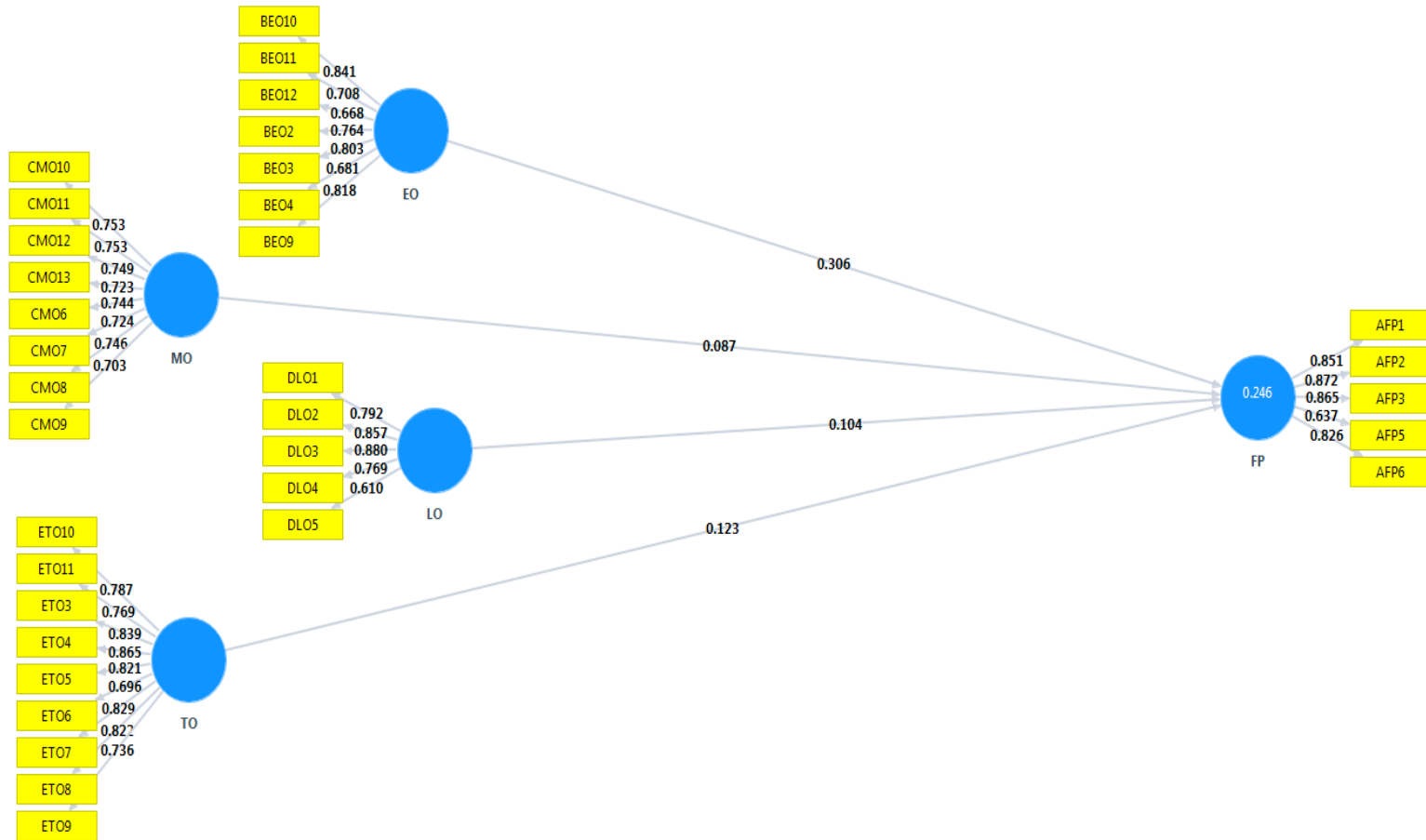


Figure 4.2
PLS Algorithm Direct Relationship

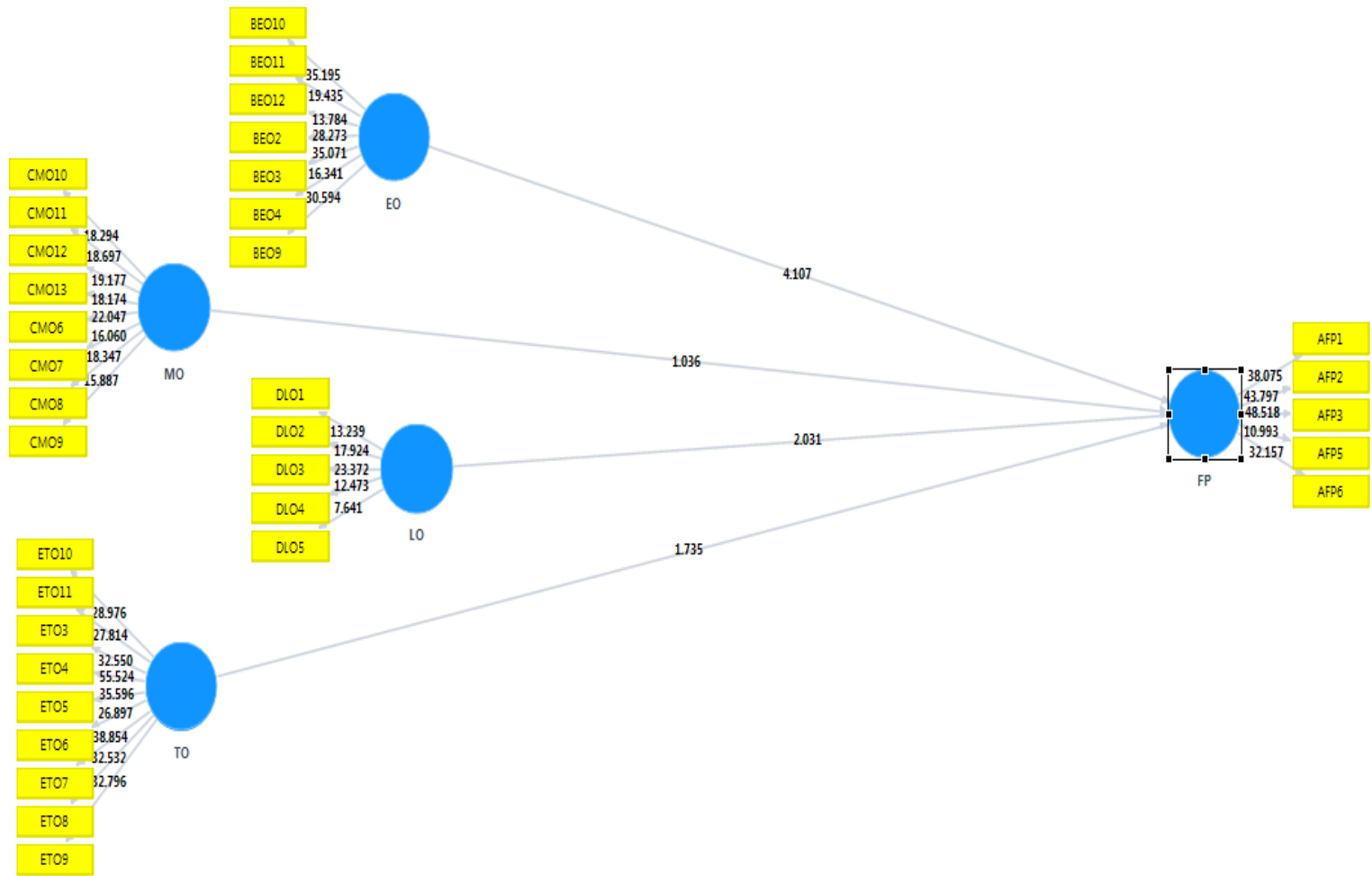


Figure 4.3
PLS-SEM Bootstrapping Direct Relationship

Based on the PLS-SEM algorithm and bootstrapping procedure as mentioned above, Figure 4.2 shows the path coefficient of the independent variables and the dependent variable. The result reveals that all the exogenous variables have a positive coefficient with the endogenous variable. The bootstrapping result in Figure 4.3 shows that the relationship between one of the independent variables and the dependent variable is significant at $p < .01$; two of the independent variables are significant at $p < .05$; while one is not significant. Table 4.11 presents the path coefficients, t-statistics and p-values.

With respect to H1, the result suggests that there is a positive impact of EO on firm performance ($\beta .31$; $t=4.11$; $p < .01$); therefore, H1 is supported. However, H2 is not supported because the result shows no significant influence of MO on firm performance ($\beta .09$; $t=1.04$; $p < .1$). About H3, the result shows a significant positive influence of LO on firm performance ($\beta .10$; $t=2.03$; $p < .05$); so H3 is also supported. Similarly, the result shows evidence of positive influence of TO on firm performance ($\beta .12$; $t=1.74$; $p < .05$); therefore, H4 is supported.

Table 4.11
Results of Hypotheses Testing (Direct Relationships)

Hypotheses/Path		Path Coefficient	Standard Error	T Statistics	P-Value	Decision
H1	EO -> FP	.31***	.07	4.11	.00	Supported
H2	MO -> FP	.09	.08	1.04	.15	Not supported
H3	LO -> FP	.10**	.05	2.03	.02	Supported
H4	TO -> FP	.12**	.07	1.74	.04	Supported
H5	EO -> AF	-.16	.10	1.67	.05	Not supported
H6	MO -> AF	.20***	.08	2.46	.01	Supported
H7	LO -> AF	.11***	.05	2.28	.01	Supported
H8	TO -> AF	.38***	.08	4.60	.00	Supported
H9	AF -> FP	.13***	.05	2.61	.01	Supported

*: $p < 0.1$; **: $p < 0.05$; ***: $p < 0.01$

In the second model, the mediator variable was introduced, and the relationship between the independent variables and the mediator variable, as well as mediator and the dependent variable, were assessed. As shown below in Figure 4.4, the path coefficients between the three independent variables and the mediator variable are positive while one independent variable has negative path coefficient. As well, the path coefficient between the mediator and the dependent variable is also positive. The bootstrapping result found in Fig. 4.5 shows all the relationship are significant including the variable with a negative coefficient at $p < .01$ and $p < .05$ respectively. In addition, Table 4.11 presents the path coefficients, t-statistics and p-values.

Therefore, H5 is not supported, however, the result indicates that the relationship is negatively significant that is as EO increases access to finance will decrease ($\beta = -.16$; $t = 1.67$; $p < .05$). However, H6 is supported, the result shows positive significant influence of MO on access to finance ($\beta = .20$; $t = 2.46$; $p < .01$). With regard to H7, the result shows significant positive influence of LO on access to finance ($\beta = .11$; $t = 2.28$; $p < .01$), so H7 is also supported. Likewise, with regards to H8 the result shows a positive influence of TO on access to finance ($\beta = .38$; $t = 4.60$; $p < .01$), therefore, H8 is supported. Similarly, the result shows that access to finance influences firm performance ($\beta = .13$; $t = 2.61$; $p < .01$), thus H9 is also supported.

4.7.2.2 Mediation Test

As mention before the mediation analysis took place in the second model when the mediator variable was introduced. As shown below in Figure 4.4 the path coefficients of the three independent variables are positive, while one of the path coefficients has a negative sign. Also, the path coefficient between the mediator and the dependent variable is positive. The bootstrapping result found in Figure 4.5 shows all the relationships are significant, including the variable with a negative coefficient.

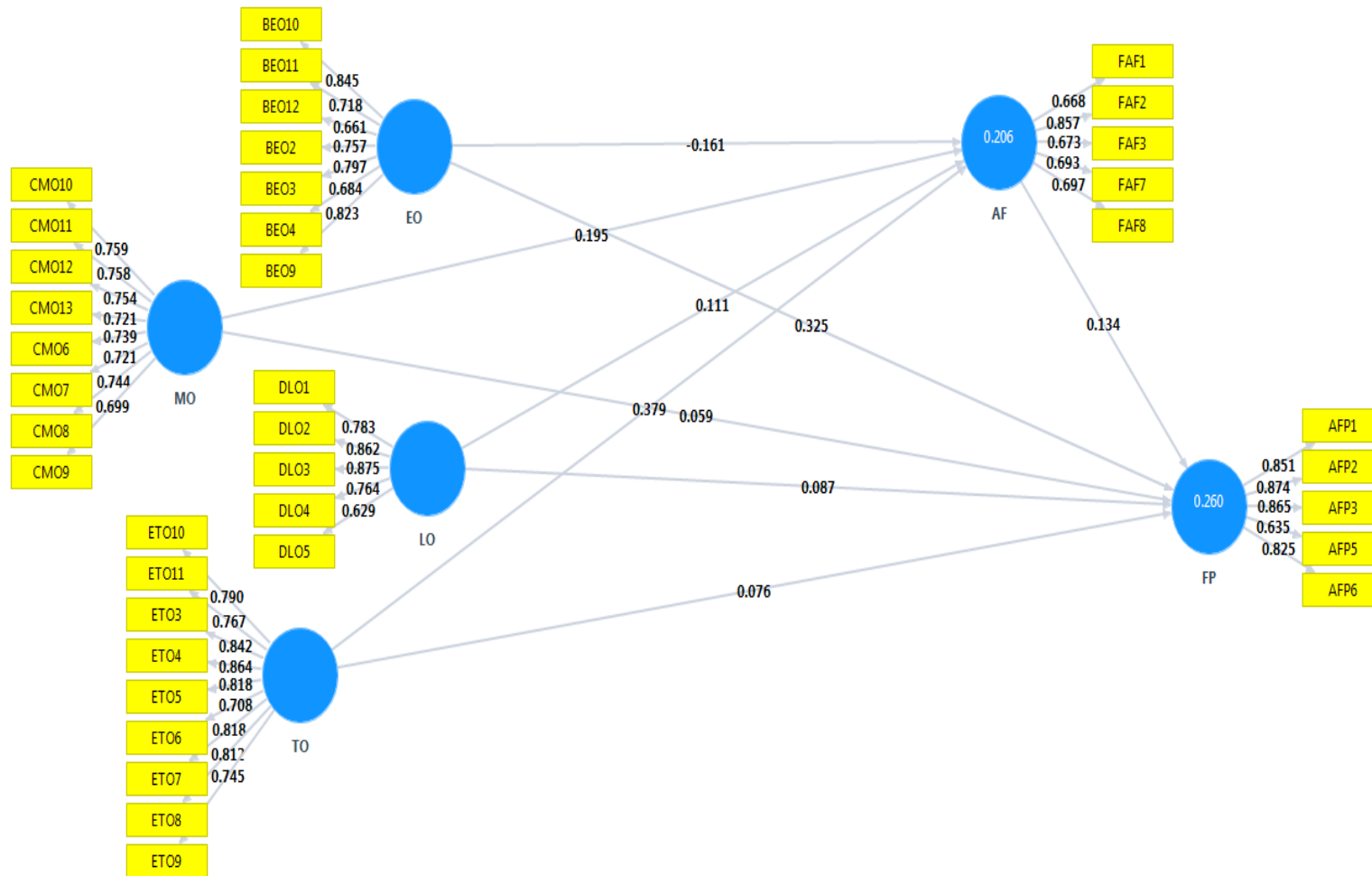


Figure 4.4
PLS Algorithm Indirect Relationship

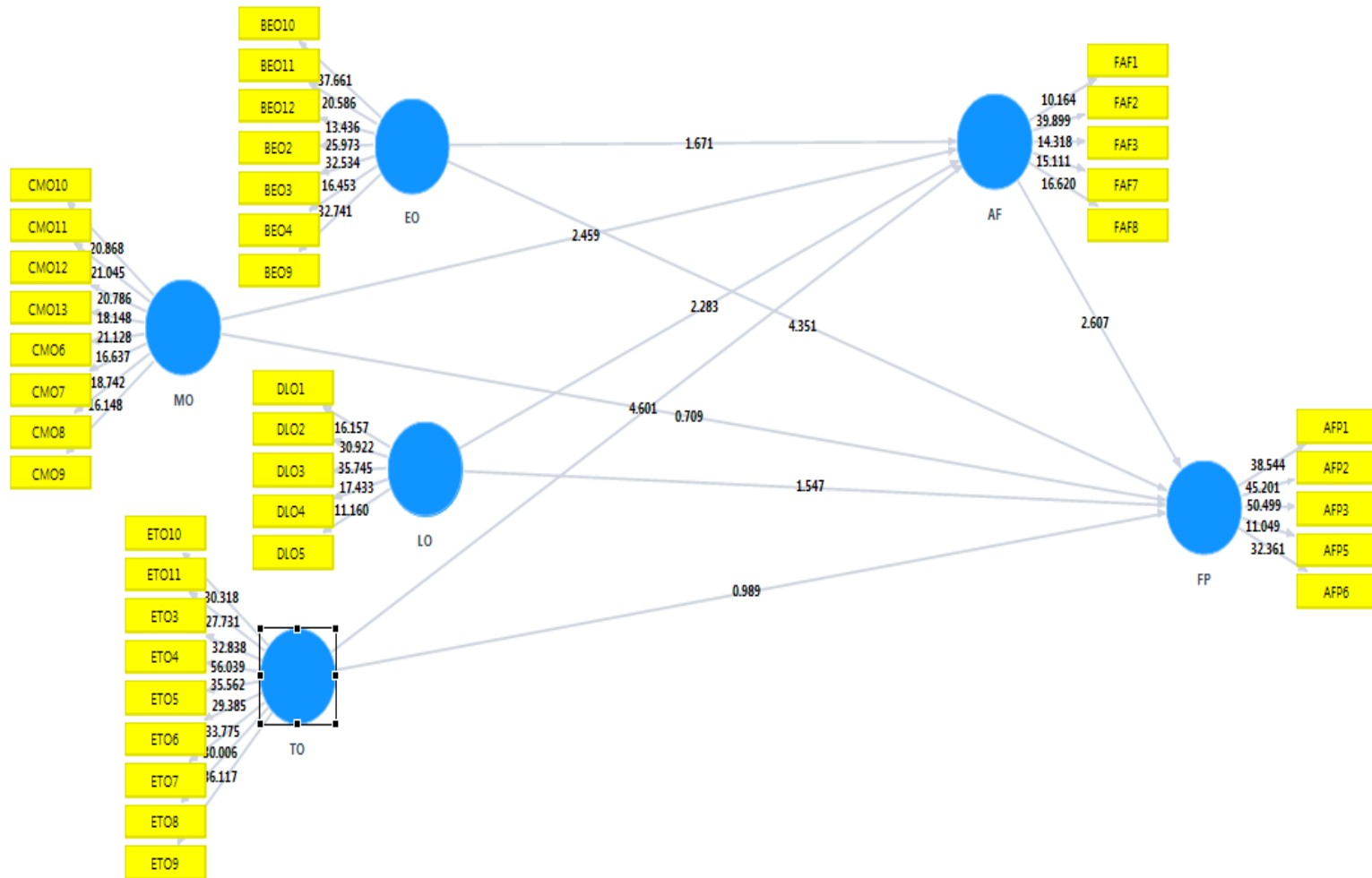


Figure 4.5
PLS-SEM Bootstrapping Indirect Relationship

Mediation analysis assesses the indirect effect of the independent variable on the dependent variable via an intervening variable. However, Preacher and Hayes (2008) observe that the techniques for assessing mediation are numerous, which include: Causal steps strategy or serial approach (Hoyle & Robinson, 2004), which also refers to the four conditions of Baron and Kenny (Baron & Kenny, 1986). Other approaches for mediation analysis include product of coefficient method or Sobel test (Sobel, 1982); distribution of the product approach (MacKinnon, Fairchild, & Fritz, 2007; MacKinnon, Fritz, Williams, & Lockwood, 2007; MacKinnon, Lockwood, & Williams, 2004); and bootstrapping approach (Hayes, 2009; Preacher & Hayes, 2004). However, the most recent mediation analysis approach is the bootstrapping method, where the bootstrapping generates an empirical representation of the distribution of the sample of the indirect effect (Hayes, 2009; Rucker, Preacher, Tormala, & Petty, 2011).

Commonly, for mediation to hold in the four steps of Baron and Kenny (1986) some conditions need be met. The first condition is defining the total effect (X-Y) relationship between the independent variables and the dependent variable (c). However, it is not always necessary for total effect to be significant. Significant indirect effects can occur in its absence and mediation could happen (Hayes, 2009; MacKinnon, Lockwood, Hoffman, West, & Sheets, 2002; Rucker *et al.*, 2011; Shrout & Bolger, 2002; Zhao, Lynch, & Chen, 2010). The second condition is the significant effect of the indirect relationships. In other words, the effect of the independent variables on the dependent variable through the mediator variable (Preacher & Hayes, 2008). That is the effect of the independent variables on the mediator variable and the effect of the mediator variable on the

dependent variable (a and b). Therefore, if any of the indirect effects through the mediator variable is not significant, then the mediator variable cannot mediate the effect of independent variables on the dependent variable (Preacher & Hayes, 2008). Finally, the direct effect of independent variables on the dependent variable should be insignificant or smaller than the relationship prior the inclusion of the mediator variable (c'). However, Rucker *et al.* (2011) question the emphasis on the importance of change in the direct relationship after including the mediator variable and the use of terms, such as full versus partial mediation.

The bootstrapping method starts with estimating the path model of a direct relationship between the independent variables and the dependent variable without the mediator variable. These path models include the path coefficients and t-values using PLS-SEM algorithm and bootstrapping procedure, respectively (Hair Jr. *et al.*, 2013). In the second stage, the path model is estimated with the mediator variable. The focus is on whether the independent variables and the mediator relationship and mediator and dependent variable relationship are significant. This is necessary but not sufficient to conclude mediation effect. Lastly, the product of the two significant path coefficients is divided by the standard error of the product ($\frac{axb}{Sab}$) to examine the significance of the indirect effect.

The justification and advantages of bootstrapping method to test mediation have been highlighted by several studies, such as (Hair Jr. *et al.*, 2013; Hayes & Preacher, 2010; Hayes, 2012; Preacher & Hayes, 2008; Zhao *et al.*, 2010). For instance, the four conditions of Baron and Kenny (1986) fail to involve the use of standard errors

(Hayes & Preacher, 2010). The Sobel test requires the assumption of normal sample distribution of the indirect effect. However, the sampling distribution of the independent variables' effect on the mediator and the mediator's effect on the dependent variable is asymmetric (Preacher & Hayes, 2007). The distribution of the product strategy is a little difficult to use without the aid of tables and requires some assumptions of normal sampling distribution (Hayes, 2009).

Shrout and Bolger (2002) argue that bootstrapping methods could be used to take care of the aforementioned flaws as it allows the distribution of the indirect effect to be tested empirically. Furthermore, Zhao *et al.* (2010) argue that bootstrapping approach solves these problems by generating an empirical sampling distribution ($a \times b$). In addition, Hayes and Preacher (2010) and Preacher and Hayes (2008) conclude that the main advantage of bootstrapping approach is that it does not require any assumptions about the sampling distributions of the indirect effect or its product. In other words, the confidence interval in bootstrapping method can be asymmetrical rather than at regular confidence intervals in other methods. This is because they are based on an empirical estimation of the sampling distribution of the indirect effect, unlike other methods that assume normal sampling distribution. Similarly, bootstrapping result provides interval estimate of a population parameter that cannot be obtained by using other mediation tests (Lockwood & MacKinnon, 1998).

Knowing the advantage of bootstrapping method over other methods, Hair Jr. *et al.*, (2013); and Hayes & Preacher (2010) suggest testing the significance of the mediation

using bootstrapping methods. Hence, this study tested the mediating role of access to finance on the positive influence of EO, MO, LO, and TO on firm performance with SmartPLS 3.0 (Ringle *et al.*, 2014) using the bootstrapping procedure with 362 cases and 5,000 sub-samples. Figure 4.4 shows the PLS-SEM algorithm after including the access to finance as mediator; and Figure 4.5 shows the PLS-SEM bootstrapping after access to finance is included as mediator.

After including the mediator construct, access to finance in model 2, the bootstrapping result of 5,000 samples was used to multiply path a and path b. Then the product of the two significant paths was divided by the standard error of the product of the two paths ($\frac{axb}{Sab}$) to get the t-value. It is therefore clear from Table 4.12 that access to finance mediates the positive relationship between MO and firm performance (β .03; t =1.67; p <.05); LO and firm performance (β .02; t =1.75; p <.05); and TO and firm performance (β .05; t =2.19; p <.01). However, Table 4.12 shows that access to finance does not mediate the relationship between EO and firm performance (β -.02; t =-1.36; p <.1).

Table 4.12
Results of Mediation Test

		Path	Standard	T		
	Hypotheses/Paths	Coefficient	Error	Stat	P-Value	Decision
H10	EO -> AF ->FP	-.02	.02	-1.36	.91	Not Supported
H11	MO -> AF->FP	.03**	.02	1.67	.05	Supported
H12	LO -> AF->FP	.02**	.01	1.75	.04	Supported
H13	TO -> AF->FP	.05***	.02	2.19	.01	Supported

*:p<0.1; **:p<0.05;***:p<0.01

4.7.2.3 Moderation Test

Esposito Vinzi *et al.* (2010) opine that to test moderation, firstly examine only the main effects of the independent variables on the dependent variable; then, examine the main effect of the independent variables, including the moderator on the dependent variable; and lastly, include the interaction terms, i.e., the multiplication of independent variables by the moderator variable. The product of the indicators of the variables is used to reflect the latent interaction variables (Chin *et al.*, 2003). Hence, the moderating effect holds only when these interaction terms are significant (Hair Jr. *et al.*, 2013).

Following the above-mentioned procedure, the results of the interacting effects between business environment on the relationship between EO, MO, LO, TO and firm performance were examined and reported. The moderation model in Figure 4.6 and Figure 4.7 tests whether the prediction of firm performance, from EO, MO, LO, TO can be improve when business environment as moderating variable become significant. Figure 4.6 presents the path assessment when the moderator variable is included as independent variable and it shows the path coefficient of business environment is positive. Similarly, Figure 4.7 indicates a significant relationship between business environment and firm performance ($\beta.09$; $t=1.85$; $p<.05$). Hence, it is concluded that business environment has a positive influence on firm performance and the level of R^2 that is accounted for the model improves from 0.26 to 0.27.

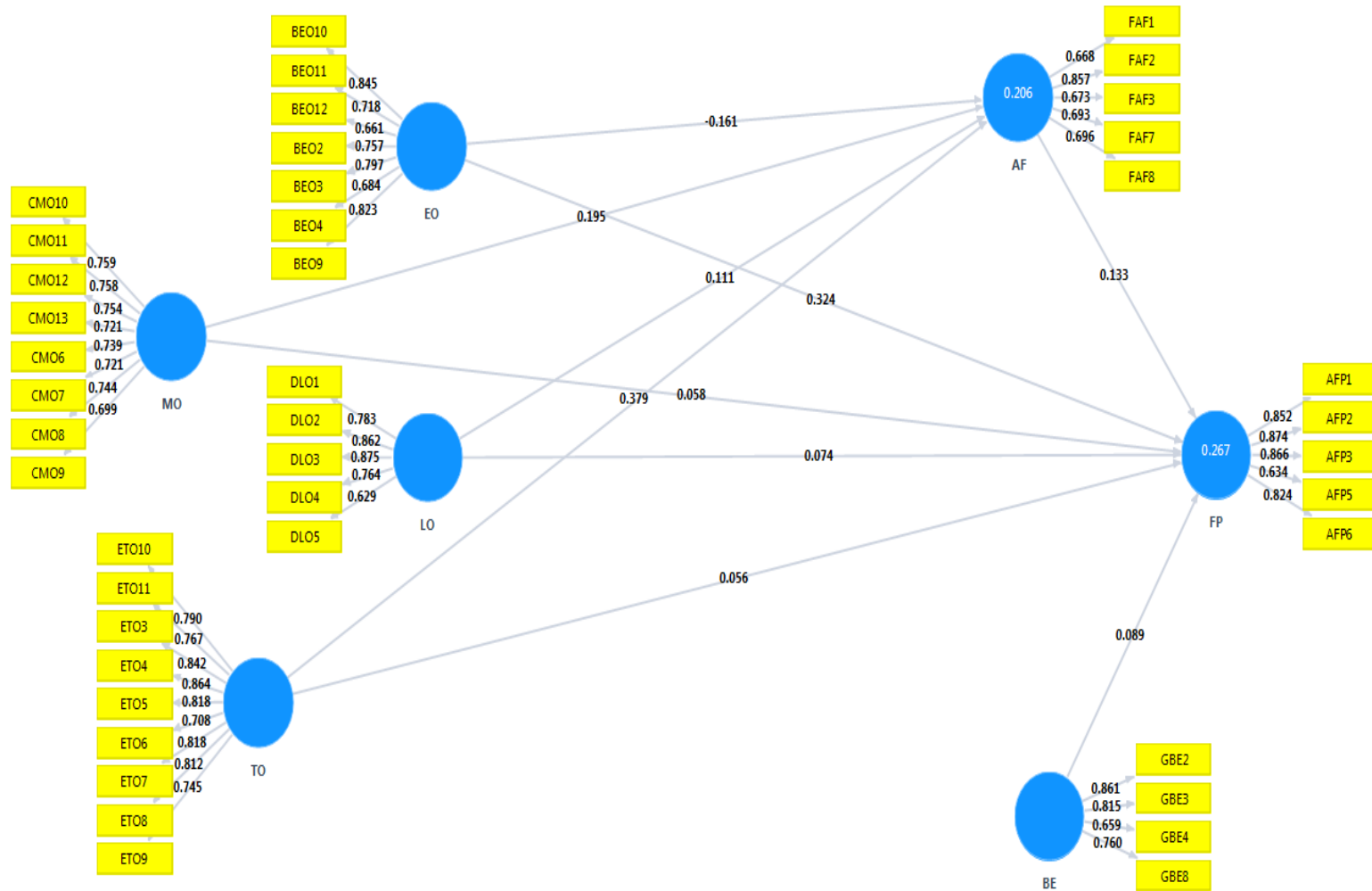


Figure 4.6
PLS-SEM Algorithm Moderator

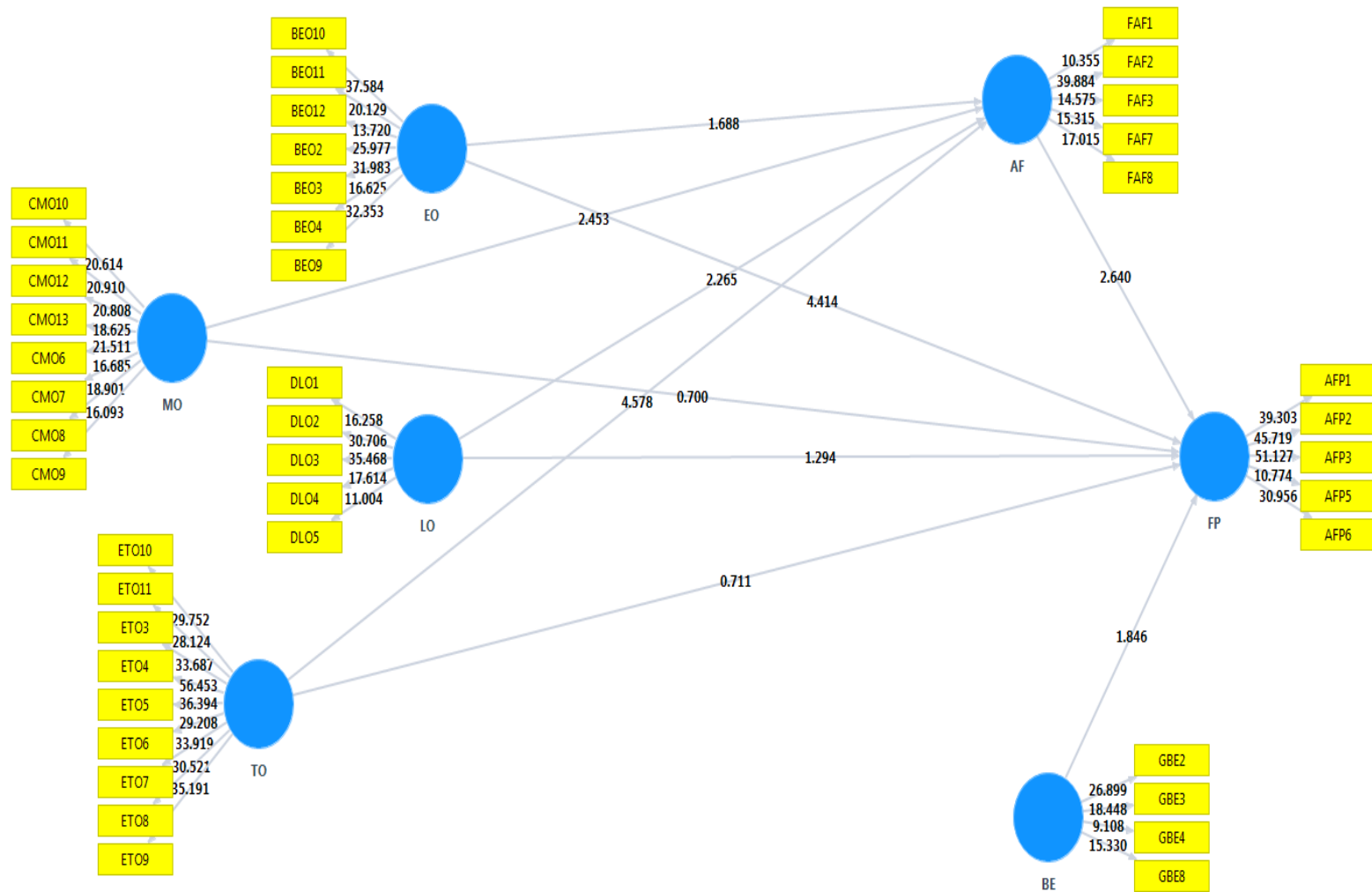


Figure 4.7
 PLS-SEM Bootstrapping Moderator

Finally, the four interaction terms were included. Figure 4.8 shows that there is an insignificant addition of the R^2 level that remains at 0.27. The four interaction terms found to be not significant as shown in Figure 4.9. From Table 4.13 below, it is clear that the interaction term of EO*business environment is not significant (β .02; t =.40; p <.1); hence, H14 is not supported. Similarly, the result presented in Table 4.13 shows no significant effect of the MO*business environment interaction term (β -.01; t =.17; p <.1); therefore, H15 is also not supported.

Equally, H16 is also not supported, as the result in Table 4.13 shows no significant effect of the interaction term, i.e., LO*business environment (β .02; t =.20; p <.1). Lastly, the interaction term of TO*business environment is also found to be not significant (β -.02; t =.56; p <.1) as shown in Table 4.13; therefore, H17 is not supported. Based on these results, it can be concluded that business environment does not moderate the positive relationship between EO, MO, LO, and TO on one hand and firm performance on the other hand.

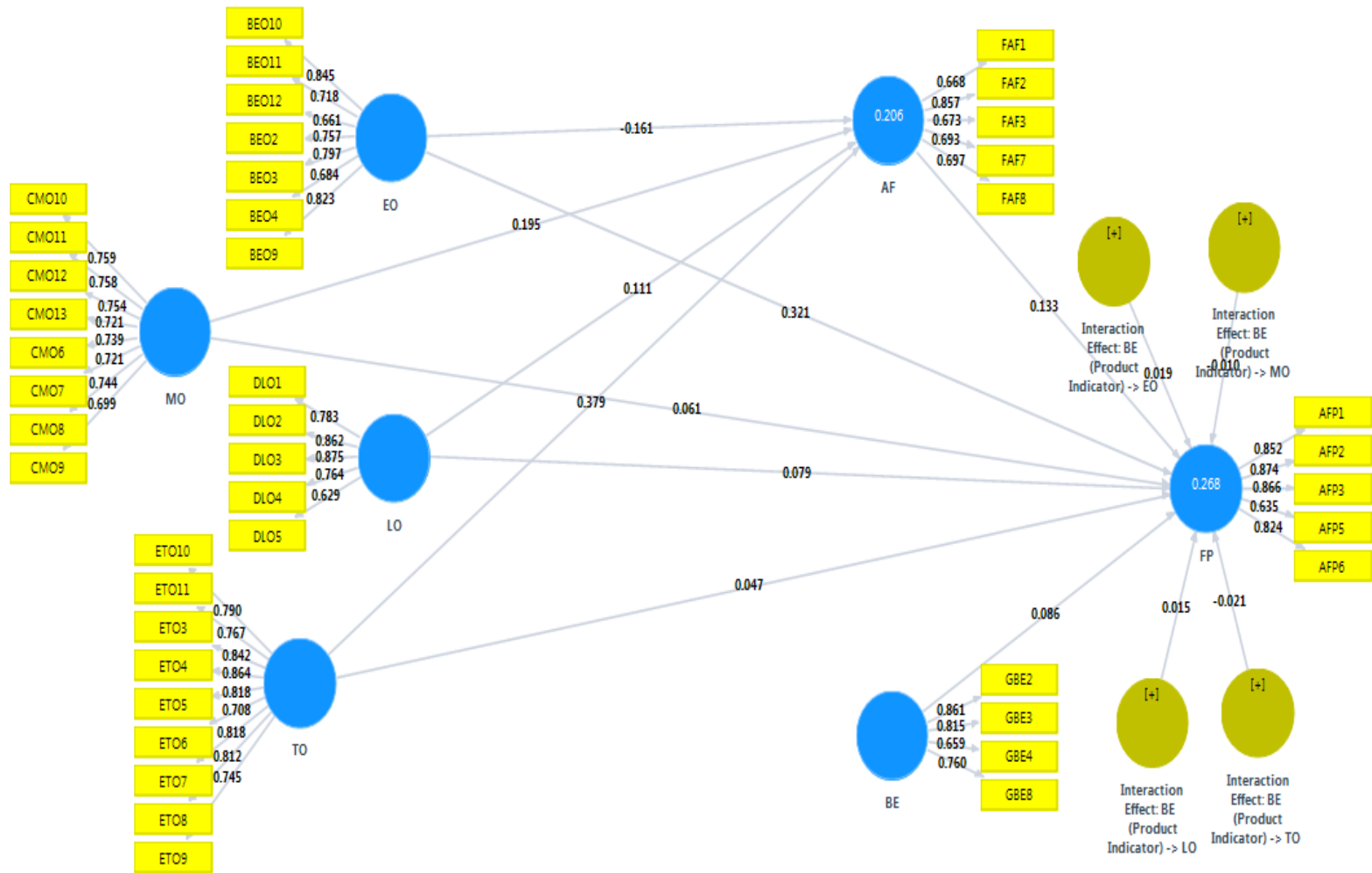


Figure 4.8
PLS-SEM Algorithm Interactions

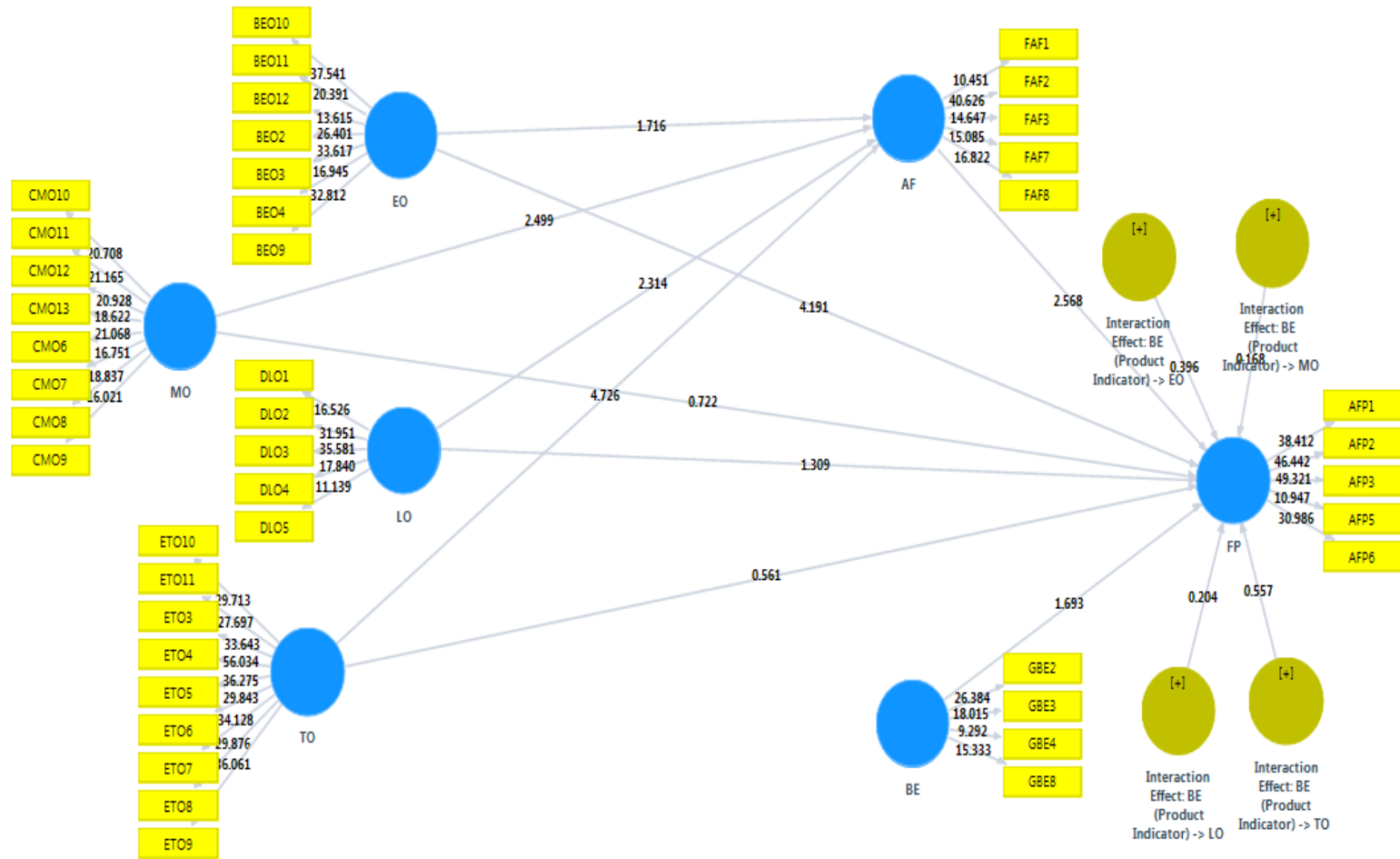


Figure 4.9
PLS-SEM Bootstrapping Interactions

Table 4.13
Result of Moderation Test

Hypotheses/Path	Path Coef	Path Coef	Path Coef	Stand Error	T Stat	P-Value	Decision
EO -> FP	.31	.32	.32				
MO -> FP	.09	.06	.06				
LO -> FP	.10	.07	.08				
TO -> FP	.12	.06	.05				
Moderating Variable BE -> FP		.09	.09				
H14 EO * BE -> FP			.02	.05	.40	.35	Not Supported
H15 MO * BE -> FP			-.01	.06	.17	.43	Not Supported
H16 LO * BE -> FP			.02	.07	.20	.42	Not Supported
H17 TO * BE -> FP			-.02	.04	.56	.29	Not Supported
R ²	.25	.27	.27				

*:p<0.1; **:p<0.05;***:p<0.01

4.7.2.4 Coefficient of Determination (R²)

One of the most commonly used criteria for assessing structural model is coefficient of determination (R²) of endogenous latent variables (Hair Jr. *et al.*, 2013). According to Cohen (1988), R² values of .27, .13 and .02 indicate substantial, moderate and weak R² values, respectively. Results in Figure 4.8 show that the R² value of access to finance (.21) is moderate and firm performance (.27) is slightly substantial. This R² value is higher than the one reported by Hakala (2013) and Mahmoud and Yusif (2012), respectively.

It follows that the R² value indicates all the four exogenous variables (EO, MO, LO, and TO) combined together in the model explain 21% variance in the mediating variable access to finance. Similarly, the holistic R² value indicates that all the six exogenous variables (EO, MO, LO, TO, access to finance and business environment) combined

together in the model explain 27% variance in the endogenous variable (firm performance). Consequently, based on the assessment of the R^2 of the endogenous latent variables firm performance (.27) and access to finance (.21), it is concluded that the model has substantial predictive validity.

4.7.2.5 Assessment of Effect Size (f^2)

Having assessed the coefficient of determination of the endogenous constructs (access to finance and firm performance), the next criterion assesses the effect size (f^2) as suggested by Hair Jr. *et al.* (2013). Effect size is the difference in R^2 between the main effects when particular exogenous construct is in the model and when it is omitted from the model. This is done purposely to evaluate whether the omitted exogenous construct has a substantial impact on the endogenous variables (Hair Jr. *et al.*, 2013). The formula below is used to calculate the effect size for the exogenous construct, where 0.02, 0.15, and 0.35 have been proposed as small, moderate and large effects, respectively (Cohen, 1988). However, Chin *et al.* (2003), stress that even the tiniest strength of f^2 should be considered as it can influence the endogenous variables.

$$f^2 = \frac{R^2 \text{ Included} - R^2 \text{ excluded}}{1 - R^2 \text{ Included}}$$

In this study, the effect size for the exogenous construct found to be statistically significant to affect the endogenous variables are assessed and reported. The result in Table 4.14 shows the effect size of the particular exogenous construct on the respective

endogenous construct. The result indicates that most of the exogenous constructs have small effect size on their respective endogenous construct.

Table 4.14
Effect Size (f^2)

Variables	Effect Size	
EO-FP	.05	Small
MO-FP	.00	-
LO-FP	.01	Small
TO-FP	.00	-
AF-FP	.02	Small
BE-FP	.01	Small
EO-AF	.01	Small
MO-AF	.02	Small
LO-AF	.01	Small
TO-AF	.09	Small

Note: FP=Firm Performance, EO=Entrepreneurial Orientation, MO=Market Orientation, LO=Learning Orientation, TO=Technology Orientation, AF=Access to Finance, BE=Business Environment

4.7.2.6 Assessment of Predictive Relevance (Q^2)

Another assessment of the structural model is the model's predictive relevance ability. The predictive relevance can be assessed using Stone–Geisser criterion, which assumes that an inner model must be able to provide evidence of prediction of the endogenous latent construct's indicators (Henseler *et al.*, 2009). Hence, predictive relevance Q^2 assessment can be carried out using Stone-Geisser's Q^2 test which can be measured using blindfolding procedures (Hair Jr. *et al.*, 2013; Henseler *et al.*, 2009). Therefore, this study used Stone-Geisser test to assess the Q^2 , through blindfolding procedure to obtain the cross-validated redundancy measure for endogenous latent construct (Hair Jr. *et al.*, 2013). Table 4.15 presents the cross-validated redundancy for access to finance and firm performance.

Table 4.15
Predictive Relevance (Q^2)

Total	SSO	SSE	1-SSE/SSO
AF	1810.00	1641.22	.10
FP	1810.00	1514.54	.16

Note: FP=Firm Performance, AF=Access to Finance

The results in Table 4.15 above show that all the Q^2 values are greater than zero access to finance (.10) and firm performance (.16); this suggests a substantial predictive relevance of the model. This is in line with the suggestion by Hair Jr. *et al.* (2013) and Henseler *et al.* (2009) that Q^2 values greater than zero indicate the model has predictive relevance, while Q^2 values less than zero, indicate the model lacks predictive relevance.

4.7.2.7 Assessment of Goodness-of-Fit Index (GoF)

Another evaluation criterion is the global Goodness-of-Fit (GoF) Index. However, there are many arguments on the usefulness of this criterion on the validating model (Hair Jr. *et al.*, 2013; Henseler & Sarstedt, 2013). On one hand, Tenenhaus, Amato and Esposito Vinzi (2004) propose that GoF can be applied to PLS-SEM to compare performances produced by models. As proposed by Tenenhaus *et al.* (2004), GoF is the geometric mean of the average communalities (outer measurement model) and the average R^2 of endogenous latent variables. However, others argue that no such global measure of GoF is available for PLS-SEM (Hair Jr *et al.*, 2014; Hair Jr. *et al.*, 2013; Henseler & Sarstedt, 2013; Sarstedt *et al.*, 2014). Additionally, Henseler and Sarstedt (2013) challenged the applicability of GoF in PLS-SEM as their simulation result indicated that it is not useful

for model validation, but can be useful to assess how well the model can explain different sets of data.

4.8 Control Variables

In addition to the testing of the proposed links between exogenous and endogenous latent variables as shown in the structural model, three control variables were also examined in this study. Firm size, firm age and firm type were included as control variables in the final model. Control variables are treated as exogenous latent variables similar to other exogenous variables in the model (Kock, Chatelain-Jardon, & Carmona, 2008; Kock, 2011).

However, in contrast to exogenous variables in the model, the attention of the study is not on the control variables. They are incorporated into the model to assess whether the exogenous variables account for any relationship with the endogenous variable rather than any of the control variables. Hence, it does not matter much whether the results of the control variables are significant or not (Kock, 2011). In other words, control variables should be included for the expressed purpose of accounting for known or potential confounding effects on any construct in the model (Lowry & Gaskin, 2014).

In order to test for the effects of the control variables in this study, firm size, firm age and business type were included in the model and linked to firm performance. The bootstrapping was applied to see the relationship between the three control variables and firm performance. The bootstrapping result in Figure 4.10 indicates only firm size has

significant positive relationship with firm performance; while firm age and business type have no relationship with firm performance.

Table 4.16
Control Variables

Control Variables	Path Coefficient	Standard Error	T Statistics	P-Value
Firm Size -> FP	.08	.04	2.09	.02
Firm Age -> FP	-.01	.05	.13	.45
Business Type -> FP	.02	.05	.36	.36

Based on the result in Table 4.16, the bigger the firm, the more it is performing. In other words, firm size has significant and positive relationships with firm performance, suggesting that EO, access to finance and business environment increase as the firms grow bigger. However, the result shows that LO and TO decrease as the firm grows bigger. Similarly, the result shows that the size of the firm does not increase the MO and all the interaction terms in the model remain insignificant to firm performance. The recapitulation of the study findings are presented in Table 4.17.

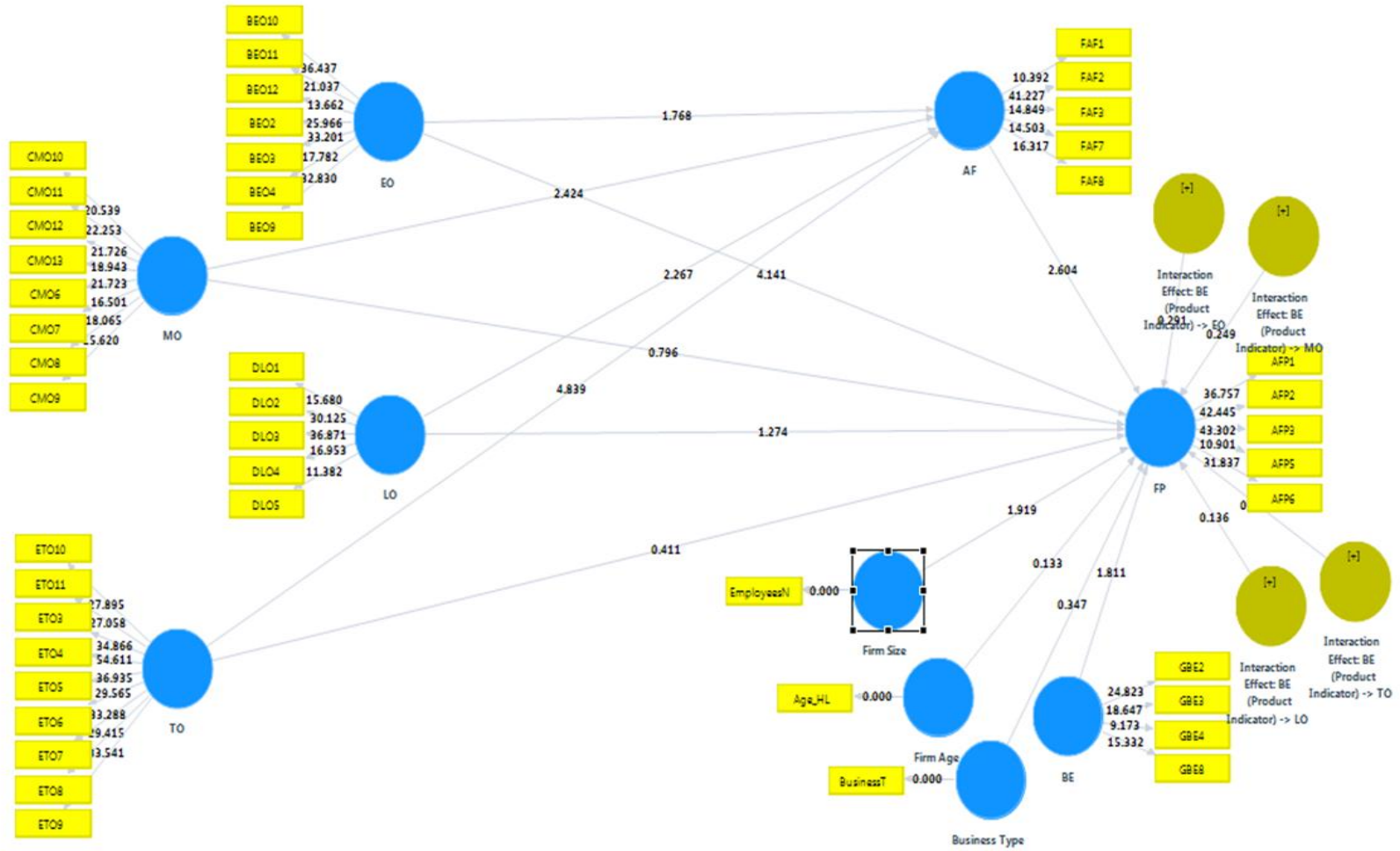


Figure 4.10
Structural Model

Table 4.17
Recapitulation of the Study Findings

Hypotheses	Statement of Hypotheses	Decision
H1	EO is positively related to performance of SMEs in Nigeria.	Supported
H2	MO is positively related to performance of SMEs in Nigeria.	Not Supported
H3	LO is positively related to performance of SMEs in Nigeria.	Supported
H4	TO is positively related to performance of SMEs in Nigeria.	Supported
H5	There is a positive relationship between EO and SMEs' access to finance in Nigeria.	Not Supported
H6	There is a positive relationship between MO and SMEs' access to finance in Nigeria.	Supported
H7	There is a positive relationship between LO and SMEs' access to finance in Nigeria.	Supported
H8	There is a positive relationship between TO and SMEs' access to finance in Nigeria.	Supported
H9	There is a positive relationship between access to finance and performance of SMEs in Nigeria.	Supported
H10	Access to finance mediates the positive relationship between EO and performance of SMEs in Nigeria.	Not Supported
H11	Access to finance mediates the positive relationship between MO and performance of SMEs in Nigeria.	Supported
H12	Access to finance mediates the positive relationship between LO and performance of SMEs in Nigeria.	Supported
H13	Access to finance mediates the positive relationship between TO and performance of SMEs in Nigeria.	Supported
H14	Business environmental moderates the positive relationship between EO and performance of SMEs in Nigeria.	Not Supported
H15	Business environmental moderates the positive relationship between MO and performance of SMEs in Nigeria.	Not Supported
H16	Business environmental moderates the positive relationship between LO and performance of SMEs in Nigeria.	Not Supported
H17	Business environmental moderates the positive relationship between TO and performance of SMEs in Nigeria.	Not Supported

4.9 Chapter Summary

This chapter presents the statistical analysis of quantitative data collected through questionnaire distributed in Kano, Kaduna and Sokoto states. The chapter presents the results of the response rate test and test of non-response bias. Next, the initial data examination and data screening were conducted, including missing value analysis, assessment of outliers, tests of normality and multicollinearity assessment. Then, sample characteristics are presented, followed by the measurement model as well as the structural model which were assessed with PLS-SEM using the SmartPLS 3.0 software package developed by Ringle *et al.* (2014). Subsequently, results from hypotheses testing based on the evaluation of the inner model are reported. Lastly, effects of control variables on the firm performance are presented.

CHAPTER FIVE

DISCUSSION, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This chapter focuses on the discussion of the research findings based on the research objectives, research questions, hypotheses and literature review. Additionally, the chapter provides the theoretical and practical contributions and implications of the findings of this study. The chapter highlights the research limitations and offers direction for future research. Finally, the chapter presents the conclusion of the study.

5.2 Executive Summary

This section presents the recapitulation of the research findings based on the objectives of the research. The primary objective of the study is to examine the mediating role of access to finance and moderating role of business environment on the relationship between EO, MO, LO, TO and performance of SMEs in Nigeria. More specifically, four independent variables, namely EO, MO, LO and TO are hypothesized to have a positive effect on firm performance, and the link is also hypothesized to be mediated by access to finance and moderated by business environment.

Based on the main objective of the study, a total of four objectives are stated and formulated according to the research questions developed from the problem statement in the preceding chapters. Studying these relationships will provide avenues to enhance SMEs' performance. This framework is supported by the RBV theory, which postulates that firm performance is influenced by a firm's valuable tangible and

intangible resources. Consequently, in this study strategic orientations are the intangible resources; while access to finance is the firm's tangible resource. Seventeen hypotheses are formulated and tested statistically based on PLS-SEM using SmartPLS 3.0. The empirical results provide support for 10 hypotheses out of which seven are direct and three are mediating hypotheses.

5.3 Discussion

The sub-headings of the discussions section present the findings based on the objectives of the study.

5.3.1 Positive Relationship between EO, MO, LO, TO and Performance of SMEs in Nigeria

The first objective of the study is to examine the positive relationship between EO, MO, LO, TO and performance of SMEs in Nigeria. Therefore, four hypotheses were put forward, representing the positive relationship between EO and firm performance, MO and firm performance, LO and firm performance and TO and firm performance.

To begin with, EO is characterized as the entrepreneurial culture that demonstrates the degree to which a business is entrepreneurially proactive, risk taking and innovative. H1 hypothesized that EO is positively related to firm performance and as postulated, the relationship was found to be positively significant. This empirical result coincides with the findings of previous studies that argue EO positively influences firm performance (Al-swidi & Al-hosam, 2012; Brouthers *et al.*, 2014; Idar & Mahmood, 2011; Wiklund & Shepherd, 2005; Yang, 2008; Zhang & Zhang, 2012). As the finding validates the

hypothesis, it also provides an answer to the respective research question. In general, the result provides further support for the assertion of the RBV as a theory on strategic orientations by confirming the positive influence of this VRIN resource on the performance of the firm.

As mentioned in the literature review, EO comprises interrelated components of innovativeness, proactiveness and risk-taking, and these elements allow firms to be bold in taking business decisions. Therefore, this study highlights the importance of SMEs to possess EO, as the performance of the firm can be realized. In a nutshell, this result tends to suggest that SMEs, in the context of Nigeria, need to have EO abilities as it can help them identify more opportunities and take business risks to achieve higher performance.

Secondly, H2 hypothesized that MO positively relates to firm performance was tested. It is important to remember that MO is defined as the enterprise's philosophy that centers on customer satisfaction through the activities of customer orientation, competitor orientation and inter-functional coordination. Contrary to expectations, the finding was not supported; it revealed that MO does not affect firm performance. Although, this result does not support some previous studies (Alam, 2010; Farrell & Oczkowski, 2002; Farrell, 2000; Idar & Mahmood, 2011; Long, 2013; Mahmoud & Yusif, 2012; Wang *et al.*, 2012), it is consistent with those who found no relationship between MO and firm performance (Farrell *et al.*, 2008; Ferraresi *et al.*, 2012; Hsu *et al.*, 2014; Keskin, 2006; Laukkanen *et al.*, 2013; Polat & Mutlu, 2012; Suliyanto & Rahab, 2012).

However, considering that there are arguments and findings contending that MO influences business performance, this could demonstrate a number of explanations responsible for this finding. A possible explanation for this finding may be based on the assertion that MO, as a strategic orientation, is contextually sensitive (Diamantopoulos & Hart, 1993; Ellis, 2006). For instance, in a traditional, relatively low-industrialized country, the products, processes and business system are not integrated with one another, and therefore, MO may not be considered important. Additionally, it may be as a result of the fact that MO which reflects the process through which firms continually study their customers' needs and competitor actions in order to have more understanding; and meeting consumer needs is not considered vital by the SMEs owner-mangers. Another reason for this supposition not to hold may be related to methodological differences, such as the lack of mediating constructs, since the hypothesis is a direct relationship which can be seen in the mediation result. Nonetheless, this does not imply that MO is not fundamental for firm performance. In this study, MO has an indirect relationship with firm performance through access to finance.

Thirdly, this objective was also achieved by testing H3 that states LO is positively related to firm performance. It is worthy to note that LO is viewed as the firm's tendency to build and use knowledge in order to attain competitive advantage. Based on the regression result in this study, LO is found to be positively related to firm performance; thus, H3 is supported. In other words, LO, which involves the firm's ability to understand and obtains information about customer needs, market changes and

competitor actions, is positively related to performance. The findings observed in this study mirror those of the previous studies that have reported positive effect of LO on firm performance (Farrell *et al.*, 2008; Farrell & Oczkowski, 2002; Farrell, 2000; Jiménez-Jiménez & Sanz-Valle, 2011; Kropp *et al.*, 2006; Laukkanen *et al.*, 2013; Lee & Tsai, 2005; Mahmoud & Yusif, 2012). Also, this result provides support for theoretical explanations of firm performance based on firms' valuable resources as postulated by the RBV.

As SMEs' performance improves, LO enables firm performance through experience and creation of new knowledge and insights from information within and outside the firm, such as market information. In this view, LO is crucial to SMEs in creating sustainable competitive advantage through commitment to learning, open-mindedness and shared vision. Therefore, SMEs in Nigeria need to be more learning oriented in order to utilize the strategic information acquired from inside and outside the enterprise more effectively.

Finally, to achieve the stated objective of this study, H4 was tested which states that TO is positively related to firm performance. In this study, TO refers to a firm's disposition to bring together or use new technologies, products or innovations to develop or improve products and services. The result shows another important finding that there is a positive significant relationship between TO and firm performance. Therefore, this result substantiates the empirical linkage between TO and firm performance. Hence, H4 is supported. In accordance with the result of this study, previous studies have

demonstrated that TO positively influences firm performance (Gao *et al.*, 2007; Gatignon & Xuereb, 1997; Hakala, 2011; Hoq, 2009; Hsu *et al.*, 2014; Mu & Di Benedetto, 2011; Paladino, 2007; Salavou, 2010; Spanjol *et al.*, 2011; Weinzimmer *et al.*, 2012). This finding further supports the notion of the RBV that sustained competitive advantage is derived from the summation of strategically important resources.

The suggestion of this finding is that SMEs that focus on TO and make it among the main business strategies in creating quality products and services, are more likely to perform better. As such, this information is helpful to Nigerian SMEs in adopting new technologies as a response to taking advantage of the customers before their rivals.

5.3.2 Positive Relationship between EO, MO, LO, TO and SMEs' Access to Finance in Nigeria

The second objective of this study is to investigate the relationship between the four independent strategic orientation variables and their relationship with the mediator variable. Building on the RBV and the pecking order theory, this objective formulated four hypotheses on the positive relationship between EO and SMEs' access to finance; MO and SMEs' access to finance; LO and SMEs' access to finance and TO and SMEs' access to finance. Specifically, H5, H6, H7 and H8 were tested to achieve the objective. Firstly, the aforementioned objective resulted in H5, which states that there is a positive relationship between EO and SMEs' access to finance in Nigeria. The result shows that there is a significant negative relationship between EO and SMEs' access to finance. Therefore, contrary to the stated hypothesis, this study does not find support for a

positive relationship between EO and SMEs' access to finance. This finding suggests that the more the SMEs perceive risk and an unfriendly environment, the less they will be engaged in high return business activities. The risk taking, innovativeness and proactiveness activities are difficult to put into action when the environment poses significant challenges (Tang & Tang, 2012). Furthermore, being EO oriented involves risk and constant new opportunity seeking which may not guarantee success, particularly in terms of financial achievement (Lumpkin & Dess, 2001; Nybakk, 2012). Therefore, this finding is not surprising because it is possible that this result is due to the likelihood of high perception of business risk and opportunities.

Another possible reason for this negative relationship may have something to do with the emphasis on EO activities as a sole response to the market competition which is likely to lower firm profit and retained earnings (Baker & Sinkula, 2009). In other words, high EO requires a considerable amount of financial resources instead of generating the resources. In line with this argument, too much emphasis on EO substantially restricts or reduces a firm's ability to achieve its goals (Tang *et al.*, 2008). There is, however, other possible explanations, such as contextual nature of EO due to cultural, institutional and environmental differences (Coulthard, 2007; Rauch *et al.*, 2009; Zahra & Covin, 1995).

Hence, in line with the conclusion of Hakala and Kohtamaki (2011), this study suggests SMEs in Nigeria should concentrate on risk taking, as well as proactive and innovative activities of EO, but avoid extreme concentration on these EO activities.

The second hypothesis formulated based on the above objective is H6 which states that there is a positive relationship between MO and SMEs' access to finance in Nigeria. The finding provides support for H6 as the regression result suggests that there is a positive relationship between MO and SMEs' access to finance. The level of marketing resources, activities and capabilities that SMEs possess are positively related to their ability to get more cash flow, which in turn, affects their access to get financing in different ways. This finding further provides evidence that market oriented firms can satisfy customers better, track and react to customer needs and preferences, and in turn, enhance their internal finances and attract external investors.

The finding links well with the view of past studies that argue SMEs' lack of access to finance is related to SMEs' peculiar characteristics, business operations and strategies (Kyophilavong, 2011; Mazanai & Fatoki, 2012; Steinerowska-streb & Steiner, 2014; Terpstra & Olson, 1993). Consistent with Turyahebwa, Sunday and Ssekajugo (2013), this result shows that SMEs that adopt strategic activities will generate more profit that yield high retained earnings. Drawing upon the notion of the RBV, this study explains that the market oriented SMEs are more capable of generating profitability and cash flow, as a result of the ability of the firm to organize resources towards customer satisfaction. Also, this is proposed by Achleitner, Schraml and Tappeiner (2008) who argue that SMEs' financing depends on the ability to manage a bundle of strategic resources.

To sum up, as SMEs focus more on MO, the internal finances, such as profit and retained earnings will be increased and also the possibility to get external financing will also increase. Hence, this study indicates that SME owner-manager should adopt the MO culture since it can improve their finances. In other words, SMEs in Nigeria can pursue MO culture in order to reduce the financial constraints they are facing.

H7 was also formulated to achieve this objective. The hypothesis states that there is positive relationship between LO and SMEs' access to finance in Nigeria. As expected, the result provides empirical support that there is a positive relationship between LO and SMEs' access to finance. This finding is similar to the conclusion of previous findings that the drivers of access to financial services in the SMEs industry are a firm's valuable resources, such as experience, learning, social ties, training and intelligence (Alavera *et al.*, 2010; Kamukama & Natamba, 2013).

This finding supports the understanding of several studies that access to funding depends on the SMEs' strategic activities (Ghimire & Abo, 2013; Kyophilavong, 2011; Pandula, 2011; Steinerowska-streb & Steiner, 2014). The result shows that accumulating internal finance, such as profit, retained earnings and cash flow depend on the strategic orientations of the SMEs. Consistent with the RBV, business outcome depends on the bundle of firm resources. This finding indicates that SMEs can improve their profitability, cashflow and ability to get external finance through commitment to learning, open-mindedness and shared vision. Therefore, SMEs in Nigeria should encourage learning and support individuals who utilize what they learn. Nigerian SMEs

should consider ideas and opinions that are new and take appropriate responses to the changes in the environment. In a nutshell, SMEs in Nigeria must recognize that learning is necessary for them to adapt to their environment for better financing opportunities.

Finally, to achieve the stated objective, H8 was formulated which states that there is a positive relationship between TO and SMEs' access to finance in Nigeria. Interestingly, the result of the regression analysis used to test this hypothesis shows that there is a positive relationship between TO and SMEs' access to finance. Close to this finding, a firm's technological resources were also found to be significantly and positively influencing finances and propensity to access finance (Ndofor, Sirmon, & He, 2011). This finding also concurs with the view of past studies (Ghimire & Abo, 2013; Pandula, 2011; Steinerowska-streb & Steiner, 2014; Terpstra & Olson, 1993) that SMEs' actions and strategies influence access to both internal and external financing. Based on this result, it is clear that TO, as a firm's valuable resource, can improve financial accessibility of the firm.

Moreover, ability to obtain external financing depends on how a firm builds its internal capital because no capital supplier will invest in a non-profitable business (Bangudu, 2013a). Furthermore, the extent to which a firm seeks to benefit from retained earnings, debt or equity, depends on the strategic and managerial resources it possesses (Achleitner *et al.*, 2011, 2008; Kyophilavong, 2011). This finding provides evidence that TO plays an important role in Nigerian entrepreneurs' access to internal financing.

Therefore, SMEs in Nigeria should pursue development of goods or services based on a firm's technical abilities, instead of maintaining status quo.

In conclusion, these results confirm the pecking order theory in SMEs (Johnsen & McMahon, 2005), and provide further evidence for the postulation of the RBV (Barney, 1991). In line with the pecking-order theory, internal financing is the most preferred source of financing for SMEs. However, the ability of SMEs to improve their internal finance depends on how they organize their bundle of resources. In other words, retained profits are the preferred source of finance for SMEs and employing appropriate strategic orientations will give the ability to generate more profit. In a similar conclusion, Steinerowska-streb and Steiner (2014) argue that the ability to access financial resources clearly depends on the strategic decisions of SMEs.

However, the pecking order theory may not sufficiently stand to explain the behavior of SMEs' financing in developing countries, like Nigeria due to the nature of the environment. So far, the application of the RBV sees firms as a bundle of tangible and intangible resources. Therefore, all firm resources that can be utilized by SMEs to maximize profitability can further explain the behavior. In this respect, SME owners-mangers who create value to their market by applying strategic orientations may realize more sales volume and profits and reinvest in more profitable business activities. Additionally, generating enough cash flow is one of the important determinants in accessing external finance.

5.3.3 Mediating Role of Access to Finance on the Positive Relationship between EO, MO, LO, TO and Performance of SMEs in Nigeria

The third objective in this study is to examine the mediating role of access to finance on the positive relationship between EO, MO, LO, TO and performance of SMEs in Nigeria. To achieve this objective, one direct relationship between the mediator and the dependent variable was tested (H9). Then, most importantly, four mediating hypotheses were proposed and tested using bootstrapping method (Preacher & Hayes, 2008). Precisely, hypotheses H10, H11, H12 and H13 were tested to see the mediating role of access to finance.

To begin with, H9 was tested, since one of the criteria for mediation to hold is the relationship between independent variable to mediator and mediator to dependent variable (Preacher & Hayes, 2008). Financial resources accessibility refers to capital availability from both internal and external sources. Hence, H9 states that there is a positive relationship between access to finance and performance of SMEs in Nigeria. As hypothesized, the result shows that there is significant positive relationship between access to finance and SMEs' performance. Thus, based on this empirical finding, H9 is supported. In the current study, the relationship between access to finance and firm performance indicates that SMEs, which have financial access, will have better performance compared to SMEs that do not have access to financial resources. This finding is supported by several studies which reported that access to finance influences firm performance (Akingunola, 2011; Fornoni *et al.*, 2012; Krishnan *et al.*, 2013; Rahaman, 2011; Su & Sun, 2011; Wiklund & Shepherd, 2005; Zampetakis *et al.*, 2011).

To this end, SMEs need to recognize the importance of accessing financial resources as higher performance depends on the SMEs' ability to have financing. In other words, the performance of SMEs that have no access to financing and performance of SMEs that generate substantial cash flow and invariably have access to both internal and external financial capital, is different. It could be argued that SMEs with access to financial resources, due to their assumed better strategic activities, are also more likely to employ more staff, and have investments plans, high sales volume and profit.

In order to attain the mediation objective, H10 was tested which states that access to finance mediates the positive relationship between EO and performance of SMEs in Nigeria. The statistical result indicates that access to finance does not mediate the relationship between EO and firm performance. This result, however, is not surprising given the fact that the path from EO to access to finance was inversely significant in the direct relationship as reported earlier. Hence, H10 is not supported. A plausible reason for this is that the more SMEs perceive high environmental risk, the less they engage in profitable business. In other words, high EO means high risk that requires significant amount of financial resources rather than generating the resources. Therefore, the role of financial resources in explaining the relationship may not be noteworthy.

The reason behind the relationship between MO and SMEs' performance can be explained by SMEs' access to finance. Hence, H11 states that access to finance mediates the positive relationship between MO and performance of SMEs in Nigeria. However,

in this study, MO did not significantly affect firm performance directly, but it has a direct and positive impact on the access to finance. Interestingly, the result shows that MO affects firm performance through access to finance. In other words, the relationship has good magnitude and is significant due to the mediation role of access to finance. In summary, based on the present study's results, the influence of MO on firm performance is better understood through the mediational role of access to finance. Hence, H11 is supported.

In this case, the result demonstrates that SMEs' ability to attract, retain more customers and deal with competition, lead to improvements in their financial resource access, and consequently to achieving higher performance. This seems to indicate that firm performance depends on MO when firms have access to finance. The finding agrees with the past research (Huhtala *et al.*, 2014; Mahmoud & Yusif, 2012; Olavarrieta & Friedmann, 2008) which shows that MO is related to firm performance through some mediating variables. Regarding the current study, this result supports the RBV that suggests firm performance is achieved as a result of matching valuable tangible and intangible resources. To this end, the results suggest that a firm's MO is an ingredient for accessibility of finance, which would provide the firm with capabilities to achieve superior performance.

With regards to the third objective stated earlier, H12 was tested which states that access to finance mediates the positive relationship between LO and performance of SMEs in Nigeria. Remarkably, the result establishes that access to finance mediates the

relationship between LO and firm performance. Therefore, H12 is supported. In other words, LO was found to affect firm performance positively via the mediating role of access to finance.

According to this finding, implementing LO will help SMEs to increase their financial accessibility and in turn improve firm performance. This result also shows that no matter how much a firm is learning oriented, or good in using information, it cannot assure firm performance if it cannot get access to enough financial capital. Moreover, this explains that although a large number of SMEs are looking for better performance, few of them perform sufficiently. This is because they refuse to acknowledge that their strategies are essential to getting financing. Moreover, this finding shows that SMEs can use learning to increase their financial resources and improve performance. In summary, SMEs in Nigeria should be learning oriented so that they can have more cash flow and secure more funding, and in turn, achieve higher performance. The present result is supported by the RBV, which holds that firm performance is achieved through the efficient utilization of the firm's bundle of resources, such as LO and financing.

Lastly, investigating the mediation role of access to finance on the relationship between TO and firm performance is another specific purpose related to the third objective. Hence, to achieve this specific objective, H13 was tested, and it predicts that access to finance mediates the relationship between TO and firm performance. Interestingly, the result indicates that the mediatory role of access to finance between TO and firm performance relationship is quite significant. Therefore, H13 is supported. This sheds

more light that TO facilitates SMEs' ability to generate more financial resources that can lead to firm performance. Consistent with the RBV, this finding suggests that TO, as a firm's valuable and complex resource, can lead to superior performance when accessibility of finance is available. To this end, the results of this study suggest that SMEs in Nigeria need to be technology oriented which will lead them to better access to finance and superior performance.

Conclusively, the study shows that the strategic orientations (MO, LO and TO) indirectly explain firm performance through access to finance. This is important additional explanation for the existence of the relationship between these strategic orientations and firm performance. The results further suggest that SMEs need to use their strategic activities to improve their ability to obtain finances in order to perform well.

The results also postulate that majority of the SMEs utilize several orientations simultaneously. While strategic orientations appear as viable predictors of firm performance, the evidence suggests that SMEs, combining it with other orientations, have higher access to finance and perform much better. Consistent with the RBV, the findings suggest that strategic orientations are culture-based, valuable and sophisticated firm resources that can lead to competitive advantages.

5.3.4 Moderating Role of Business Environment on the Positive Relationship between EO, MO, LO, TO and Performance of SMEs in Nigeria

The fourth objective of this study is to examine the moderating role of business environment on the positive relationship between EO, MO, LO, TO and performance of SMEs in Nigeria. To achieve this objective, four hypotheses were tested which include H14, H15, H16 and H17. However, all the four hypotheses related to the moderating role of business environment were found to be not significant. Therefore, they are not supported. The result may be explained by the fact that majority of SMEs in Nigeria operate in a non-supportive business environment, with a very low level of infrastructure, inconsistent government policies and insecurity challenges (SMEDAN, 2012).

Firstly, H14 states that business environment moderates the positive relationship between EO and firm performance. The result shows that business environment does not moderate the relationship between EO and firm performance. Hence, H14 is not supported. Although, this result has been unable to demonstrate the moderating role of business environment, it is consistent with the study of Muthuvelayutham and Jeyakodeeswari (2014). Additionally, the finding is similar to the finding of Brown and Kirchhoff (1997) that small firm growth is not jointly determined by the interaction of EO and environmental factor.

This result is not shocking because the business environment in Nigeria is acknowledged as not being supportive (SMEDAN, 2012). Hence, it would be very

difficult to get critical resources needed by SMEs and to take high-risk business opportunities in an environment that is not supportive.

Secondly, H15 states that business environment moderates the positive relationship between MO and firm performance. Unfortunately, the result demonstrates no support for the hypothesized moderation role of business environment on MO and firm performance relationship. Hence, H15 is not supported. SmartPLS 3.0 output indicates that t-value of the interaction between MO and business environment is not significant. It is encouraging to compare this finding with that on environmental factors that failed to moderate the relationship between MO and firm performance (González-Benito, González-Benito, & Muñoz-Gallego, 2014; Slater & Narver, 1994). Additionally, Jaworki and Kohli (1993) result does not support the assumed moderating effects for any of the three environmental moderator variables. The result confirms the contention by SMEDAN (2012) that Nigerian business environment lacks ability to support sustained growth of SMEs.

This result, however, is not entirely unexpected given the fact that the relationship between MO and firm performance was not significant in the direct relationship. Additionally, this finding may be as a result of recognized unfriendliness of the Nigerian business environment. Therefore, it is obvious that Nigerian business environment has little or no capacity to support growth and development of SMEs. In line with these arguments, Nigerian entrepreneurs may not be willing and able to take advantage of market opportunities and come up with a product that will give value and satisfaction to

their customers, particularly since SMEs in Nigeria suffer from severe competitive pressures from foreign goods and sub-standard products.

Thirdly, H16 states that business environment moderates the positive relationship between LO and firm performance. This result has been unable to demonstrate significant moderating role of business environment on LO and firm performance relationship. Therefore, H16 is not supported. This finding is unexpected and suggests that there is abrupt and unexpected decline in the supportive role of the business environment in Nigeria. This outcome could be attributed to the fact that SMEs difficulty to change based on the externally acquired knowledge due to the non-supportive environment.

Finally, to achieve the stated objective, H17 was tested. The hypothesis states that business environment moderates the positive relationship between TO and firm performance. Contrary to expectations, this study did not find a significant moderation role of business environment on the relationship under examination. Hence, H17 is not supported. This result seems logical because technology-oriented firms operating in an unfriendly environment will find it very difficult to compete with low technology-oriented firms. For example, cost of doing business in Nigeria is very high due to weak infrastructure, such as electricity, that makes quality products very expensive.

In general a supportive business environment is one that encourages SMEs to function more efficiently. Therefore, it will improve the ability of the firms to be more innovative and to increase productivity for sustainable development. On the other hand, a poor business environment reduces opportunities for conducting business activities and decreases a country's prospects for reaching its potential in terms of employment, production, and welfare. The reaction to such business environment is different in SMEs than in large companies. Large firms may drop the product or the exit from the market to another, but this is not typically possible for SMEs. The options to respond to the environment are restricted by the SMEs' tangible and intangible resources as well as the opportunities offered by the industry and the environment.

Although, this study reports positive link Nigeria's business environment and firm productivity and performance. The business environment in Nigeria has presented a very different challenge for entrepreneurial firms. The current environments do not provide adequate support to the SMEs. When an environment is characterized as not munificent other firm strategies appear to be too risky. Neither of these strategies if depend on the environment can provide sufficient protection for the SMEs. This situation discourages SMEs from developing an optimistic view of the environment as they assume more risks and become more vulnerable to the environment. As a result, instead of trying to take advantage of the environment, SMEs in Nigeria are more likely to develop a vigilant, cautious approach. Because of the weak business environment many business in Nigeria move to neighboring countries such Ghana and South Africa.

Convincingly, based on the available evidence in this study, it is not likely for SMEs in Nigeria to recognize their potential based on the non-supportive business environment they are operating within. The level of environmental munificence might have a much stronger impact on SMEs if it provides opportunities rather than disadvantage. Therefore, SMEs need to understand that their firm's resources should be effectively and efficiently utilized to minimize the adverse effect of business environment.

5.4 Implications of the Study

Governments, practitioners and academic researchers in the area of strategic management and entrepreneurship have given much attention to the performance of SMEs and other variables, influencing their performance. Based on the findings of this research work, the study has more than a few important implications, specifically in terms of performance of SMEs in the context of Nigeria. The results of this study provide practical, theoretical and methodological implications. These implications are discussed in the following sub-sections.

5.4.1 Managerial Implications

Firstly, SMEs have been recognized as one of the major contributors to employment, economic growth and poverty alleviation. Government and policymakers have to recognize that their decisions relating to SMEs have a direct impact on activities of the enterprises. It is, however, necessary to reveal what government and policy makers may do to improve the performance and sustainability of SMEs in Nigeria. From the literature review, this study has identified that SMEs lack finances; and operating in an

unfriendly environment is the primary cause of SMEs' underperformance (SMEDAN, 2012).

However, the government has numerous funding programs and support agencies to assist SMEs (SMEDAN, 2012). Lack of awareness of such government support may be the reason most of the SME owners are not benefiting from these organizations. Then, even those that are known are not well coordinated to guide the SMEs, and hence, are still not patronized. This indicates the need for the government to improve coordination among these institutions and make them well-known to SME owners through advertisements, workshops and other capacity building programs.

Additionally, looking at the difficulty in getting finance from internal and external sources, these institutions should encourage SMEs to use their strategic activities to improve their internal finance, since one of the reasons banks are refusing to give SMEs credit or provide it with high-interest rate and collateral requirement is because of the risk in terms of ability to repay. Therefore, having a good cash flow, profit and retained earnings may encourage financial institutions to provide financial services to SMEs at reasonable cost. As a result, it is also recommended that the government and its agencies should encourage SMEs to configure their strategic orientations to improve their internal finance. In addition, financial institutions should be encouraged to reduce the interest rates and collateral requirements so as to encourage SMEs to apply for external financing.

The unfriendliness of the business environment in Nigeria is indeed making the support services, infrastructure and other regulatory framework very weak. However, when SME owners and managers perceive the business environment to be not supportive, they are less likely to invest and or take high-risk business opportunities. Therefore, the government and other policy makers must look at the environment and create an enabling environment for SMEs to operate. In other words, they should create enabling environment that will encourage an entrepreneurial culture among the SME owners in Nigeria.

Based on this study's findings and several past studies, it seems it is empirically established that EO generally contributes to firm performance. Therefore, SME owners-managers need to acknowledge the importance of EO in enhancing firm performance. However, it is also important to note that over-concentration on EO may result in lower accessibility of financing.

The results show that MO is effective in influencing SMEs' access to finance which in turn affects firm performance. Therefore, to improve the SMEs' performance, owners-managers should always increase the level of MO which will improve their financing that will lead to better performance. It is because MO is proven to encourage access to finance. Thus, it can be of benefit for SMEs to improve firm performance. To increase the level of MO, SMEs need to have better understanding and information of their markets, customers, and competitors. Then, the information will assist SMEs to increase sales, market share, profit and competitive advantages by providing superior

value to customers. Therefore, by being market oriented, SMEs are likely to develop a culture that promotes not only understanding markets, customers and competitors, but also improves the ability to get more financing.

Additionally, the study shows that a significant impact on firm performance can be achieved by managing LO, which is the processes that enable the firm to develop learning culture within and outside the enterprise. With LO, other activities can enable firms to develop products or services with superior quality based on the environmental need. This in turn can lead to high customer satisfaction and result in superior firm performance. Further, this study indicates that the ability of SMEs to access financing is augmented when firms develop higher LO culture, such as learning from experience and the environment. Therefore, SME owner-managers must recognize that LO is vital for an enterprise's sustainability and growth. Also, it is important to note that ability to learn is significant to maintain a firm's competitive position. More importantly, understanding the environment is always essential in creating necessary knowledge and sharing of information and experience within the enterprise.

Finally, the results urge SME owners-managers to develop TO culture that supports a holistic view of the business. Accordingly, owners-managers of SMEs should be mindful that TO plays a vital role that can influence firm performance. Although TO is important in influencing firm performance it is more important when related to access to finance and superior performance. In practical terms, developing a TO culture to produce goods and services combined with a focus on quality and technological

superiority, apparently support SMEs access to finance and in turn improve firm performance. Therefore, SME owners-managers should focus on long-term technological mindset to ensure novelty of their products and services.

In conclusion, this study identifies that EO, MO, LO, and TO are critical resources that can generate competitive advantage. Therefore, they should be viewed as matching resources, which directly improve the financial outcome and in turn influence firm performance. Strategic orientations are very different in nature; concentrating on one may not be enough. Therefore, a successful configuration of these orientations is very necessary. For SMEs to be more resourceful, the owners-managers should develop a right configuration of these orientations. This will give SMEs a greater economic outcome, which could, in turn, lead to a superior performance. Thus, this study supports the argument that the bundles of firm resources are a major source for competitive advantage that will to performance.

5.4.2 Theoretical Implications

This study provides empirical evidence for the theoretical relationships hypothesized in the research framework. Specifically, it highlights the mediating role of access to finance and the moderating role of the business environment on the relationship between EO, MO, LO and TO and performance of SMEs in Nigeria. This study has 17 hypotheses, out of which 10 hypotheses are supported, while seven are not.

Previous research on SMEs' performance have investigated the influence of a number of strategic orientation variables on performance (Ferraresi *et al.*, 2012; Frank *et al.*, 2010; Grawe *et al.*, 2009; Idar & Mahmood, 2011; Kara *et al.*, 2005; Keskin, 2006; Kropp *et al.*, 2006; Lechner & Gudmundsson, 2012; Li *et al.*, 2008, 2009; Long, 2013; Lumpkin & Dess, 2001; Mahmoud & Yusif, 2012; Mahmoud, 2011; Mavondo *et al.*, 2005; Mu & Di Benedetto, 2011; Musa *et al.*, 2011; Nikoomaram & Ma'atoofi, 2011; Noble *et al.*, 2002; Polat & Mutlu, 2012; Suliyanto & Rahab, 2012; Voss & Voss, 2000; Wang, 2008).

However, combination of EO, MO, LO and TO in a single model as strategic variables influencing SMEs' performance has received little attention. Based on the foregoing, the structural relationships between EO, MO, LO and TO as relevant variables affecting performance positively is examined in a single model. The results show that EO, LO and TO have a positive impact on firm performance. The study adds further knowledge on the importance of access to finance in predicting firm performance. The results also provide additional empirical support for the research framework. Thus, this study contributes to the RBV by providing empirical evidence to support the assertion of the theory. The RBV postulates that performance of the firm is influenced by the firm's bundle of intangible and tangible resources. In the context of this study, EO, MO, LO, TO and access to finance are regarded as a firm's resources.

This study also contributes by investigating the relationship between EO, MO, LO and TO on the SMEs' access to finance. According to Cheng, Ioannou and Serafeim (2014)

and Ghimire & Abo (2013), a firm's access to finance depends on the strategy adopted by the firm. Therefore, SMEs' access to finance depends on how good the firms are in managing their strategic orientations. Based on this, the current study investigates the positive relationship between EO, MO, LO, TO and SMEs' access to finance. The results establish the ability of SMEs to manage their intangible resources, such as MO, LO and TO, will improve access to finance. Hence, the study enhances the knowledge of the RBV, pecking order theory and literature on SME financing.

Previous studies have revealed that strategic orientations influence firm performance. However, literature has shown that previous studies have established that strategic orientations influence firm performance indirectly through mediating variables (Li *et al.*, 2009; Madhoushi *et al.*, 2011; Mahmoud & Yusif, 2012; Rhee *et al.*, 2010; Sinkula *et al.*, 1997; Stam & Elfring, 2008; Theodosiou *et al.*, 2012). Others have studied the mediating role of access to finance and debt on the EO and firm performance relationship (Fatoki, 2012; Zampetakis *et al.*, 2011). On this account, little or no attention has been given to the mediation role of access to finance in explaining how and why EO, MO, LO, TO and firm performance relationship exists. Although past studies have demonstrated that performance of SMEs depends mainly on accessibility of finance (Demir & Caglayan, 2012; Fonseka *et al.*, 2013; Kasseeah & Tandrayen-Ragoobur, 2011; Krishnan *et al.*, 2013), studies fail to explore its mediation role. In view of that, past studies recommend that the mediating role of other variables, such as access to finance need to be explored (Al-swidi & Al-hosam, 2012; Herath & Mahmood, 2013; Liu & Fu, 2011; Polat & Mutlu, 2012).

As expected, this study contributes theoretically, by empirically testing the mediation role of access to finance on the relationship between EO, MO, LO, TO and SMEs' performance. The result indicates that access to finance mediates the relationship between MO, LO, TO and firm performance. This means that to enhance firm performance by managing MO, LO and TO, SMEs need to improve their financing. Thus, this research implies that SMEs may need to obtain better financial capital to achieve improved business performance. The findings make another expected contribution to the RBV, strategic management and entrepreneurial literature by clarifying the role that access to financial plays. The results further enhance researchers' knowledge on the mediation role of access to finance on the strategic orientations and SMEs' performance since few studies (Fatoki, 2012; Zampetakis *et al.*, 2011) have mentioned this role.

In addition, a review of past literature on SMEs suggests that most of the studies have been conducted in developed nations and countries in Asia, USA, Europe and Latin America, thereby ignoring African countries, like Nigeria. Similarly, even in the aforementioned countries, many studies have concentrated on large firms (Herath & Mahmood, 2013; Wales *et al.*, 2013). Therefore, by conducting this study in Nigeria, it is expected that it will improve the understanding of SMEs' performance in African and other developing countries. Finally, the vast majority of studies on SMEs have focused on one sector of the population rather than the entire population of SMEs (Long, 2013; Polat & Mutlu, 2012; Tang & Tang, 2012). Therefore, this study is among the few studies that considers the entire sector of SMEs, especially in Nigeria.

5.4.3 Methodological Implications

Besides the practical and theoretical contributions, this study puts forth some other methodological implications. Firstly, previous studies on performance of SMEs have mainly used SPSS and or AMOS, but to the best knowledge of the researcher ,very few have used SmartPLS-SEM 3.0 (Ringle *et al.*, 2014) to produce results. Additionally, the measurement scales of the strategic orientation variables in this study were adapted from previous studies as discussed in the operationalization section. Therefore, replicating strategic orientations study in another context is warranted, to confirm the reliability and validity (Frank *et al.*, 2010; Long, 2013; Mahmoud & Yusif, 2012; Musa *et al.*, 2011). Composite reliability, convergent validity and discriminant validity were assessed and found to be satisfactory, above the required threshold. Hence, the current study represents a further contribution to methodology and literature of SMEs' performance by establishing validity and reliability of the adapted measures in the Nigerian context.

5.5 Limitation and Suggestions for Future Research

Despite several significant contributions highlighted in this study regarding SMEs' performance, it has several limitations that need to be identified. Firstly, as a potential problem in behavioral research, common method variance is one of the possible limitations of this study (Podsakoff *et al.*, 2003). However, using Harman's single factor analysis to test the common method bias, it is established that the study is free from this problem. Notwithstanding, future research can collect data from multiple participants (owners, managers and financiers) separately per enterprise, which can minimize the measurement errors.

Secondly, this study focuses on SMEs operating in northwestern Nigeria, and it does not include SMEs operating in other parts of Nigeria. However, SMEs in Nigeria share similar characteristics, such as ownership type, number of employees, etc. The result obtained may be slightly different if other regions had been included in the study. Therefore, findings of this study should be cautiously generalized to SMEs operating in another part of the country. Additionally, whilst this research targeted all types of SMEs (service and manufacturing), there is a need to examine the performance of SMEs based on the sub-sectors, such as agriculture, mining, fishing, building, and construction, wholesale and retail, hotel and restaurants, transportation, real estate, education, and so on. Hence, the study is limited by neglecting the fact that enterprise characteristics can be different according to business type or sector. Future studies should consider investigating SMEs' performance in other parts of the country and sub-sector activities, which may provide more in-depth results.

Thirdly, the current study adopted quantitative method and rely on a single method of data collection. In other words, questionnaire was the only instrument used in gathering the data in this study. The respondents may not always be willing to answer questions correctly. Thus, the responses may not consistently and accurately measure the study variables. It will be of interest if future studies combine both quantitative and qualitative methods to carry out an in-depth investigation on SMEs' performance in Nigeria.

Fourthly, the study adopted cross-sectional design for the survey in which the opinions of respondents was captured at one specific point in time. Thus, due to

cross-sectional nature of this study, it is restricted in proving causal relationships between the variables (Sekaran & Bougie, 2010). As the data was collected at one time, this might not permit the data to represent long-term behaviors of the firms. In view of these restrictions, a longitudinal study is suggested for future research. This may help researchers to get more understanding on the subject matter and validate the findings from cross-sectional studies.

Fifthly, another potential limitation of this study is related to the measures of the constructs used in this research work. The variables in this study were measured as a one-dimensional variable. However, variables such as EO, MO, LO, access to finance can give more information if considered as multi-dimensional. Therefore, further investigation on the relationship between these variables and firm performance using multi-dimensional scale is a fertile area of research. For instance, EO was measured in this study as a one-dimensional strategic orientation originated from Miller (1983) and Covin and Slevin (1989) scale and adapted from Hakala and Kohtamaki (2011). However, future studies can use Lumpkin and Dess, (1996) EO scale to examine the individual effect of the five dimensions.

Likewise, this study measured MO as a one-dimensional construct, originated from Narver and Slater (1990) and adapted from Suliyanto and Rahab (2012). Equally, future studies can further investigate this area by looking at the three dimensions of MO and how they exclusively affect firm performance. Similarly, this study measured LO using Sinkula *et al.* (1997) measures, adapted from Farrell *et al.* (2008). Thus, considering

multi-dimensionality of LO would provide much richer understanding of the nature of LO and how it influences firm performance. Finally, access to finance was measured as a one-dimensional multi-item variable in this study. This is in line with the suggestion of Wiklund and Shepherd (2005), that multi-item should be used rather than the single item measures. Hence, this study recommends future studies should further consider multi-dimensionality of the variable (internal and external access to finance).

Lastly, this study examined the mediating role of access to finance and the moderating role of the business environment on the relationship between EO, MO, LO, TO and performance of SMEs in Nigeria. The independent variables tested in the study were confined to SMEs' performance. Other factors that belong to a firm's strategic resources, such as employee orientation, cost orientation and network orientation can be used to extend the framework proposed in the study. Future researchers could further broaden the scope of this study by conducting a configurational approach using access to finance and business environment as moderators to explain the variance in firm performance.

5.6 Conclusion

The main purpose of this research work is to examine the mediating role of access to finance and moderating role of business environment on the relationship between EO, MO, LO, TO and performance of SMEs in Nigeria. The study has achieved all the four objectives as discussed in chapter 1.

The first objective is to examine the relationship between EO, MO, LO, TO and performance of SMEs in Nigeria. This objective was achieved by testing four direct relationship hypotheses. The study provides empirical evidence of the significant positive relationship between EO, LO, TO and firm performance. The second objective of this study is to examine the relationship between EO, MO, LO, TO and SMEs' access to finance in Nigeria. Similarly, four hypotheses were tested to accomplish this objective. Empirical evidence shows that MO, LO and TO have positive influence on SMEs access to finance, while EO has negative significant influence. The third objective of this study is to examine the mediating role of access to finance on the relationship between EO, MO, LO, TO and performance of SMEs in Nigeria. Likewise, this objective was achieved by testing the mediation hypotheses. The findings show that access to finance plays a mediational role between MO, LO, TO and firm performance. Lastly, the fourth objective of this is to examine the moderating role of business environment on the relationship between EO, MO, LO, TO and performance of SMEs in Nigeria. Four moderating hypotheses were tested to achieve this objective. The results indicate no moderating role is played by the business environment in the context of this study.

Moreover, the study provides practical, theoretical and methodological contributions in terms of the influence of these strategic orientations on SMEs' performance. Based on the limitations of the study, several directions for future research are outlined. Conclusively, this research work has added valuable implications, both practically,

theoretically and methodologically in the SMEs performance and strategic management literature.

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