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Impact of Entrepreneurial Orientation on MSME Performance: A Moderated Mediation Analysis

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KEYWORDS

Entrepreneurial orientation, Responsiveness, Innovation, Proactiveness, Risk-taking, Firm Performance, Structural Equation Model

ABSTRACT

To improve company entrepreneurial orientation towards micro, small, and medium entrepreneurs, the purpose of this study is to experimentally investigate an integrative moderated mediated mechanism that uses entrepreneurial competency as a mediator. Data were acquired by a structured questionnaire from a sample of 300 MSME owners in Rajasthan, India. Structural equation modeling was used to examine the hypotheses. The results demonstrated that the entrepreneurial-oriented features of innovation, proactivity, and risk-taking improve the firm's marketing performance. Entrepreneurial competencies mediate the impacts of entrepreneurial orientation dimensions on the performance of an organization. There was variation in the mediation effects of entrepreneurial competencies between responsiveness levels that were high and low. To beat the competition and seize market opportunities, the company must precisely match what it offers to the needs and desires of the customer. SMEs in India may increase brand value, manage their supply chains more effectively, and improve quality using entrepreneurial skills.

1. INTRODUCTION

SMEs are widely acknowledged in both developed and developing nations to play an important role in the socioeconomic development of societies (Rao et al., 2009). In developing countries like India, SMEs are essential in innovating low-cost solutions to satisfy the local market's demand. The growth of developing countries is directly related to the success of the private sector, which is considered the engine of economic growth. Some business units in India are reserved for the small-scale sector. Many education institutes are based on entrepreneurial development to modernize the information technology practices of SMEs. The effectiveness of SMEs' managerial practices and their associated performances have been found to be strongly correlated by researchers (Rao et al., 2009). For SMEs, attention must be drawn to the several factors that determine their entrepreneurial competencies. Enhancing SMEs' ability to enter new markets is highly important.

Competencies as a company's capacity to apply organizational practices and pool resources to deploy those resources for the intended purpose is known as entrepreneurial competencies and has been a fascinating and attractive topic for the last three decades. It may also be defined as a firm capacity to generate value for the international customer through effective marketing strategies like proper segmentation and targeting and combined marketing activity by appropriate planning, organizing, and evaluating how marketing activities can differentiate their offering from those of competitors (Zucchella et al., 2019).

Entrepreneurial competencies help the firm to diversify its business operation and expand its resource in new markets and businesses. In addition, it benefits from building good customer links, channel bonding, superior market performance, and so on (Kottaridi and Lioukas, 2017). However, the majority of the studies were conducted taking the perspectives of the SME (Aydi and Jarboui, 2020; Benito et al., 2009; Muecke and Hofer, 2015; Gupta, 2019; Heng and Afifah, 2020; Morgan et al., 2016; Piperopoulos, 2007; Presutti and Odorici, 2019; Yoon et al., 2018). For example, Babe and Oeconomica (2015) and Kropp et al. *(*2006) examined the strategic orientation trinity's performance complaints in international business. MO, EO, and LO were considered strategic orientation trinity.

Data was obtained quantitatively from a sample of Romanian SMEs. The investigation's findings demonstrated that foreign markets and international learning orientation positively impacted individual firm performance (Feder, 2015). Further, Merlo and Auh (2009) want to find out how the EO of the firm mediates the interplay between MO and market sub-unit impact on firm performance. A total of 600 medium and large organizations were chosen for the study. The finding of the detailed research shows a non-significant effect of EO on business performance (Merlo and Auh, 2009). Even though different studies were conducted to understand the role of EO and its impact on various outcomes, to the authors' knowledge, few studies examined how entrepreneurial orientation influences organizational performance in a national context. This understanding is essential because the real benefits of entrepreneurial orientation will be fulfilled only if the local MSMEs player perceives that their activities concerning quality improvement enhance brand value, efficient use of resources, and effective supply chain management. Thus, the current research tries to fill this gap by investigating how different dimensions of EO, such as innovation (INV), Proactiveness (PRV), and risk-taking (RT) capability of the entrepreneur, contribute to the development of MSME. In particular, this research focuses on the mechanism, such as responsiveness as a moderator, which has been absent in the entrepreneurship literature. Thus, the current study hypothesized that entrepreneurial orientation positively affects firm performance by developing entrepreneurial competencies. If the hypothesized relationships are supported, this study adds to the contemporary entrepreneurship literature that the firm to growth rises to upheaval in a dynamic environment. As a result, it is crucial to take into account various aspects of EO as a second-order construct in order to identify customer needs and demands and effectively connect them with what the business offers to the customer in a way that sets it apart from the competition and gives it a competitive advantage.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

EO and Business Performance

Through the creation of new goods, services, and procedures, first-mover advantage, and a model of change for others to follow, EO leverages performance. Numerous studies have revealed that companies with more EO function better. According to earlier research, EO is more effective at helping a company adapts to change in a dynamic setting than it is in a stable one (Tang et al., 2010). It can be characterized as a process, procedure, and way of making decisions that the leadership of the organization employs to act entrepreneurially (Perks and Shukla, 2008; Rhodes et al., 2018). The leadership attributes also affect the firm performance. The entrepreneur leader inspires the people, motivates them to work toward a common goal, and helps mobilize resources for a more profitable one. An entrepreneur leader is always an innovator and risk-taker and enjoys a first-mover advantage. The favorable outcome of SMEs is heavily reliant on the development of good leadership. So the basic aspect of good leadership is futuristic, motivator, Proactiveness, innovativeness, and risk-taking (Quaye and Mensah, 2019). The company has different types of resources available, but innovation is considered one of the important key resources for the firm's long-term success. Innovation significantly influences the organization's performance (Nikraftar and Momeni, 2017). Organization innovation may be defined as "a new way of implementing organization method in business practices of the company, in the organization of work or external relation."Another dimension is risk-taking, which is the readiness to be bold and antagonistic in pursuing opportunities and preference for taking risky projects that offer higher returns over that project. Proactiveness means taking the first-mover benefit and behaving opportunistically to shape the environment and create demand (Jalali et al., 2013). Recent marketing and management literature has paid much attention to research studying the connection between MO and EO. Most academic investigations are new; viewed entrepreneurial and market orientatioOrganizational innovation may be defined as "a new way of implementing organizational methods in business practices of the company, in the organization of work, or external relationsn coexists in the same network. Miles et al.(1992) compare the differences between a spinoff organization and a non-spinoff organization. Spin off organization are those who are adopting a high level of EO in their firm, but their result shows that there was no significant difference existing among them. Hussain et al.(2015) investigate the impact of firm organization performance on SMEs EO. With the help of a random selection, questionnaires were given to 300 SMEs in Johor, Malaysia. The study findings demonstrate that EO positively impacts the success of an organization. In the context of underdeveloped socio-economic zones of the European Union. González-Benito et al.(2009) provide empirical evidence regarding the relationship between EO and business performance. Survey information from 183 business firms in Spain's Castilla y Leon region was used to contact the respondent. The result indicates that EO contributes specifically and positively affects performance. Kilenthong et al. (2016) investigate the relationship between EO and entrepreneurial marketing (EM) behavior. The study finds that the entire dimensions have significant relation with opportunity orientation and growth orientation dimension of EM behavior. The study investigates the relationship between networks, worldwide performance, and multinational EO using data from South Korean technology base enterprises. It was discovered that transnational EO has a major impact on performance on the world

stage. Reducing networking's influence also improves the company's performance internationally (Yoon et al., 2018). According to Morgan et al.(2016) findings, market power, and EO significantly correlate with reduced network opportunism toward other network players. Gruber-Muecke and Hofer (2015) investigate how business performance in an emerging market environment is influenced by entrepreneurial-oriented behavior. The author examines a conceptual model with entrepreneurial behavior oriented as success predictor using data from 170 Austrian exporters to Central and Eastern Europe. The findings show that the market-oriented method improves performance in an emerging market. Song and Jing (2017) explore the connection between new venture performance and strategic orientation. The regression result using a sample of 199 new ventures shows that exploitation of entrepreneurial orientation and technological orientation significantly affect entrepreneurial performance. A considerable favorable influence on entrepreneurial success is seen when technological and entrepreneurial orientation interacts. On the other hand, Presutti and Odorici (2019) are looking into how EO changes over time and how much of an impact a SMEs has on, how well SMEs was doing. The hypothesis was evaluated on 191 SMEs based in an Indian geographic cluster in 2005 to 2016. According to this study, SMEs that build social networks may gain significance from EO, which would boost their performance. Previous studies have demonstrated that EO benefits businesses by increasing their operational effectiveness. There is growing empirical proof that entrepreneurship and business performance are positively correlated (Aydi and Jarboui, 2020; Benito et al., 2009; Muecke and Hofer, 2015; Gupta, 2019; Heng and Afifah, 2020; Hussain et al., 2015; Kilenthong, Hultman, Hills, 2016; Long, 2013; Santos and Marinho, 2018; Masroor and Alam, 2019; Miles et al., 1992; Morgan et al., 2016; Piperopoulos, 2007; Presutti and Odorici, 2019; Yoon et al., 2018). Based on this discussion, the following hypothesis was derived:

H_1: Entrepreneurial Orientation positively influences Firm Performance.

The mediating role of entrepreneurial competencies

The ability to combine firm assets to obtain the desired advantage and contribute to value generation for the company is known as entrepreneurial capabilities. It was a crucial component of business. It consists of price, branding, and consumer knowledge competencies. In order to take advantage of a market opportunity, it is necessary to ascertain the needs and demands of the client and establish a strong connection between what the company provides to the customer and what its competitors cannot match. In the context of internationalization, entrepreneurial competencies help SMEs improve quality, enhance brand value, efficiently use resources, and effective supply chain management. It focuses on how to make resources great (Jørgensen and Nilsen, 2015; Rufaidah, 2017). The competencies factor also has a strong influence on SMEs' performance. The firm's competencies determine how resources should be utilized in the best possible way. Eravala et al. (2019), Roskos and Klandt (2007), and Singh and Prasad (2014) examine the different kind of entrepreneurial competencies that is required to implement innovation in SMEs. The work from the past on entrepreneurial abilities can be categorised into two categories: skills and know-how-oriented competencies (Woock et al., 2016). Compared to the firm's social capital, social competencies also have a lasting impact on the performance of the company. The broad categories of social awareness, social versatility, expressiveness, and handling first impressions comprise social proficiency. These elements support the entrepreneur in embracing the change and inefficiently conveying it (Baumane et al., 2011; Ong and Ismail, 2011).

The research also demonstrates an indirect link between EO and business performance via differentiation strategy and learning orientation (Boso et al., 2013; Chen et al., 2017; Wu, 2009). According to Chen et al.(2017) findings, learning orientation and differentiation approach can support one another to improve growth performance and profitability performance, respectively. Chen et al.(2020) surveyed 141 Taiwanese firms and analyzed that firm EO enhances international performance through knowledge creation, global venturing, and flexibility in new product development. The direct linkage of EO to new product development is more significant than the indirect effect through market orientation (MO) (Morgan et al., 2014). On the contrary, Qureshi et al. (2017) investigate the numerous cause and effects of entrepreneurial competencies in entrepreneurial new technology-based firm (NTBF) operation in a developing nation. Their findings have relevance for policy maker since they demonstrate how the NTBF's early development of its entrepreneurial competencies significantly impacted performance. Heng and Afifah (2020) also show an indirect link between EO and marketing performance via networking capability. The study demonstrates the critical significance of networking skills to increase the strategic process of an entrepreneur's mindset and enhance marketing performance. For the business, in this example, creative MSMEs to benefit from the first mover advantage by utilizing technology, the EO must be enabled to explore numerous market prospects with all the risks. Architectural marketing competencies boost the impact of EO on innovation, and specialized EC enhances the impact of innovation outcome on profit. Higher level of both entrepreneurial competencies, the journey from EO to performance, mediated by innovation is positively significant (Arunachalam et al., 2018).

On the contrary, Santra (2018) took market sensing as a mediator between EO, organization learning, marketing resource flexibility, and marketing performance. The result demonstrates that EO, mediated by market sensing, can be used in tourism-based SMEs. Both domestic market competition and an emphasis on global entrepreneurs drove SMEs to advance their technology and entrepreneurial competencies, which improved performance in international markets. Technology and entrepreneurial competencies were found to be fully mediated the relationship between export performance and global entrepreneurial inclination. The interaction between EO and MO positively impacts entrepreneurial competencies and global performance (Aydi and Jarboui, 2020). Mamun et al.(2018) results indicate the EO on performance partially mediates customer engagement. The research by Jin et al. (2018) expands on the increasing amount of data demonstrating that the

EC's mediating function in the relationship between EO and performance differs based on the EO dimension that takes into account the EO's direct and indirect effects.

Within the ambit of entrepreneurial orientation, there is a propensity to display agentic motivation (Bandura, 1997). This innate inclination of the agentic reason is likely to help mobilize resources for developing entrepreneurial competencies (Bandura, 1997), which is expected to influence firms' performance positively. A sense of positive propensity to take risks is likely to be exhibited in the context of collective self-efficacy formation (Stajkovic and Nyberg, 2009). Once a sense of competency is achieved, resources are expected to be augmented. The accumulation of differential resources will likely create a competitive advantage, thereby increasing firms' performance (Barney, 1991; Grant, 1991; Tehseen and Ramayah, 2015). Hence, the following hypothesis is formulated:

H_2: The association between Entrepreneurial Orientation and Business Performance is mediated by entrepreneurial competency.

The moderating role of responsiveness

According to Yoon et al. (2018), the network would attenuate the relationship between a firm's worldwide success and its orientation towards international entrepreneurship. It has been discovered that reducing the influence of networking will improve the company's global performance. Kropp et al. (2008), in contrast, examined the connection between the entrepreneur's age, level of education, and choice to start a multinational company. The leading entrepreneur's age was found to be positively correlated with the decision to launch a business, whereas the entrepreneur's educational background was found to be adversely correlated. Conversely, Gupta (2019) examines the moderating function of resources in the relationship between the expansion of SMEs and the EO dimension. It was discovered that extra assistance had a variety of effects on the relationship between the different EO dimensions and firm growth. When cultural distance is great and unanticipated events happen during launch, entrepreneurial orientation greatly increases the likelihood of successful international entry; in contrast, it has less significance in the other scenarios. Success in entering overseas markets was highly connected with marketing performance assessment (Baker et al., 2020). Among SMEs, some researchers look at the moderating role of EO in the relationship between OP and MO. According to their findings Merlo and Auh, 2009 & Rahman and Shah, (2016), EO actions have a positive moderating influence between MO and OP. Research hasn't focused much on the relationships between responsiveness, company performance, and entrepreneurial inclination. As a result, the following theory has been developed:

H_3: At high levels of responsiveness compared to low levels of responsiveness, the mediation effect of entrepreneurial competences on the relationship between EO and company performance is stronger.

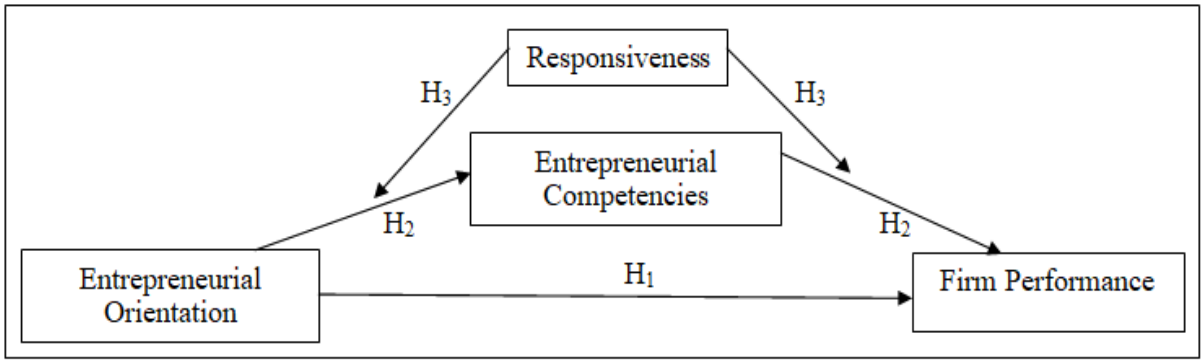

Figure 1: Conceptual Model

3. METHODOLOGY

Sample and data collection

Data were collected through a survey method. This study was carried out in Rajasthan, India. Data were collected from January 2022 through April 2022. The MSME leaders that participated in this study comprise the sample of respondents. Participants in this survey were essential business owners and senior-level employees from micro, SMEs. Structured questionnaires that were developed and adjusted in light of previous research were utilized to collect the primary data for this investigation. The study's firms were selected through the use of purposeful sampling. Key individuals for each organization were identified and contacted. Phone and email follow-ups were done to ensure accurate and timely data collection. Of the 525 firms contacted, 300 firms completed the questionnaires with multiple respondents. A respondent description is shown in Table 1.

Measure

Measurements were made using a five-point Likert scale (1 represents *strongly disagree* and 5 means *strongly agree*). A total of 39 items make up the survey. Entrepreneurial orientation (EO) and business performance are the study's most crucial factors. Two additional variables, entrepreneurial competencies (EC) and responsiveness—were added to see the mediating and moderating impacts on the performance of MSME firms. As a higher-order construct, the entrepreneurial orientation (EO) has three sub-constructs: innovation (INV), Proactiveness (PRV), and risk-taking (RT), each of which has five items. The performance of MSME enterprises is measured using three sub-constructs, each with five items: financial performance (FP), technological performance (TP), and customer-focused (CF). Chen et al. (2017), Chen et al., 2020, Kilenthong, Hultman, and Hills, 2016; Kwak et al., 2013) are the sources from which the innovation scale is adapted. Proactiveness is derived from Becherer et al. (2008), Chen et al. (2017), Chen et al., 2020, Kilenthong, Hultman, and Hills, 2016), and risk-taking is derived from Chen et al. (2017), Chen et al., 2020, Kilenthong, Hultman, and Hills, 2016). (Chen et al., 2017; Deng and Dart, 1994; Eggers, 2010) adopted the financial performance scale; (Eggers et al., 2013 and Zahra 1993) adopted the technological performance scale; and Chen et al. (2012) adopted the customer emphasis. The nine entrepreneurial competences (EC) items that make up the mediating variable were created based on previously published research by (Al Mamun et al., 2019; Man et al., 2008). Lastly, a Likert scale that was borrowed from (Avlonitis and Gounaris, 1997; Kohli et al., 1993; Kwak et al., 2013; Vázquez et al. 2001) is used to quantify responsiveness as a moderating variable.

Table 1 Demographic profiles of the respondents (n = 300)

Category	N	%
Gender		
Male	300	100
Female	0	0
Age		
21-27 years	186	62.0
28-35 years	112	37.3
36-42 years	0	.0
43-49 years	1	.3
50-56 years	1	.3
Education		
Up to 10th	32	10.7
12th or Diploma	54	18.0
Graduation	169	56.3
Post Graduation	45	15.0
Way of owing the business		
Start-up	149	49.7
Succession	125	41.7
Joining as a Partner	9	3.0
Takeover	9	3.0
Management buy-in	4	1.3
Other	4	1.3
Ownership Structure		
Sole Proprietorship	102	34

Partnership	40	13.3
Private Limited Company	158	52.7
No. Of Employees		
Less than 50	206	68.7
51-100	46	15.3
101-150	10	3.3
151-249	38	12.7
Annual Turnover		
76 lacs to 1 crore	14	4.7
1.1 crore to 3 crore	11	3.7
3.1 crore to 5 crore	36	12.0
5.1 crore to10 crore	62	20.7
10.1 crore to 15 crore	35	11.7
15.1 crore to 20 crore	25	8.3
more than 20.1 crore	117	39.0
Industry Sector		
Manufacturing	201	67.0
Construction	4	1.3
Import and Export Trade	63	21.0
Wholesale and Retail	22	7.3
Professional Service	5	1.7
Other	5	1.7

4. RESULT

Measurement model

The current study used a CFA measurement model to evaluate the construct validity, reliability, and consistency of the item indicators that the researchers had accepted and altered. Utilizing confirmatory factor analysis, the questionnaire's validity is evaluated (CFA). Given that they have an estimated standardized factor loading >0.5, all applied indicators are valid following the validation test. The questionnaire is next tested to verify if it can be utilized consistently. The research demonstrates that in multiple output square correlations, each indicator has an estimated value of more than 0.700. The value was more significant than 0.700, indicating that the questionnaire measuring tool is reliable or meets the reliability criteria. The measuring model's discriminant and convergent validity might be evaluated by the study. Table II's findings demonstrated the measurement model's convergent validity by demonstrating that each construct's average extracted variance (AVE) value was above 0.5 and each construct's CR value was above or around 0.7 (Hair et al. 2014). The validity and reliability of first- and higher-order constructs are shown in Table 2. To examine the discriminant validity of each measure, the square root of the AVE value was measured against the association value of all other research constructs (Fornell and Larcker, 1981). Table 3 shows that the discriminant validity of the measuring scale was validated, with the square root of the AVE value for each construct being more significant than the related correlation coefficients.

Table 2 Measurement model summary

Construct	Items	FL
Innovation (α = 0.831, AVE = 0.500, CR = 0.832)	I1	0.711
	I2	0.681
	I3	0.733
	I4	0.754
	I5	0.649
Proactiveness (α = 0.791, AVE = 0.434, CR = 0.792)	P1	0.751
	P2	0.594
	P3	0.651
	P4	0.637
	P5	0.646
Risk-Taking (α = 0.803, AVE = 0.457, CR = 0.807)	RT1	0.634
	RT2	0.709
	RT3	0.618
	RT4	0.72
	RT5	0.694
Entrepreneurial Competencies (α = 0.898, AVE = 0.497, CR = 0.898)	EC1	0.652
	EC2	0.687
	EC3	0.761
	EC4	0.706
	EC5	0.762
	EC6	0.747
	EC7	0.63
	EC8	0.689
	EC9	0.697
Financial Performance (α = 0.829, AVE = 0.513, CR = 0.836)	FP1	0.67
	FP2	0.732
	FP3	0.875
	FP4	0.77
	FP5	0.471
Technological Performance (α = 0.872, AVE = 0.596, CR = 0.880)	TP1	0.821
	TP2	0.798
	TP3	0.796
	TP4	0.699

	TP5	0.742
Customer Focused (α = 0.820, AVE = 0.480, CR = 0.822)	CF1	0.686
	CF2	0.679
	CF3	0.687
	CF4	0.68
	CF5	0.728
EO (α = 0.897, AVE = 0.721, CR = 0.886)	INV	0.897
	PRV	0.824
	RT	0.825
PRF (α = 0.774, AVE = 0.459, CR = 0.521)	FP	0.28
	TP	-0.862
	CF	-0.747

Table 3 Discriminant validity of latent constructs

	EO	EC	PRF
EO	**0.849**		
EC	0.331***	**0.705**	
PRF	0.672***	0.617	**0.678**

Hypothesis testing

The sample regression function's ability to accurately predict the actual value is measured as part of the goodness of fit test, which determines the model's feasibility. According to the results, the suggested structure successfully fits the results of the CFA overall measurement model(CMIN / DF = 1.071, GFI =0.893, AGFI = 0.880, CFI = 0.990, NFI = 0.867, TLI = 0.989, and RMSEA = 0.015). The model fit well according to the confirmatory factor analysis results, demonstrating that it was appropriate and usable for further investigation (see table 4).

Table 4: Model Fit Indices

	CMIN/df	GFI	AGFI	CFI	NFI	TLI	RMSEA
Innovation	1.5	0.99	0.971	0.995	0.985	0.99	0.041
Proactiveness	1.756	0.989	0.967	0.99	0.977	0.98	0.05
Risk-taking	0.924	0.994	0.982	1	0.989	1	0
Entrepreneurial Competencies	1.073	0.98	0.966	0.998	0.976	0.998	0.016
Financial Performance	0.751	0.995	0.985	1	0.993	1	0
Technological Performance	0.654	0.996	0.987	1	0.996	1	0
Customer-focused	1.277	0.992	0.975	0.997	0.986	0.994	0.03
Structural Model	1.071	0.893	0.88	0.99	0.867	0.989	0.015

The next step is to determine whether the independent and dependent variables have a meaningful impact on one another after a structural model is fit. By examining the study model's estimated results, this hypothesis is tested. Firm performance

and entrepreneurial orientation are related, and that is supported. The probability value was < 0.05, making the effect significant. The findings of the hypotheses are displayed in Tables 5 and 6. The current study also looked at indirect impacts to see if EC could mediate between EO and business performance. To test mediation analysis, the present study used the three-step measurement methodology for mediation proposed by Zhao et al. (2010) and Hayes (2009). Whether the independent variable significantly predicts the dependent variable is the first stage. The second phase involves determining if an independent variable is a crucial mediator predictor. The mediator's significance as a predictor of the dependent variable is specified in the third stage. Tables 5 and 6I clarify that EC intervene the link between EO and BP because both effects have significant probability values.

Table 5 the result of the structural model

Path			Coefficient	Std. Error	P Value	Hypothesis
EO	------>	Performance	0.149	0.042	0	Supported
EO	------>	EC	0.355	0.078	0	
EC	------>	Performance	0.117	0.034	0	

Table 6 the summary of the mediation effect

Hypothesis	Estimate	Bootstrap 95% Cls		P value	Result
		Lower	Upper		
EO ----> EC ----> Performance	0.041	0.019	0.079	0	Partial Mediation

Conditional indirect effect analysis

The current study also conducted a multi-group moderation analysis to examine the moderating and interaction effects of responsiveness between EO and FP. A multi-group moderator analysis was conducted to ascertain whether the responsiveness between EO and BP differs for high and low levels of responsiveness. After examining the mediation impact, the study looks at how responsiveness, using model 58 in process macro, affected the mediation effect of entrepreneurial competencies. Using boot estimates from the 5000 bootstrap samples, it was determined whether responsiveness moderated the indirect impact of entrepreneurial orientation (EO) on firm performance through entrepreneurial competence (Hayes, 2022). The high and low levels of responsiveness were calculated by deducting and adding one standard deviation (-SD) from the mean value, respectively. Table 7 lists the outcomes of the analysis of moderated mediation. According to the findings, there were substantially different conditional indirect impacts of EO (0.8147; LLCI = 0.6900 and ULCI = 0.9394) on firm performance via responsiveness at high and low responsiveness levels. H_3 was therefore accepted.

Table 7 moderation effect of responsiveness

			Bootstrap 95% Cls		
Path	Effect	SE	LLCI	ULCI	Hypothesis
EO -----> EC -----> PRF	0.0336	0.0182	0.0022	0.0739	Supported

Table 8 Results of conditional indirect effect for lower and higher responsiveness level

				Bootstrap 95% Cls	
Path	Responsiveness level	Coff.	SE	LLCI	ULCI
EO -----> EC -----> PRF	Low	0.3251	0.0697	0.1951	0.4653
	High	0.3924	0.0753	0.2535	0.5521

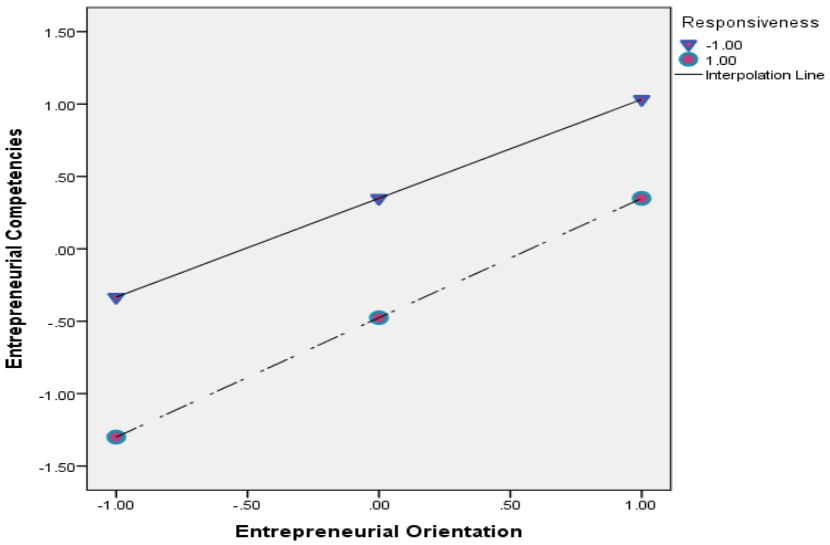

Figure 2 Moderating effects of responsiveness on the association between entrepreneurial orientation and entrepreneurial competence.

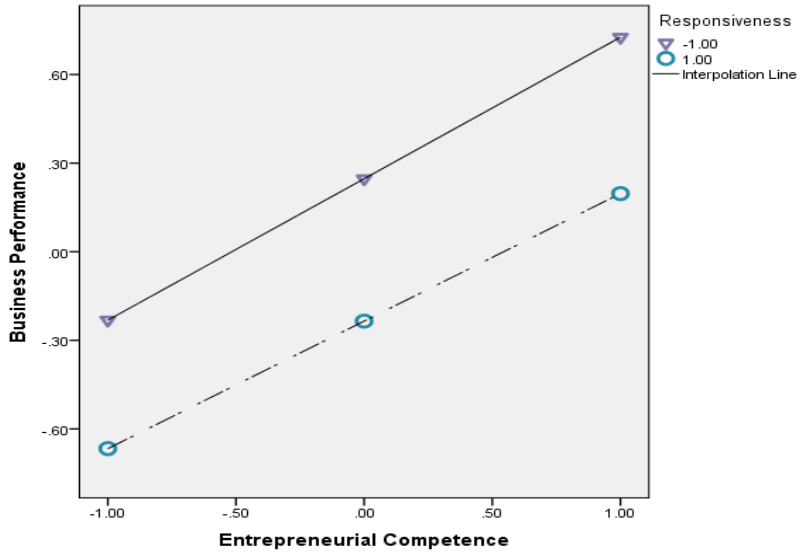

Figure 3 Moderating effects of responsiveness on the association between entrepreneurial competence and business performance.

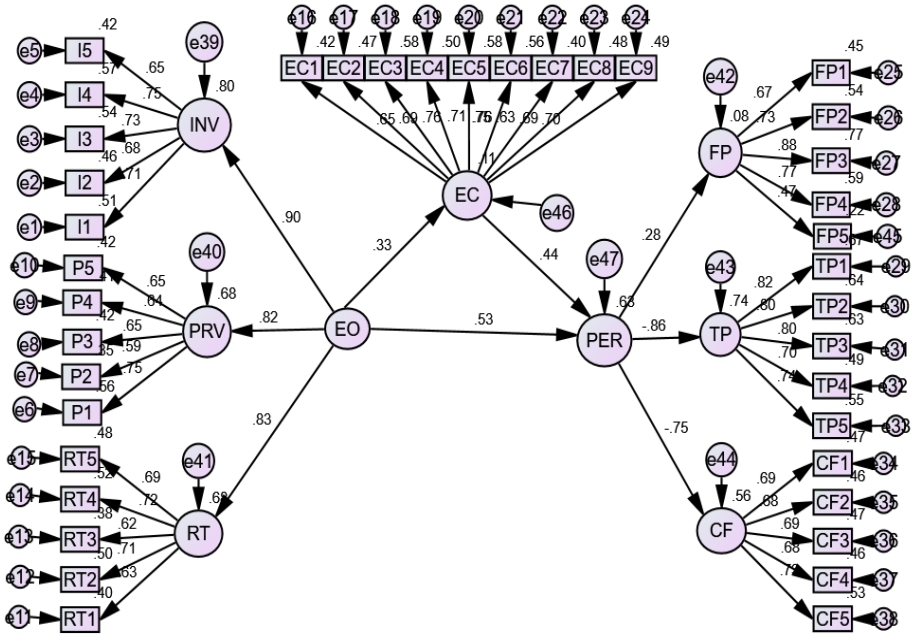

Figure 4 Structural Equation Model

5. DISCUSSION AND MANAGERIAL IMPLICATION

The findings of this study offer a distinct framework for assessing how direct and indirect factors (mediating and moderating) affect the success of small entrepreneurial firms. This study uses four variables that are important in the appraisal, namely FP (dependent variable), EO (independent variable), EC (mediating variable), and Resp. (moderating variable). There haven't been many studies that directly and indirectly integrate these four variables in this area. The research result demonstrated that the firm's performance was significantly impacted by entrepreneurial orientation. However, EC play a role in intervening the association between EO and FP. Lastly, the results of the moderated-mediation study reveal that entrepreneurial competences have different mediating effects at high and low levels of responsiveness on the association between EO and business performance. To the best of our knowledge, the influence of responsiveness on company performance has been studied, but the available literature has not looked at how the mediating effect of entrepreneurial competences is modified by responsiveness (Aydi and Ichraf Jarboui, 2020; Buli, 2017; González-Benito et al., 2009; Jain and Ali, 2013; Long, 2013; Rahman and Shah, 2016; Feder, 2015). The study's results also showed the role of responsiveness in strengthening the relationship between EO and FP. The findings support previous research (Merlo and Auh, 2009; Rahman and Shah, 2016). This study stands out because it included respondents from various organisational levels within each participating firm. It incorporates the moderating effect of MSME customers' responsiveness on the cause-and-effect relationship between EO and MSME performance. According to our model's hypotheses, an organization's entrepreneurial competencies favor its entrepreneurial orientation. This conclusion shows that an organization's propensity for innovation will increase as its entrepreneurial competence grows. This is a significant conclusion because managers should improve their organizations' entrepreneurial orientation if they want them to become more inventive and competent. The other aspect of EO is similarly favorably impacted by entrepreneurial potential. Businesses must concentrate on all three elements of entrepreneurial orientation to become more inventive, customer-focused, and highly proactive. The company must accurately align what it offers to the client with their requirements and demands in order to surpass the competition and seize market possibilities. In India, SMEs can increase quality, strengthen brand value, efficiently use resources, and manage their supply chains more successfully with entrepreneurial competencies.

Theoretical Implication

Integrating dynamic capability theory with the resource-based view highlights how EO, defined by traits like innovativeness, proactiveness, and risk-taking, forms the basis for understanding how strategic approaches lead to competitive advantages. The mediating role of entrepreneurial competencies—such as recognizing opportunities, demonstrating leadership, and mobilizing resources—emphasizes the importance of individual and organizational skills in converting entrepreneurial initiatives into measurable performance results. This mediation illustrates that competencies are a vital link between entrepreneurial intentions and their practical execution, enhancing existing theories on how micro, small, and medium enterprises (MSMEs) achieve sustainable growth and success.

Managerial Implication

Promoting EO alone is not enough to enhance business performance; cultivating entrepreneurial competencies is equally crucial. Leaders of MSMEs should prioritize training and development initiatives aimed at strengthening skills like strategic decision-making, innovation management, and team leadership. Additionally, managers should implement performance evaluation systems that integrate competency development with entrepreneurial behaviors, ensuring EO translates effectively into actionable outcomes. Policymakers and business incubators can utilize these insights to create programs that simultaneously foster entrepreneurial mindsets and develop essential competencies, thereby boosting the competitiveness and growth potential of MSMEs.

6. LIMITATIONS AND FUTURE RESEARCH

This study uses purposive sampling, and the sampling area is restricted to Rajasthan, India. As a result, the findings cannot be applied to a nationwide entrepreneurial firm. According to statistical theory, the sample might not have enough generalizability to conclude entrepreneurs. The study's findings do not necessarily apply to all MSMEs in general. Only SME's firms are investigated in this study. Despite coming to clear conclusions, the research's findings might not be appropriate for broad judgments regarding MSMEs. This study has significant ramifications that can aid MSME owners in creating marketing plans that work for managing their companies and developing new products. EO is critical in establishing a sustainable cutthroat competition in the entrepreneurial firm, especially the micro and small firms in Rajasthan. The business owner must be dedicated to having a creative attitude, being proactive, and willing to take and manage risks.

Additionally, the outcomes demonstrated that performance was significantly impacted by entrepreneurial orientation. This link takes on greater significance when combined with focusing on the market orientation. The result also suggests that entrepreneurial orientation has the potential to have a more favorable impact due to the active involvement of the entrepreneur in aiding in business management, resolving business-related issues, and exerting a significant influence when the owners also serve as management. This study focuses exclusively on MSMEs in Rajasthan, India. Future research may involve several states nationwide to get more mixed results. Future studies can also contrast the MSME sector in one country with those in other emerging nations.

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