

Entrepreneurial Orientation in the Context of SMEs

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Abstract

A number of studies in the entrepreneurship literature have examined the construct of Entrepreneurial Orientation (EO). These studies generally show a positive link between EO and firms' performance. Nevertheless, the extent to which Marketing Capabilities (MC) and Digitalization operate as mediating variables in this association has not been thoroughly investigated. This paper presents a conceptual framework aimed at elucidating the dynamics of EO within small and medium-sized enterprises (SMEs), with a particular focus on the mediating influences of marketing capabilities and digitalization. The study aims to provide insights into how these factors may act as pivotal factors in the EO-performance paradigm for SMEs. The research adopts a conceptual approach, synthesizing existing literature on EO and marketing. By integrating insights from the literature review, the study develops a conceptual framework that sheds light on the complex and dynamic interplay between these constructs in the context of SMEs. The study reveals that marketing capabilities synergizes with EO to amplify its positive impact on firm performance. Furthermore, digitalization also serves as a crucial mediator that enhances the effect of EO, leading to improved performance. Through synthesizing these constructs, the proposed framework underscores the intricate interplay between EO, marketing capabilities, and digitalization in shaping SMEs' performance. By delineating the mediating roles of these constructs, this framework offers valuable insights for SME practitioners, policymakers, and researchers seeking to foster entrepreneurship and innovation in the SME sector. Future empirical research endeavours can leverage this framework to empirically validate the proposed relationships and unravel the underlying mechanisms driving entrepreneurial success in SMEs.

Keywords: Entrepreneurial Orientation, SMEs, Marketing Capabilities, Digitalization.

Introduction

In the ever changing business landscape, it is crucial to understand the factors that influence firm performance. The concept of Entrepreneurial Orientation (EO) has garnered significant attention in the study of SMEs, posited as a driving force behind firm performance and competitive advantage. Broadly speaking, EO reflects a firm's entrepreneurial behaviours, decisions and processes. As an organizational attribute, EO influences a firm's managerial philosophies, decision-making procedures, strategic behaviour and its organizational element configurations (Wales et al., 2020). It is generally characterised by innovation, proactiveness, and risk-taking (Wales, 2016) and other dimensions such as competitive aggressiveness and autonomy (Lumpkin & Dess, 1996). Innovativeness refers to the introduction of different types of products and services in the market. Proactiveness demonstrates the entrepreneurial actions to assess and capture the future opportunities, both in regard to market and customer demand dynamics. Risk-taking is a key attribute linked with EO. It defines the tendency on the part of an entrepreneur to take the uncharted path of being avant-garde in building a strategy. Competitive aggressiveness determines the company's actions of engaging with its competitors. It is an important factor in distinguishing companies that don't stand up to competition within a target market. Autonomy refers to the action of an individual or a team within an organization in bringing forth an idea or a vision and carrying it through to completion without being hindered by organizational bottlenecks. It implies that a firm is always experimenting with new products and markets, creating and implementing new technologies, and restructuring its internal processes in an effort to create new value and, in turn, increase firm growth (Wales et al., 2023). As per the resource-based view (RBV) theory, EO can be considered a significant resource to achieve competitive advantage. The notion that firms with higher EO typically perform better than conservative ones has been supported by various studies (Kiyabo & Isaga, 2020), and firms that utilise EO approaches are more likely to gain competitive

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advantages through differentiation (Lortie et al., 2021). Although EO has been widely studied as a determinant of firm performance (Gupta & Wales, 2017; Wales et al., 2021), the relationship between EO and performance is not straightforward and may depend on various contextual factors (Ngo, 2023).

The significance of the SME context is critical when evaluating EO as a competitive lever. Larger enterprises benefit from greater access to essential resources, established brand awareness, and the capacity to influence market prices. However, smaller businesses usually face numerous challenges, often referred to as the “liability of smallness, liability of newness”, which can increase the chance of failure. Despite these limitations, SMEs are often very entrepreneurial and may compete effectively with larger enterprises, highlighting the significance of further investigating EO in the SME setting. Since SMEs tend to engage with customers more directly, they exhibit a stronger inclination towards proactive behaviour and are more adaptable in their outputs than larger competitors. These characteristics are critical for examining the influence of EO on smaller firms and understanding how it may be used to drive competitive advantage and performance.

Marketing Capabilities (MC) are special patterns of skills, knowledge, and activities by which firms transform available resources into market-related value outputs (Kaleka & Morgan, 2017). These are special competencies that can change the course of a business with their dynamic influence. Hence, they allow firms to effectively apply strategies to suit the market conditions and achieve certain firm performance goals (Elsharnouby & Elbanna, 2021). For SMEs, these capabilities are necessary to build a strong connection between their EO and performance, as it has been considered a decisive driver of firms’ performance (Krasnikov & Jayachandran, 2008; Martin & Javalgi, 2016). Hence, considering marketing capabilities as an entrepreneurial competency, if employed, it would have an impact on the entrepreneurial activities, thereby impacting the relationship between EO and firm performance of SMEs. By focusing towards innovations that are relevant to the market, a firm's marketing capabilities assist in reducing the risks associated with the pursuit of opportunities. Additionally, these capabilities also make it easier for customers to adopt such innovations, thereby aiding in the pursuit of competitive advantages. Consequently, they play a crucial role in propelling favourable performance outcomes that arise from the firm’s EO, as highlighted by Feng *et al.* (2017). Therefore, identification of such capabilities that are associated with firm performance, the practices that support them and a better understanding of how they are implemented within firms would contribute to the literature and management practice.

On the other hand, digitalization, which refers to the use of digital technologies to transform business processes, products, and services (Bharadwaj et al., 2013), is one of the most dramatic socio-economic transformations affecting businesses. Since SMEs are frequently naturally more innovative, especially in the initial stages, it provides with numerous opportunities to improve their efficiency, effectiveness, and competitiveness, as well as develop new value propositions and business models. Innovation is a critical component of digitalization, with the potential to deliver several benefits. Innovation, referring to the tendency of participating in new and improved ways of doing business, would facilitate digitalization through such activities. Furthermore, risk-taking requires new, bold and unpredictable strategies to remain competitive and obtain objectives in the market; incorporating digital processes will enhance this tendency. It can facilitate proactiveness specifically in cases where digitalizing is considered as an early proactive move (Kraus et al., 2023). Therefore, using EO as a lens to perceive digitalization efforts can reveal important characteristics that small businesses may emphasise.

While the EO-Performance relationship has been extensively studied, the mechanisms through which EO influences firm performance remain a subject of inquiry, particularly in the context of SMEs. Moreover, the extent to which marketing capabilities and digitalization influence this association has not been thoroughly investigated. While EO provides directions for organizations to pursue new opportunities in the marketplace, effective implementation of EO requires the organization to have certain capabilities. Moreover, earlier studies have highlighted that resources

alone do not determine firm performance; rather, it is the capabilities by which resources are deployed that drive performance (Eisenhardt & Martin, 2000; Teece et al., 1997). This discussion raises a need to further elucidate the intricate dynamics of EO, incorporating these capabilities, to understand how such relationships drive firm performance. This paper embarks on a conceptual exploration of EO, dissecting the intricate dynamics that govern its efficacy and impact. Therefore, the main goal of this paper is to develop a conceptual framework to investigate EO in the context of SMEs by exploring the role that marketing capabilities and digitalization play in mediating this relationship, thereby aiming to deepen our understanding of EO's dynamics. The study aims to provide insights into how these factors may act as pivotal factors in the EO-performance paradigm for SMEs.

In detail, this paper seeks to answer the following research questions;

RQ1: How does entrepreneurial orientation impact firm performance in small and medium-sized firms?

RQ2: How do marketing capabilities interact with entrepreneurial orientation, and how does it mediate the effect of entrepreneurial orientation on firm performance?

RQ3: How does digitalization interact and mediate the relationship between entrepreneurial orientation and firm performance?

It also tries to uncover whether the effect of the EO approach is dependent on these constructs and to what extent. To answer these questions, we investigate the influence of EO within the SMEs in relation to these factors. This study synthesizes literature from multiple disciplines, including entrepreneurship, marketing and management, to develop a comprehensive understanding of the entrepreneurial orientation within SMEs. By integrating insights from these diverse fields, the research aims to provide a holistic view of how EO interact with marketing capabilities and digitalization to influence SME performance. Furthermore, this study extends previous research by examining the strategies that can enhance the performance of businesses. By assessing the influence of EO and its interactions with these constructs, this research will provide insights into the practical steps that entrepreneurs and policymakers can take to foster economic growth and development in this distinctive environment. Hence, this study aspires to provide actionable insights that can empower businesses and decision-makers in this region, while also advancing our theoretical understanding of how EO drives firm performance in SME contexts.

The conceptual framework

EO has received significant scholarly attention in entrepreneurship research over the past many years (Basco et al., 2020). There are many studies in the literature that have focused on the dynamics of EO; most of these studies have primarily relied on resource-based rationales, viewing EO as a valuable resource that enhances firm performance (Wales et al., 2021). We base our conceptual framework on Lumpkin & Dess (1996) due to the robustness and clarity of their interpretation of the dimensions of EO, which builds on the foundational work of Miller (1983). Also considering the fact that (Covin & Slevin, 1989) conceptualization views EO as a strategic orientation necessitating high levels of all three dimensions: innovativeness, proactiveness, and risk-taking simultaneously, however, according to Lumpkin & Dess (1996), this approach may fall short as it does not account for the varied forms of entrepreneurship. Recent studies support the view that the dimensions of EO can have differential impacts on firm performance (Dai et al. 2014; Kreiser et al. 2013; Kollmann et al. 2019). This underscores the importance of examining each dimension individually rather than assuming uniformity across all dimensions. Furthermore, considering the critiques by Anderson (2015), we adopt a multidimensional approach to EO. This approach allows us to link individual elements to the broader construct of EO, providing a better understanding. By integrating these insights, our approach not only aligns with Lumpkin & Dess (1996) but also addresses the nuanced critiques highlighted by Anderson (2015). This enables a more comprehensive exploration of EO and its impact on entrepreneurial outcomes.

EO and Firm Performance

EO has been regarded as a driving force in firm performance (Miao et al., 2017; Wales et al., 2021). Numerous studies have supported the idea that firms with higher EO generally perform better than conservative ones (Ferreira et al., 2021; Wales et al., 2021). It assists in improving performance by allowing firms to capitalize on potential new possibilities and so remain competitive in a rapidly changing market environment (Hughes & Morgan, 2007; Wales et al., 2013). There are many studies like (Galbreath et al., 2020) that have emphasized and elaborated the effect of EO on firm performance, giving an insight into the influence it exerts on various performance and non-performance metrics. (Soares & Perin, 2020) highlighted a direct and positive impact of EO on organizational performance, especially for revenue-based performance measures. This was also indicated by (Mathafena & Galawe, 2023) that organizations with a strong EO are likely to show better performance, specifically, in a financial sense, as compared to non-financial. In terms of SMEs facing emerging markets, EO is a strategic posture that influences firm performance (Cui et al., 2018) and significantly enhances SMEs' financial and non-financial performance (Khan et al., 2020). Also considering the impact of EO on SMEs' subjective performances, different EO's dimensions might play a significant role in driving performance (Buli, 2017; Mason et al., 2015). Further, other studies (e.g. Boso et al., 2013; Shan et al., 2016; Kantur, 2016) highlighted the role of EO on performance, be it business performance or organizational. We therefore argue that the entrepreneurial orientation of a firm has a tendency to positively enhance the performance variables of firms, which makes up our first proposition:

P1 Entrepreneurial Orientation has a significant and positive effect on the performance of small and medium enterprises (SMEs).

It's interesting to note that the positive relationship between EO and performance among SMEs holds true across a wide range of measurement methods for both EO and performance, with studies adopting a variety of dimensions for both constructs. Moreover, the performance measures listed in Table 1 support the general stability and give credence to the overall strength of the EO–Performance relationship.

Study	Context	EO Measurement Scale	EO Dimensions	Performance Measurement Scale(s)	Performance Indicators	Key Findings
Arabeche et al. (2022)	180 Algerian SMEs	Covin&Slevin (1989)	Innovativeness, Proactiveness, Risk-taking	Mantok et al. (2019); Umrani (2015)	Financial, customer, community, sustainability performance	EO has a moderate positive effect on performance, partially mediated by organizational culture.
Khan et al. (2021)	326 Pakistani SMEs	Covin&Slevin (1989); Miller (1983)	Risk-taking, Proactiveness, Corporate venturing, Strategic renewal, Autonomy	Huo et al. (2014); Aktan&Bulut (2008); Ryu et al. (2014)	Financial and non-financial performance	EO significantly enhances both financial and non-financial performance in emerging economy SMEs.
Hernández-Perlines et al. (2021)	106 Spanish family firms	Miller / Covin&Slevin (1989)	Innovativeness, Proactiveness, Risk-taking	Chirico et al. (2011); Kellermanns et al. (2012); Wiklund& Shepherd (2003)	Sales growth, profit growth, market-share growth, return on capital	EO is positively associated with family firm performance.
Wahyuni& Sara (2020)	125 textile SMEs in Bali, Indonesia	Vitale et al. (2002); Keh et al. (2007)	Innovativeness, Proactiveness, Risk-taking	Al-Ansari et al. (2013); Huhtala et al. (2014)	Market-share growth, sales volume, profitability	EO positively affects performance directly and indirectly via knowledge competence and innovation.
Basco et al. (2019)	SMEs from China, Mexico, and Spain	Covin&Slevin (1989)	Innovativeness, Proactiveness, Risk-taking	Wiklund& Shepherd (2005); Poon et al. (2006); Kellermanns et al. (2012)	Sales growth, market-share growth, profit growth, return on capital	EO shows a consistent positive effect on performance across institutional contexts.
Karami& Tang (2019)	164 internationalizing SMEs in New Zealand	Walter et al. (2006)	Innovativeness, Proactiveness, Risk-taking	Gerschewski et al. (2015)	International sales, growth, profitability, ROI, market share, NPDP	EO positively impacts international performance; experiential learning and networking mediate the relationship.
Irwin et al. (2018)	100 U.S. SMEs	Covin&Slevin (1989)	Innovativeness, Proactiveness, Risk-taking	Wiklund& Shepherd (2003); Kreiser et al. (2013)	Sales growth, revenue growth, employment growth, profit margin, new products	EO positively influences SME growth and innovation performance.
Acosta et al. (2018)	161 Mexican exporting SMEs	Zhou et al. (2010)	Innovativeness, Proactiveness, Risk-taking	Knight & Cavusgil (2004)	Comparative performance, satisfaction with results	EO positively affects foreign market performance directly and indirectly via network capability.
Lee & Chu (2017)	223 Taiwanese public firms	Miller (1983); Covin&Slevin (1991)	Innovativeness, Proactiveness, Risk-taking	Beal & Yasai-Ardekani (2000)	ROA, Tobin's Q	EO is positively associated with both concurrent and sustained firm performance.
Buli (2017)	171 Ethiopian SMEs	Lumpkin & Dess (1996); Hughes & Morgan (2007)	Innovativeness, Proactiveness, Risk-taking, Autonomy, Competitive aggressiveness	Kraus et al. (2012)	Financial and growth performance	EO dimensions positively affect performance, except innovativeness which shows an indirect effect.
Hernández-Perlines et al. (2016)	199 Spanish family-owned exporters	Miller (1983); Covin&Slevin (1989)	Innovativeness, Proactiveness, Risk-taking	Zahra et al. (1997); Sousa (2004)	Export intensity, satisfaction, export performance	International EO strongly explains export performance in family firms.
Semrau et al. (2015)	1,248 SMEs across seven countries	Covin&Slevin (1989)	Innovativeness, Proactiveness, Risk-taking	Wiklund& Shepherd (2005)	Profitability, cash flow, sales and employment growth	EO positively affects SME performance; strength varies across national contexts.
Gupta & Batra (2015)	198 Indian manufacturing SMEs	Gatignon&Xuereb (1997); Hurley & Hult (1998); Jaworski&Kohli (1993)	Innovativeness, Proactiveness, Risk-taking	Jiménez-Jiménez et al. (2008)	Market share, profitability, productivity, customer satisfaction	EO has a strong positive effect on firm performance in an emerging economy.

Table 1: Selected studies on EO-Performance relationship in the context of SMEs

Source: Author's compilation based on prior empirical studies.

EO and Marketing capabilities

EO positively relates to superior marketing capabilities (Kajalo&Lindblom, 2015). The relationship between a firm's EO and marketing capabilities can produce better results than the simple relationship between EO and firm performance (Martin &Javalgi, 2016), suggesting that the path from EO to marketing capabilities enhances higher performance than the direct path from EO to performance. Therefore, firms with superior marketing capabilities may obtain advantages because of the relationship between EO and Firm Performance (Pratono&Mahmood,2015). Further considering the impact of marketing capabilities on the EO-performance relationship, Santos &Marinho (2018) confirmed a positive relationship between EO and marketing capabilities, and between marketing capabilities and business performance. Since EO is a strategic posture or attitude developed by managers towards entrepreneurship (Covin&Slevin, 1989), marketing capabilities can be viewed as a tool for managers to implement EO.We therefore argue that the effectiveness and value of EO are determined by how firms utilise their marketing capabilities, as it has the tendency to enhance the influence of EO on performance.

P2: Entrepreneurial Orientation has a significant and positive effect on the marketing capabilities of small and medium enterprises (SMEs).

Study	Context & Sample	EO Measurement Scale(s)	EO Dimensions	MC Measurement Scale(s)	Marketing Capability Dimensions	Key Findings
Jin & Cho (2018)	470 Korean SMEs	Zhou et al. (2010)	Innovativeness, Proactiveness, Risk-taking	Knight & Cavusgil (2004); McKee et al. (1992)	Customer and competitor knowledge, advertising effectiveness, use of marketing tools, pricing effectiveness	International EO has a significant positive effect on firms' marketing capabilities.
Lekmat et al. (2018)	600 Thai SMEs	Covin&Slevin (1989)	Innovativeness, Proactiveness, Risk-taking	Kajalo&Lindblom (2015)	Customer relationship management, assortment planning, pricing	EO indirectly enhances firm performance through the mediating role of marketing capabilities.
Luiz dos Santos &Marinho (2018)	372 retail supermarkets in Brazil	Reis Neto et al. (2013); Naman&Slevin (1993)	Innovativeness, Proactiveness, Risk-taking	Vorhies&Harker (2000)	Market research, pricing, product development, promotion, marketing management	Demonstrated a positive relationship between EO and marketing capabilities.
Sok et al. (2017)	3,000 small service firms in Australia	Covin&Slevin (1989); George et al. (2001); Lumpkin et al. (2009)	Innovativeness, Proactiveness, Risk-taking, Competitive aggressiveness, Autonomy	Chen et al. (1998); Vorhies& Morgan (2005)	Target market identification and market positioning	EO influences firm performance through entrepreneurial activities supported by strong marketing capabilities.
Martin &Javalgi (2016)	260 international new ventures (INVs) in Mexico	Hurley &Hult (1998); Morgan & Strong (2003)	Proactiveness, Risk-taking	Zou et al. (2003); Katsikeas et al. (2004)	New product development, distribution capability, sales capability	EO shows a positive and significant relationship with marketing capabilities in international ventures.
Kajalo&Lindblom (2015)	258 Finnish small non-food firms	Covin&Slevin (1989); Kreiser et al. (2002)	Innovativeness, Proactiveness, Risk-taking	Morgan et al. (2009)	Customer relationship management, assortment planning, pricing	EO positively affects marketing capabilities and, in turn, firm performance.
Pratono&Mahmood (2015)	390 SMEs in Surabaya, Indonesia	Lumpkin et al. (2009)	Innovativeness, Proactiveness, Risk-taking	Morgan et al. (2009)	Pricing, selling, communication, product development	EO is positively associated with the development of marketing capabilities.
Pascal & Shin (2015)	74 U.S. SMEs	Lumpkin &Dess (1996); Luo et al. (2005)	Innovativeness, Proactiveness, Risk-taking	Vorhies& Morgan (2003); Vorhies et al. (2009)	Market information management capability (MIC), marketing mix capability (MMC)	Identified a positive relationship between EO and marketing capabilities.
Kajalo&Lindblom (2015)	258 Finnish small non-food firms	Covin&Slevin (1989); Kreiser et al. (2002)	Innovativeness, Proactiveness, Risk-taking	Morgan et al. (2009)	CRM, assortment planning, pricing	EO positively influences marketing capabilities and firm performance.

Table2: Selected studies on EO-Marketing Capabilities relationship.

Source: Author's compilation based on prior empirical studies.

Marketing Capabilities and Firm Performance

Marketing capabilities have been considered as significant enablers for SMEs pursuing enhanced export performance (Jin& Cho, 2018; Krasnikov&Jayachandran, 2008). Furthermore, (Arunachalam et al., 2018) proposed marketing capabilities as an important driver of a firm's ability to translate EO into superior performance (Feng et al., 2017) based on the fact that it is not the mere presence of EO that matters for firm performance, but rather how EO is deployed to capture and exploit changing market opportunities amid competitive pressures (Barney, 1991). Santos &Marinho (2018) also confirmed a positive relationship between marketing capabilities and business performance, depicting a considerable impact of marketing capabilities on the EO-performance relationship. As a result, considering marketing capabilities as an entrepreneurial competency, if implemented, they would have an impact on entrepreneurial activities, hence influencing the relationship between EO and performance of SMEs.

P3: Marketing capabilities has a significant and positive effect on the performance of small and medium enterprises (SMEs).

Study	Context & Sample	MC Measurement Scale(s)	Marketing Capability Dimensions	Performance Measurement Scale(s)	Performance Indicators	Key Findings
Luiz dos Santos &Marinho (2018)	372 retail supermarkets in Santa Catarina, Brazil	Vorhies&Harker (2000)	Market research, pricing, product development, promotion, marketing management	Reis Neto et al. (2013)	Profitability, market responsiveness, market value	Demonstrated a positive relationship between the application of marketing capabilities and business performance.
Lekmat et al. (2018)	600 Thai SMEs	Kajalo&Lindblom (2015)	Customer relationship management, assortment planning, pricing	Carton & Hofer (2006); Kajalo&Lindblom (2015); Lekmat&Chelliah (2014)	Sales, profitability, cash flow, profit margin, customer satisfaction, market share, loyalty	Marketing capabilities exert both direct and indirect effects (via financial performance) on firm performance.
Sok et al. (2017)	3,000 small service firms in Australia	Chen et al. (1998); Vorhies&Morgan (2005)	Target market identification, market positioning	O'Cass&Sok (2014); Gupta &Batra (2016)	Sales growth, profit margin, ROI, customer satisfaction, customer retention	Identified a strong positive effect of marketing capabilities on firm performance.
Cacciolatti& Lee (2016)	222 UK firms	Moorman & Rust (1999); Andrews & Smith (1996); Maltz&Kohli (1996)	Customer connection, marketing creativity, interdepartmental collaboration, perceived innovation	Moorman & Rust (1999)	Internal objective achievement, competitive performance	Accountability, creativity, and collaboration within marketing functions directly enhance firm performance.
Kajalo&Lindblom (2015)	258 Finnish small non-food firms	Morgan et al. (2009)	Customer relationship management, assortment planning, pricing	Hooley et al. (2005)	Sales growth, profitability, financial success	Marketing capabilities significantly and positively influence firm performance.
Pascal & Shin (2015)	74 U.S. SMEs	Vorhies&Morgan (2003); Vorhies et al. (2009)	Market information management capability (MIC), marketing mix capability (MMC)	Day &Wensley (1988); Kaplan & Norton (1996); Morgan et al. (2002); Shin (2012)	Customer satisfaction, profitability, adaptability	Marketing capabilities—beyond MIC and MMC—directly enhance SME performance.
Pratono&Mahmood (2015)	390 SMEs in Surabaya, Indonesia	Morgan et al. (2009)	Pricing, selling, communication, product development	Aziz &Mahmood (2011)	Sales growth, employment growth, gross profit, ROA, ROI, ROS	Established a strong positive relationship between marketing capabilities and firm performance.
Theodosiou et al. (2012)	316 banking institutions in Greece	Vorhies&Morgan (2003)	New product development, advertising, public relations, sales promotion, environmental scanning, marketing planning & implementation	Cravens et al. (1993)	Sales, market share, profitability, customer satisfaction	Marketing capabilities have a strong positive impact on firm performance in service industries.
Qureshi &Kratzer (2011)	Small technology firms in Germany	Vorhies&Harker (2000)	Pricing, promotion, product development, distribution, marketing management, planning & research	Spanos&Lioukas (2001)	Market share, sales growth; profitability, ROI, ROS	Marketing capabilities (alongside EO) significantly improve both market-based and financial performance.
Morgan et al. (2009)	748 U.S. consumer and B2B firms	Morgan et al. (2003); Vorhies&Morgan (2005)	Product development, pricing, channel management, communications, selling, planning, implementation	Morgan et al. (2003)	Profitability, sales growth, market share, average ROA	Revealed a strong direct relationship between marketing capabilities and both subjective and objective firm performance.

Table3: Selected studies on Marketing Capabilities-Performance relationship.

Source: Author's compilation based on prior empirical studies.

Mediating Role of Marketing Capabilities

Marketing capabilities enable firms in understanding and anticipating customer needs and to integrate and introduce better service in line with customer needs, enabling firms to realise not just their potential profitability but also help in gaining a competitive edge. Therefore, the role of marketing capabilities in achieving a firm's market and financial success is enormous (Kanibiret al., 2014). The above mentioned studies (Table 2 and Table 3) make a theoretical ground to suggest the mediating role of marketing capabilities within EO-Performance dynamics. Furthermore, as per the RBV line of argument, EO as a resource has only potential worth. Possession of EO is necessary, but not sufficient, for value delivery (Barney 1991). Hence, firms must match EO with resources that promote both opportunity and advantage-seeking behaviours. Therefore, based on the above observations, we suggest that firms with a high level of EO are more likely to develop strong marketing capabilities, which in turn lead to improved firm performance. Therefore, we propose that;

P4: Marketing Capabilities mediate the relationship between entrepreneurial Orientation and firm performance, such that the positive impact of EO on firm performance is enhanced through the adoption and implementation of marketing capabilities.

EO and Digitalization

Digitalization as a technological capacity refers to an organization's ability to use a wide range of technologies to develop new ideas, create new marketable items, and follow a fast process development. Since it deals with the adoption of technology and digital skills in business operations, digital infrastructure has enhanced the EO of the enterprise (Wu et al., 2023). Recent studies have emphasized the relevance of proactiveness and innovativeness, two important dimensions of EO, in seizing digital opportunities and finding digital solutions (Agostiniet al., 2020; Pencoet al., 2022). Also, there is an increased demand in the literature on the role of digitalization in the context of EO (Ritalaet al., 2021). Strongly entrepreneurial firms, when proactively seeking solutions to customer needs through product and service modifications, do use the digitalization strategy, especially with a focus on gaining the first-mover advantage (Kraus et al., 2023). Therefore, the presence of EO has a favourable impact on the deployment of a digitalization plan. Even though there are limited studies that specifically look at the relationship between EO and digitalisation, the ones that do exist have consistently shown a considerable favourable impact. This implies that businesses with high EO are more likely to embrace and successfully use digital strategies. Consequently, we suggest that EO has a beneficial effect on digitalization, improving a firm's ability to innovate, respond to the market, and create value by utilising digital technologies strategically. Therefore, we propose that;

P5: Entrepreneurial Orientation has a significant and positive effect on the digitalization of small and medium enterprises (SMEs).

Study	Context & Sample	EO Measurement Scale(s)	EO Dimensions	Digitalization Measurement Scale(s)	Digitalization Dimensions	Key Findings
Kraus et al. (2023)	242 Italian firms	Eggers et al. (2013)	Innovativeness, Proactiveness, Risk-taking	Rossmann (2018)	Development, documentation, communication, and implementation of a firm-level digitalization strategy	Revealed a positive and significant relationship between entrepreneurial orientation and digitalization orientation.
Suder et al. (2022)	110 hotels in Poland	Hughes & Morgan (2007); Kusa et al. (2021)	Innovativeness, Proactiveness	Newly developed scale	Adoption of digital solutions, digitalization relative to competitors, performance and operational improvements through digitalization, advancement of digital processes	Found that EO dimensions positively influence digitalization, which in turn mediates the relationship between entrepreneurial behavior and firm performance.

Table 4: Selected studies on EO-Digitalization relationship.

Source: Author's compilation based on prior empirical studies.

Digitalization and Firm Performance

Businesses use a variety of digital technologies that allow them to create value. The results of the study (Eller et al., 2020) indicated that digital technology directly supports performance. Additionally, a number of studies have provided evidence in favour of the idea that the implementation of digital technologies affects a firm's performance and operations positively (Chatterjee et al., 2020; Liu et al., 2022; Suder et al., 2022). Thus, an organization's prospects of competing and surviving in the global market are increased by the implementation of digital technologies (Parra-Lopez et al., 2021).

In the case of SMEs, adopting different digital technologies and processes can create value (Vrontiset al., 2022), and it does boost corporate performance. (Guo&Xu, 2021) suggests that digitalization enhances performance more for smaller firms operating in highly competitive industries, and it has a much more lasting impact on operating performance than on financial performance. There is widespread agreement that digital technologies boost firm performance through a variety of variables due to advances in both product offering and processes (Brynjolfsson&Hitt, 2000; Kryvinskaet al., 2014). Also, the literature on the relationship between digitalization and SME emphasises the potential of digitalization to improve SMEs' performance. For SMEs to achieve better performance, they must commit to the use of digital technologies (Baggiaet al., 2019). Therefore, digitalization can be considered as an opportunity for small businesses to stay competitive, and thus using EO as a lens to perceive digitalization efforts can reveal important characteristics that small businesses may emphasise. Therefore, we propose;

P6: Digitalization has a significant and positive effect on the performance of SMEs.

Study	Context & Sample	Digitalization Measurement Scale(s)	Digitalization Dimensions	Performance Measurement Scale(s)	Performance Indicators	Key Findings
Merín-Rodríguez et al. (2024)	434 innovative Spanish SMEs	Nasiri et al. (2020)	Digital process integration, data collection, networking intensity, customer interface, information exchange	Ferreras-Méndez et al. (2015)	Customer loyalty, sales growth, profitability, ROI	Confirmed a strong positive relationship between digitalization and SME performance.
Barba-Sánchez et al. (2024)	246 Spanish micro-SMEs	Singh et al. (2021)	Digital transformation intensity and adoption	Lee et al. (2011)	Financial and operational performance	Revealed a positive and significant relationship between digitalization and firm performance in micro-SMEs.
Broccardo et al. (2023)	116 Italian small and large firms	Not specified	Digital transformation intensity	ROI, ROE	Financial and sustainability performance	Digitalization positively affects sustainability performance, which in turn enhances financial performance.
Wang et al. (2023)	1,663 software and IT service firms in Shanghai and Shenzhen	Author-developed digital capability indicators	Digital capital investment, digital human capital, digital infrastructure	Tobin's Q	Financial and non-financial performance	Demonstrated that digital capabilities (basic, operational, integrative) significantly enhance enterprise performance.
Li et al. (2022)	192 Chinese manufacturing firms	Abou-Foul et al. (2021)	Use of digital technologies for customer understanding, operational decision-making, value creation, and business model innovation	Vickery et al. (2003)	Sales growth, profit growth, ROI growth, return on sales	Found that digitalization significantly improves multiple performance outcomes.
Li et al. (2020)	188 Chinese manufacturing firms	Dalenogare et al. (2018); Mittal et al. (2018); Frank et al. (2019)	IoT, cloud computing, big data analytics	Akter et al. (2016); Chan et al. (2016); Schniederjans& Hales (2016)	Growth in sales, profit, ROI, ROS, market share	Revealed a positive and significant relationship between Industry 4.0 digital technologies and firm performance.
Fernández-Portillo et al. (2019)	150 Spanish commercial firms	Bonnet et al. (2015)	ICT accessibility, data access, digital commitment, collaborative learning, data-driven decision-making, digital skills	Serarols&Veciana (2003)	EBITDA, financial outcomes, economic and financial ratios	Demonstrated that a higher level of digitalization directly improves firm performance and should be embedded in performance models.

Table5: Selected studies on Digitalization-Performance relationship.

Source: Author's compilation based on prior empirical studies.

Mediating Role of Digitalization

Given the established relationships between EO and digitalisation, and between digitalization and firm performance, it makes sense to suggest that digitalisation mediates the relationship between EO and performance. Firm performance is improved when EO is present because it encourages the adoption of digital technologies. EO-driven digitalization improves a firm's capacity for innovation, market adaptability and value creation, which in turn leads to better firm performance. This implies that digitalization acts as a medium through which entrepreneurial activities result in better outcomes, hence mediating the relationship between EO and performance. Based on the above observations, we propose;

P7: Digitalization mediates the relationship between entrepreneurial Orientation and firm performance, such that the positive impact of EO on firm performance is enhanced through the adoption and implementation of digital technologies.

Application of Conceptual Model:

The conceptual framework presented in this paper offers a comprehensive understanding of how EO influences the performance of SMEs through the mediating mechanisms of marketing capabilities and digitalization. This framework is particularly valuable for researchers and practitioners in the field of entrepreneurship and business management for several reasons. The conceptual framework serves as a road map for future research inquiries by emphasising the connections and interrelations between EO, marketing capabilities, digitization, and firm performance. Researchers can utilise this framework to structure their investigations and explore the complex interactions between these constructs. For SME owners and managers, understanding the interrelation between these constructs can inform strategic decision-making processes. Recognising the importance and relevance of EO, marketing capabilities, and digitalization, SMEs can develop more effective strategies to enhance their performance and competitive advantage in the marketplace. It would assist firms in resource allocation decisions, especially in situations when firms try to be proactive in changing market conditions. The framework highlights the importance of organizational and technological capabilities in driving performance. By emphasising the role of marketing capabilities and digitalization, SMEs can focus on developing and leveraging these capabilities to adapt to changing market conditions, innovate their offerings, and meet customer needs more efficiently and effectively. Practitioners can utilise the framework to identify specific areas for intervention within the organizations thereby helping in resource allocation. For example, if an SME lacks digitalization capabilities, the framework suggests that investing in digital transformation initiatives may help improve performance by facilitating proactive pursuit of opportunities and the delivery of innovative solutions to customers. Furthermore, the integration of insights from entrepreneurship, strategic management, and marketing literature within the framework encourages interdisciplinary collaboration and knowledge exchange. This cross-disciplinary approach can lead to a deeper understanding of the mechanisms driving SME performance and foster innovation in practice and research.

Implications for Future Research:

While this paper provides a basic conceptual framework for studying EO in the context of SMEs, there is significant room for future research to strengthen the framework and elaborate on the roles of the primary constructs. The study's conceptual framework serves as a starting point for further investigation into the changing environment of EO within SMEs. By delineating the mediating roles of marketing capabilities and digitalization, this framework offers valuable insights for SME practitioners, policymakers, and researchers seeking to foster entrepreneurship and innovation in the SME sector. Future empirical research endeavours can leverage this framework to empirically validate the proposed relationships and unravel the underlying mechanisms driving entrepreneurial success in SMEs. It provides actionable insights about customising EO strategies to organizational capabilities and the usage of technology. It lays the framework for future research, emphasising the need for empirical studies that examine the individual EO characteristics in relation to the mediating

constructs and their inter-dependencies. Given, Lumpkin & Dess (1996) established an important insight regarding EO, suggesting that the characteristics of EO are not static but may actually alter, depending on the operational circumstances of a firm. Future testing of this framework with respect to individual constructs would enable us to better understand the role played by EO in SMEs and provide specific recommendations to improve SME performance. Further analysis of digitalization as a factor for assessing entrepreneurial behaviour will be highly valuable considering the role of digital processes and technologies in today's business dynamics. Furthermore, marketing capabilities connect all of the firm's resources in order to achieve a competitive advantage. As a result, identifying which marketing capabilities are related to business performance and which practices support them, as well as gaining a better knowledge of how they are implemented within organizations, will benefit both the literature and managerial practice. The disposition of entrepreneurial behaviour, particularly with marketing capabilities as an influencing element, has so far been mostly overlooked, but equally relevant; paying attention to this will bring excellent insights for the EO literature.

In terms of the specific linkages stated in the conceptual framework, further research on how marketing capabilities affect the performance of larger firms as compared to smaller ones and whether or not the mediating role of marketing capabilities differs in SMEs than in larger firms. Using the conceptual framework to compare the outcomes for SMEs and larger businesses could also be valuable. It would also be fruitful to assess whether environmental variables influence this relationship between EO and performance in the context of SMEs. Incorporating environmental variables into this framework could provide further valuable insights. Also, current thinking holds that SMEs are generally homogeneous, but there may be significant variation within the SME group, requiring granular assessment in terms of measurement scales. Therefore, a separate analysis of each component of EO could be more advantageous to get a holistic understanding of how EO impacts different aspects of end results. So far, research on the factors of EO has been limited in comparison to the examination of its performance implications. There is a need to explore the characteristics that may serve as antecedents of organizational level EO, specifically psychological features of the entrepreneur, which is vital to the understanding of entrepreneurship, especially in the context of smaller enterprises. Therefore, using this conceptual framework, further analysis and research of these challenges could be extremely valuable.

Conclusion:

In conclusion, the conceptual framework offered in this study provides a strategic lens through which the complex dynamics of EO within SMEs can be understood and facilitated. It emphasizes the essential significance of marketing capabilities and digitalization as intermediaries that not only complement but significantly enhance the influence of EO on firm performance. The study indicates that synergistic integration of EO with marketing capabilities and digitalization is required for SMEs to survive in today's business ecosystem. By adopting this integrated approach, SMEs may fully use the transformative potential of these capacities, resulting in increased competitiveness and growth. This research contributes to the theoretical discourse by providing a clear and systematic framework for effectively translating EO into measurable performance outcomes. It serves as a tool for SMEs seeking to deal with the intricacies of entrepreneurship and capitalise on the opportunities.

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