



Bolstering Small Business Performance via Entrepreneurial Orientation Practices, External Finance and Competitive Advantages

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Abstract. Numerous contributions of small business performance to economic development have been recognised since many years ago. However, many businesses are unable to sustain due to various factors including lack of entrepreneurial orientation practices, insufficient financial resources and no competitive advantage. The main aim of this paper is to analyse the impact of entrepreneurial orientation practices and access to external finance on small business performance. This research has introduced serial mediating effects of access to external finance and competitive advantages toward the relationship between entrepreneurial orientation and small business performance. A sample of 280 small businesses in the East Coast Region of Malaysia, which has utilised the proportionate stratified random sampling, was selected to construct a structural model. The structural model has confirmed that entrepreneurial orientation practices are significantly related to small business performance. The study has verified that access to external finance has partially mediated the relationship between entrepreneurial orientation practices and small business performance. In extending existing literature, this study has underlined entrepreneurial orientation practices and small business performance as partially serial mediated by the access to finance and competitive advantage. Besides consolidating the Resource-based View theory, this research is also significant to government bodies, NGOs, private bodies, policymakers and small entrepreneurs. The research highlights the importance of entrepreneurial orientation practices and sufficient access to finance on generating competitive advantages, ultimately increasing business performance variation.

Keywords: Entrepreneurial orientation · Access to external finance · Mediating · Serial mediating · Performance · Small business · Competitive advantage

1 Introduction

Undoubtedly, Small and Medium Enterprises (SMEs) which include small businesses at all times have joined forces with many authorities not only to deal with unstable economic trends but also act as a cushion during the unprecedented condition. Additionally, they are not only believed to have been capable of strengthening the domestic economy but

also the country's economic development. Besides that, they are accounted for more than 90% of enterprises across the globe (Ayyagari et al. 2011) as recorded by statistical data, worldwide.

Accordingly, SMEs portray that they play a vitally important role in economic growth from high-income countries to low-income countries (Blackburn et al. 2013; Syamsuriana et al. 2020). In high-income countries, for instance, countries in the European Union, SMEs establishments have indicated that 99.8% of all enterprises are in the non-financial business sector (Muller et al. 2015). Similarly, in Asian high-income economies such as Japan, Korea and Taiwan, SMEs are also depicted as statistically significant towards economic development, indicated with 99.5%, 99.9% and 97.63% respectively (Japan Small Business Research Institute 2017; OECD 2016; Wen-Ling 2017). Besides that, SMEs are also crucial to stabilise the economic condition in upper-middle-income economies. In Thailand, there are 2.7 million or 98.5% of enterprises which are accounted for as SMEs (Yoshino et al. 2015). Likewise, SMEs in Malaysia has also shown a significant contribution to the economy, which is accounted for 98.5% out of 920,624 total firm establishments (SME Annual Report 2018/19).

SMEs are believed to have created economic flexibility and sustainability via becoming the sources of equal and better distribution of income, poverty relief, domestic savings, export growth, innovation advancement, as well entrepreneurial skills and spiritual development, due to the broad geographical presence as compared to large firms (see Panitchpakdi 2006; Tambunan 2011). Likewise, this sector is also essential to provide incomes for small entrepreneurs and individuals who usually come from low-income and underprivileged group (Ahmed 2009; Mawa 2008; Rahman and Ahmad 2010).

Acknowledging the importance of SMEs as the backbone of the economy, the success of this entity to ensure economic sustainability in facing myriad challenges is becoming a vitally-important concern. Even though SMEs are becoming better, some statistics data has indicated a large number of businesses which are still portraying unsuccessful record (Nassif et al. 2010). The Bureau of Labor Statistics in the US verified that the business failure rate during the first year was 20% and mortality rate of the business failure rose to 30% during the second year (Bureau of Labor Statistics 2018). Equally, Jeff (2017) mentioned that 90% of all new business ultimately demonstrated failure.

Correspondingly, in the same league as other countries, this chaos situation is no exception to SMEs in Malaysia. Ironically only 18% of registered companies with the Company Commission of Malaysia were recorded to sustain and had succeeded in the last five years (Bernama 2017), despite the fact that 96% of financing facilities are available to small businesses (SME Annual Report 2018/19). Concluding this situation, the robust study about the crux of the matter for bolstering small business performance should be done to address this issue, particularly in the Malaysian environment.

Subsequently, various prior studies on the determinant of business performance have been completed. Among these, Resource-Based View theory is the most suitable theory related to business performance which explains that firms' deployable resource and capability which could support competitive advantage (Barney 1991; Porter 1980). Competitive advantage in many studies is described as higher performance (e.g., Awino and Kariuki 2012; Barrett et al. 2015; Brenes et al. 2014; Chahal and Bakshi 2015; Ibrahim and Primiana 2015; Suhail and Mushtaq 2016).

Based on the RBV theory, this study anticipates entrepreneurial orientation practices and access to external finance as a firm's capability and resources to generate competitive advantage with the goal of bolstering business performance. Nevertheless, it remains unclear how entrepreneurial orientation and credit facilities would help firms to formulate competitive advantage and bolster the performance of the small business. Furthermore, entrepreneurial orientation in some studies has had no significant impact on firm performance (e.g., Matsuno et al. 2002; Morgan and Strong 2003; Naldi et al. 2007; Khalil et al. 2013) since entrepreneurial orientation had no direct impact on business performance due to its complexity (see Kellermanns et al. 2008; Wiklund and Shepherd 2005; Lumpkin and Dess 1996; Zahra 2008). Hence, in extending previous studies, this research aims to test the relationships that consider access to external finance and competitive advantage as simultaneous mediating variables in the effects of entrepreneurial orientation practices and performance of the small business.

This paper is organized as follows. Section 2 reviews the related literature and proposed relationships in the conceptual model. Section 3 describes the design of the study and data collection procedure. Section 4 analyzes the data and presents the results. Section 5 discusses interesting finding of the study. Finally, Sect. 6 concludes the paper, states the limitations of the study, and recommendations for future studies.

2 Literature Review

This section discusses the literature review based on prior studies and identifies the main theme or idea that is relevant to the research problems and objectives, as well as provides a conceptual framework for the study. In other ways, this section discusses the chronology in the manner conceptual framework was developed and how all hypotheses were formulated. As a reminder, the conceptual framework of this study is underpinned from RBV theory and mainly integrated the studies of Fatoki (2012), and Rosli and Norshafizah (2013).

2.1 Entrepreneurial Orientation Practices as Direct Antecedents of Business Performance

Entrepreneurial abilities are key elements for starting up new venture (Badawi et al. 2019; Reyad et al. 2019). To Ghura et al. (2019), entrepreneurial activities influenced by many factors such as education and training, access to finance, technology absorption including the difficulties of start-up procedures. To date, there is no universal agreed definition for entrepreneurial orientation. Even though, Covin and Wales (2012) had drawn the attention to entrepreneurial orientation as earlier scholars who can be referred to are Covin and Slevin (1989), Mintzberg (1973), Khandwalla (1972), Miller (1983), Miller and Friesen (1982) and Lumpkin and Dess (1996). Throughout history, entrepreneurial orientation concept is underlined as comparative perception in the firm and interaction among structure, strategy, and management style in a specific environment based on uncertainty level, heterogeneity and competition, resulting in performance (Khandwalla 1972).

Since entrepreneurial orientation model has been developed, many prior works of literature have discussed the significant positive relationship between entrepreneurial orientation practices and business performance. For instance, Fuentes-Fuentes et al. (2015) found the positive link between entrepreneurial orientation and operational and financial performance in the context of women-owned firms.

Moreover, both entrepreneurial orientations and technology are significant success factors for business toward SMEs financial and non-financial performance (May et al. 2016). Equally, that international entrepreneurial orientation is significantly related to international firm performance (Mazida et al. 2018). Similarly, a study by Chew (2018) has confirmed that entrepreneurial orientation portrayed a positive impact on the 203 international SMEs firms' in Malaysia. Subsequently, previous works of literature have shown that entrepreneurial orientation practices will lead to superior business performance. Henceforth, the first hypothesis for this study can be expressed as:

***Hypothesis 1 (H1):** There is a direct positive link between entrepreneurial orientation practices and small business performance.*

However, since entrepreneurial orientation practices are considered as multidimensional constructs, this current study focuses on three dimensions of entrepreneurial orientation namely: innovativeness, risk-taking and proactiveness (see Zahra and Covin (1995), Knight (1997), Kellermanns and Eddleston (2006), Moreno and Casillas (2008), Andersén (2010), Casillas et al. (2011), Hermann et al. (2010), Hansen et al. (2011), Weismeier-Sammer (2011)). Thus, the sub-hypotheses can be designed as follow:

***H1a:** There is a direct positive link between innovativeness and small business performance.*

***H1b:** There is a direct positive link between risk-taking and small business performance.*

***H1c:** There is a direct positive link between proactiveness and small business performance.*

2.2 Entrepreneurial Orientation Practices and Their Influence on Business Performance via Access to External Finance

Integrated reporting capitals such as intellectual, natural, social and relational, as well as human capital is important to the banking institutions (see Alqallaf and Alareeni 2018). As such, throughout time, financial aspects along with other resources have been one of the critical factors that require attention in order to grow business as verified by many prior works (see Ayyagari et al. 2011; Klonowski 2012; Woldie et al. 2012). More than that, accessing to external financing is not only determining factor for growth and survival of businesses but also could interrupt as well as decelerate the company progress. Furthermore, financial support is significant to embrace emergence advance of technologies (Leitner 2016).

Still, to get adequate financial support, especially from external providers, firms need to be supported with the internal aspects of their business. Hence, entrepreneurial orientation could also be interpreted as an internal resource and capability to increase

the opportunity of the business to have access to external financial facilities. Moreover, entrepreneurial orientation could be a crucially-important factor in indicating how a firm is managed (Miles et al. 2010). Likewise, Mohammed and Obeleagu-nzelibe (2014) mentioned that a business team with high entrepreneurial skills could lead to better chances of accessing external financial resources. Significantly, financial resources also influence the development of a small business (see Moreno and Casillas 2008; Wiklund and Shepherd 2005).

Besides that, the ability of firms to get required business financial facilities are also counting on several business strategic plans; a strategic plan which can be formulated through entrepreneurial orientation practices in the firms. It is aligned with Lumpkin and Dess (1996) who described entrepreneurial orientation in the firm could direct the company into strategic orientation, relating entrepreneurial aspects in decision-making styles, practices and approaches. Furthermore, a firm with better strategies will have extra access to finance and would have the capability to increase its performance (Achleitner et al. 2011). To conclude, this current research argued that entrepreneurial orientation practices have a significant relationship to access to external finance and bolstering business performance. Thus, the second hypothesis and sub-hypotheses can be written as below:

Hypothesis 2 (H2): *Entrepreneurial orientation impact business performance indirectly through the access to external finance.*

H2a: *Innovativeness impact business performance indirectly through the access to external finance.*

H2b: *Risk-taking impact business performance indirectly through the access to external finance.*

H2c: *Proactiveness impact business performance indirectly through the access to external finance.*

2.3 Entrepreneurial Orientation Practices and Their Influence on Business Performance via Access to External Finance and Competitive Advantage

Resource-Based View (RBV) theory emphasised that competitive advantage could be attained by deploying resources and capabilities in the firms (Barney 1991; Barney et al. 2001; Porter 1980; Wernerfelt 1984). Firm resources can be categorised into six strategic resources that include financial and human intellectual (Amit and Schoemaker 1993; Barney 1991; Puente and Rabbino 2003). Consequently, the study enlightens the importance of entrepreneurial orientation practices as internal capability and access to external finance as a resource that a firm would use to create a successful competitive advantage which leads to superior business performance.

Furthermore, as reminded by Barney (1991), other than a financial resource, the intangible assets such as capabilities in businesses are vital since they have inclined to be rare, valuable, non-substituted and hard to copy. Entrepreneurial orientation in the firm-level could be one of the organisational abilities which is assumed as intangible resources because it is difficult to be imitated, non-substitutable and probably would be the fewest and valuable resources which can help to develop competitive advantage and

promising greater business performance (Brahim and Arab 2011). On the other hand, some empirical studies have found that entrepreneurial orientation practices are capable of increasing chances in accessing external finance (Covin and Lumpkin 2011; Gamage 2011; Ghimire and Abo 2013). Moreover, interdependencies across corresponding activities as well as the accessibility of existing resources can generate a competitive advantage in organisations (Petrakis et al. 2015). Thus, competitive advantage is positively related to business success whereby a firm's competitive advantage is capable of estimating the business performance variation (Raduan et al. 2010).

In consistence with the RBV theory, this research has concluded that entrepreneurial orientation practices and access to external finance could be a vital resource and capability to support competitive advantage, ultimately influence business performance. Thus, the third hypothesis and sub-hypotheses for this study could be formulated as:

Hypothesis 3 (H3): *Entrepreneurial orientation impact business performance indirectly through serially mediated by the access to finance and consequently, competitive advantage.*

H3a: *Innovativeness impact business performance indirectly through serially mediated by the access to finance and consequently, competitive advantage.*

H3b: *Risk-taking impact business performance indirectly through serially mediated by the access to finance and consequently, competitive advantage.*

H3c: *Proactiveness impact business performance indirectly through serially mediated by the access to finance and consequently, competitive advantage.*

3 Research Methodology

3.1 Data Collection and Sample Selection

In the methodology part, this study employed a quantitative approach for data collection and analysis. This approach is found to be the most suitable approach from the time when the objective has tested the relationship among variables, taking positivism into consideration as the research philosophy employed by this study (see Polit and Beck 2014; Steen and Roberts 2011). Furthermore, this study has utilised probability sampling technique which is proportionate stratified random sampling to collect the data. The procedure of using stratified random sampling by dividing the population into two strata: 1) states (Kelantan, Terengganu and Pahang); 2) sectors (services, manufacturing, agricultural, construction, mining and quarrying). Additionally, proportionate stratified random sampling is when the number of subjects from each stratum is proportionated to the total number of elements in the respective strata since all subgroups have an equal number of elements (Sekaran and Bougie 2019). In order to get a sampling frame of small businesses in the East Coast Region of Malaysia, the researchers have downloaded the business directory at <http://www.smecorp.gov.my/index.php/en/guides/2015-12-21-10-49-38/list-of-companies>.

Ultimately, 280 small businesses in the East Region of Malaysia, which includes various sectors of business are sufficient for further analysis. The details of the methodology part used in this study are deliberated in following sub-section.

3.2 Research Instrument

This study mainly depended on primary sources of data via a set of questionnaire. Prior to gathering research data, a set of questionnaire was comprehensively developed via modification of numerous tested past studies and systematically revised several times. Subsequently, the questionnaire was translated into two languages, English and Bahasa Melayu to be applied in Malaysian small businesses background. A questionnaire-based survey through a structured interview (interviewer-administered) and personally administered (self-administered) were selected in order to increase accuracy, reduce the bias, enhance homogeneity and increase the quality of the collected data (Sekaran and Bougie 2019).

3.3 Measurement

All items in these four main variables were using mixed measurement; majorly subjective-based items and supported by several objective-based items. The subjective measurement is believed to have reduced the complexity of measurement in researches (Gonzalez-Benito and Gonzalez-Benito 2005) and overcome several issues of objective measures such as the data cannot be up to date or narrow in scope (Pitt et al. 1996). Nevertheless, all selected items were revised accordingly with the objective of the study in order to ensure the validity and reliability of the measurement.

Adapting the items used by several past studies, the small business performance (*SBP*) as the dependent variable was established by nine subjectively items such as sales (*SBP1*), market share (*SBP2*), customer satisfaction on the product (*SBP3*), product or service quality level (*SBP4*), profitability level (*SBP5*), production level (*SBP6*), number of employees (*SBP7*), number of new customers (*SBP8*), and income level (*SBP9*). Consequently, these items were anchored to five-point of Likert scale: 1 = significantly lower, 2 = lower, 3 = unchanged, 4 = higher and 5 = significantly higher, modified from Ar and Baki (2011) and Koe (2013).

Furthermore, since entrepreneurial orientation practices (*EOP*) was claimed to be a multidimensionality construct among early researchers (e.g., Covin et al. 2006; Covin and Wales 2012), the independent variable in this study is demonstrated by three dimensions: innovativeness (*INNO*), risk-taking (*RISK*) and proactiveness (*PRO*). Moreover, each construct comprises of five subjective items using a five-point Likert scale which indicates 1 = strongly disagree, 2 = disagree, 3 = neither disagree nor agree, 4 = agree and 5 = strongly agree. These items are mainly revised from Hansen et al. (2011), Hermann et al. (2010), and Weismeier-Sammer (2011) research.

Technically, this current study acknowledges the presence of two mediating variables which are access to external finance (*AEF*) and competitive advantages (*CA*). Access to finance was formed by nine items (*AEF1* – *AEF9*), altered from earlier studies of Fatoki (2012), Mason et al. (2015), and Oni et al. (2012). This construct signifies the degree of access to external financial sources via subjectively measurement as follows: 1 = irregular access, 2 = medium access, 3 = regular access and 4 = highly regular access. However, to be more accurate, item *AEF1* to *AEF9* were reconstructed into a composite scale whereby all items were integrated into one single observed variable (refer Hair et al. 2014). Furthermore, competitive advantage (*CA*) was treated as a second order

construct formed by three other unobserved constructs: differentiation (*DIFF*), focus (*FOCUS*) and cost (*COST*). Each construct is unobserved by five items anchored to the scale of 1 = strongly disagree, 2 = disagree, 3 = neither disagree nor agree, 4 = agree and 5 = strongly agree, adapted from studies of Chan (2015), Cousins (2015), and Meredith et al. (2014).

3.4 Procedures for Data Analysis

This section explains the procedures of data analysis and hypothesis testing using the Structural Equation Modeling (SEM-AMOS) technique. Accordingly, AMOS and IBM SPSS Statistics for Windows software packages were used in this research. The brief procedures for data analysis are demonstrated in the consequent sub-section.

Confirmatory Factor Analysis (CFA). The process started with the Confirmatory Factor Analysis (CFA), whereby this study follows Prajogo (2007) by separating the measurement model (CFA) from the structural model (SEM). In this process, the items with a factor loading of below 0.60 were dropped in the measurement model (Alegre et al. 2006; Mueller and Hancock 2010). Similarly, the process of dropping low factor loading continues until the fitness of the CFA model is achieved. It is important to acknowledge the fitness of a model is by achieving and containing leastwise of one index from each category: 1) absolute fit, 2) incremental fit and, 3) parsimonious fit (see Hair et al. 2014).

Finally, eight items, namely: *INNO1*, *RISK2*, *PRO4*, *FOCUS4*, *FOCUS5*, *BP2*, *BP7*, and *BP4* in CFA process were dropped from this study in order to achieve the desired goodness of fit. Therefore, the measurement model fit indicates: $X^2 = 1361.781$, $df = 514$, $Chisq/df (X^2/df) = 2.649 (<3.0)$, Normed Fit Index (*NFI*) = 0.907 (>0.90), Tucker Lewis Index (*TLI*) = 0.916 (>0.90), Comparative Fit Index (*CFI*) = 0.949 (>0.90), Root Mean Square Error of Approximation (*RMSEA*) = 0.068 (<0.08). Hence, 31 items were maintained in the measurement model and proceed to the next test before being analysed in the structural model.

Validity and Reliability Test. Before proceeding to the structural model, this study has examined the validity and reliability of the measurement model after it had passed requirements in the measurement model during the CFA procedures. The main concern of this study is convergent validity, discriminant validity, internal reliability, and construct reliability (Montoya-Weiss and Calantone, 1994; Sekaran and Bougie 2019).

Firstly, the convergent validity of the model was fulfilled since Average Variance Extracted (*AVE*) values for all constructs were all ranged between 0.57 and 0.74, demonstrated by acquiring more than 0.50 as advised by Al-Tit (2017) and Mueller and Hancock (2010). Equally, discriminant validity for all constructs was accomplished since the square root of *AVE* value (\sqrt{AVE}) depicted more than the values of correlation between each construct respectively (see Hair et al., 2014; Koufteros et al. 2001; Lu et al. 2007). Furthermore, internal reliability for all constructs in the model had been verified by judging the Cronbach's Alpha (α) value of higher than 0.70 (0.834 to 0.927), following past studies by Hair et al. (2014) and Nunnally (1978). Other than that, construct reliability (*CR*) value which was ranged from 0.879 to 0.927 in the model was also achieved as suggested earlier ($CR \geq 0.60$) by Hair et al. (2014). Therefore, validity and reliability criteria of the model in this study are achieved.

Multicollinearity and Normality Test. Afterwards, this study also strengthens the measurement model by testing the multicollinearity and normality of the model. This study has verified that no multicollinearity issue exists since all value of the correlation between each pair of latent exogenous construct indicated not less than 0.85 as proposed by Ahmad et al. (2010) and Alegre et al. (2006). Subsequently, this current study has also met the normality distribution of the data due to the skewness of the data which idicated below 1.5 and *CR* is lower than 8.0. Furthermore, the 280 sample of this study is also sufficient to satisfy the assumption of using SEM analysis whereby sample size should be larger than 200 (refer Hair et al. 2014; Sekaran and Bougie 2019; Zainudin 2015). Thus, the next section presents the results of the SEM analysis for this research.

3.5 Structural Model and Hypotheses Testing

The structural model was established after the measurement model goodness-of-fit in CFA procedures have been achieved alongside with confirmation of validity, reliability, multicollinearity and normality test. All covariance arrows in the measurement model were replaced into a one-way arrow to produce the structural model. As a reminder, all formulated hypotheses were tested in pool model of SEM by means of all respective variables which are independent variables (*INNO*, *RISK* & *PRO*), mediating variables (*AEF* & *CA*) and dependent variable (*SBP*) and placed in one model. The results of testing *H1 (H1a-H1c)* is summarised in Table 1.

Table 1. The Regression path coefficients.

Structural path			Standardised estimate	P-value	Result
<i>INNO</i>	—>	<i>SBP</i>	0.119	0.039	Significant
<i>RISK</i>	—>	<i>SBP</i>	0.374	0.001	Significant
<i>PRO</i>	—>	<i>SBP</i>	0.163	0.025	Significant
<i>INNO</i>	—>	<i>AEF</i>	2.291	0.001	Significant
<i>RISK</i>	—>	<i>AEF</i>	2.582	0.011	Significant
<i>PRO</i>	—>	<i>AEF</i>	2.951	0.016	Significant
<i>AEF</i>	—>	<i>CA</i>	0.327	0.002	Significant
<i>CA</i>	—>	<i>SBP</i>	0.211	0.021	Significant

Source: Based on AMOS output developed for this study.

In general, H1 is fully supported by this study since all dimensions of entrepreneurial orientation practices has a direct positive link with small business performance. Specifically, innovativeness ($r = 0.119$, $p < 0.05$), risk-taking ($r = 0.374$, $p < 0.001$), and proactiveness ($r = 0.163$, $p < 0.05$) has direct positive link with small business performance. Furthermore, the regression weight for entrepreneurial orientation practices in the prediction of small business performance is strongly significant with the difference from zero at 0.05 level (one-tailed). Besides that, in order to test the mediating effect in H2 (H2a-H2c) this study has employed the procedures of mediation testing by comparing the direct effect and indirect effect of the model (see Barron and Kenny 1986; Hair et al. 2014; Zainudin 2015). The respective results are illustrated in Table 2.

Table 2. Mediation test Hypothesis 2.

Construct	Standardised Estimate	P-Value	Result	Decision
Innovativeness (INNO)				<i>Partial Mediation</i>
<i>Direct effect:</i> INNO → SBP	0.119	0.039	Significant	
<i>Indirect effect:</i> INNO → AEF	2.291	0.001	Significant	Total indirect effect > direct effect
AEF → SBP	0.211	0.021	Significant	= 0.483 > 0.119
<i>Total Indirect effect:</i> 2.291 x 0.211 = 0.483				
Risk-Taking (RISK)				<i>Partial Mediation</i>
<i>Direct effect:</i> RISK → SBP	0.374	0.001	Significant	
<i>Indirect effect:</i> RISK → AEF	2.582	0.011	Significant	Total indirect effect > direct effect
AEF → SBP	0.211	0.021	Significant	effect = 0.545 > 0.374
<i>Total Indirect effect:</i> 2.582 x 0.211 = 0.545				
Proactiveness (PRO)				<i>Partial Mediation</i>
<i>Direct effect:</i> PRO → SBP	0.163	0.025	Significant	
<i>Indirect effect:</i> PRO → AEF	2.951	0.016	Significant	Total indirect effect > direct effect
AEF → SBP	0.211	0.021	Significant	effect = 0.623 > 0.163
<i>Total Indirect effect:</i> 2.951 x 0.211 = 0.623				

Source: Based on AMOS Output developed from this research.

Based on Table 2, H2 is partially supported whereby the study partially supports all sub-hypotheses of H2a, H2b and H2c. Generally, entrepreneurial orientation practices have impacted business performance and are partially mediated by access to external finance. In specific, this current study has found that innovativeness, risk-taking and proactiveness impact on business performance and partially mediated through access to external finance. In order to test the serial mediating effects in H3 (H3a-H3c), this study has referred to the model outlined by Hayes (2013). The details of the procedures for serial mediation testing are portrayed in Table 3.

Table 3. Mediation test Hypothesis 2.

Path	Estimate	P-Value	Result ($a_1d_1b_2 > c'$)	Conclusion
Direct effect (c'): INNO → SBP	0.119	0.039 (Significant)		
Indirect effect: INNO → AEF(a_1)	2.291	0.001 (Significant)	Total indirect effect > direct effect = 0.457 > 0.119	Partial Mediation
AEF → CA (d_1)	0.327	0.002 (Significant)		
CA → SBP (b_2)	0.611	0.003 (Significant)		
Total Indirect effect ($a_1d_1b_2$): 2.291 x 0.327 x 0.611 = 0.457	0.457			
Direct effect (c'): RISK → SBP	0.374	0.001 (Significant)		
Indirect effect: RISK → AEF (a_1)	2.582	0.011 (Significant)	Total indirect effect > direct effect = 0.516 > 0.374	Partial Mediation
AEF → CA (d_1)	0.327	0.002 (Significant)		
CA → SBP (b_2)	0.611	0.003 (Significant)		
Total Indirect effect ($a_1d_1b_2$): 2.582 x 0.327 x 0.611 = 0.516	0.516			
Direct effect (c'): PRO → SBP	0.163	0.025 (Significant)		
Indirect effect: PRO → AEF (a_1)	2.951	0.016 (Significant)	Total indirect effect > direct effect = 0.590 > 0.163	Partial Mediation
AEF → CA (d_1)	0.327	0.002 (Significant)		
CA → SBP (b_2)	0.611	0.003 (Significant)		
Total Indirect effect ($a_1d_1b_2$): 2.951 x 0.327 x 0.611 = 0.590	0.590			

Source: Based on AMOS Output developed by researchers for this study.

Similarly, H3 is partially supported by the study since the relationship between entrepreneurial orientation practices and small business performance is partially serial mediated by the access to external finance and afterwards, competitive advantage. This study has verified that all sub-hypotheses H3a, H3b and H3d are supported. Likewise, the relationship among innovativeness, risk-taking, proactiveness and small business performance is serial partially mediated by the access to external finance and subsequently, competitive advantage.

4 Results

As depicted in Table 4, over 60% of respondents are male (62.5%) compared to 37.5% female aligned with the study by Wan Mohd Nazdrol et al. (2017), where over 70% of the respondents are male compared to female. Nevertheless, it does not mean that women in Malaysia are not interested in doing business, but they are more inclined to

register as a micro-business where 111,571 were recorded in this size (DOS Malaysia 2020).

Table 4. Profile of respondent.

Variables	Frequency ($n = 280$)	Percentage (100.0%)
<i>Gender</i>		
Male	175	62.5
Female	105	37.5
<i>Age (years old)</i>		
21–30	36	12.9
31–40	89	31.8
41–50	95	33.9
51–60	51	18.2
Above 60	9	3.2
<i>Educational Level</i>		
Primary	1	0.4
Secondary	153	54.6
Post-secondary	85	30.4
Tertiary	38	13.6
**Others	3	1.0
<i>Business Activities</i>		
Services	203	72.5
Manufacturing	53	18.9
Construction	11	3.9
Agricultural	13	4.6
<i>Firm Age</i>		
3–6 years	89	31.8
7–10 years	88	31.4
More than 10 years	103	36.8
<i>Average Monthly Sales</i>		
RM 5,000–RM 14,999	54	19.3
RM 15,000–RM 24,999	59	21.1
RM 25,000–RM 34,999	42	15.0
≥RM 35,000	125	44.6

Note: Educational Level = **Others are non-schooling respondents or had foreign education. Source: Based on the sample survey from this research.

In addition, most of the sample in this study are aged between 31 to 50 years old (65.7%) and almost 55% (54.6%) of the entrepreneurs had completed their studies in secondary education (form 1 to 5) followed by 30.4% who had post-secondary education, while another remaining 15% attended primary education, graduated from tertiary education, non-schooling or completed foreign educational certificate. Equal to Wan Mohd Nazdrol et al. (2017), majority of the sample was in the middle-age group and most of them had received the basic education at the secondary level. This indicates that they have basic knowledge of reading and writing. To Altinay and Wang (2011), educational achievement can prepare owners of the business with the necessary skills and reflective mindset of understanding customers' preferences and responding to their needs.

Consequently, as predicted, 72.5% out of 280 small businesses offer services reflected with a national percentage whereby services sector accounted 90% of SME market compared to other sectors in Malaysia (SME Annual Report 2018/19). As a result, the majority of respondents were providing services like restaurant, stitches, workshop, wholesale business, retail business, accommodation, communication, beauty centre, laundry, professional, transportation and storage. Additionally, 63.2% of the businesses have been operating between 3 to 10 years, while 36.8% have been in establishment for more than 10 years. Based on this figure, the study has concluded that majority of the sample is in the growth stage based on Business Life Cycle theory (see Churchill and Lewis 1983). Accordingly, it shows that the sample collected in this study have met the preliminary objective to grasp the deviation of business performance. Moreover, Ngehnevu and Nembo (2010) mentioned that the duration of business operation is correlated to the development whereby less than one year is considered as newly started, 1 to 5 years is considered as a young established firm, 5 to 10 years reflect the growth stage and a firm which is above 10 years is deliberated as matured and needs renewal.

5 Discussion

The key findings are based on the hypotheses testing result which has concluded that entrepreneurial orientation practices among small businesses have direct positive linked with a small business performance which is also consistent with prior studies (e.g., Lumpkin and Dess 1996; Barringer and Bluedom 1999). Furthermore, innovativeness such as technical and administrative innovation translated to greater firm performance (Alejandro 2015; Hult et al. 2004). Likewise, entrepreneurial orientation practices are not only linked with the readiness of an organisation to take part in risky and uncertain actions in the market place, but also associated with the entrepreneur who takes calculated risk thus is capable of managing risk by reducing the exposure to risk (Lan and Wu 2010; Willebrands et al. 2012). Meanwhile, a firm with proactiveness can help prepare them in adapting with market fluctuations and planning necessary actions (Alejandro 2015; Dess and Lumpkin 2005). These practices allow them to have a resistant position competing in the market over time and bring to better performance (Hughes and Morgan 2007).

As forecasted, entrepreneurial orientation practices impact business performance indirectly through the access to external finance whereby these links are found to be partially supported with the studies conducted by prior researchers (e.g., Aminu and

Mohd Shariff 2015; Fatoki 2012; Ogunsiji and Ladanu, 2010; Wiklund and Shepherd, 2005; Zampetakis et al. 2011). Even though the results show a partial mediation of access to external finance, it can be articulated that the organisation which implements entrepreneurial orientation philosophy does not merely concentrate on innovativeness, obligates capabilities of developing new markets, develops and contributes to new products' success but is also able to take failure and financial risks. Consistently, since access to sufficient financial sources is crucial to smoothen entrepreneurial activities in firms, thus, it can also be a catalyst for business growth (Hölscher et al. 2016; Kim et al. 2016).

To recap, the originality of this recent research is testing the serial mediating effect of access to external finance and competitive advantage simultaneously. This connection was linked based on RBV theory which was underlined by prior top scholars such as Barney (1986, 1991) and Porter (1980). Even though the research findings have indicated the link as partially supported, indeed, innovative, risk-taker and proactive firms are active in producing new products or services to secure better access to external financing (Morgan et al. 2016). Therefore, a high level of innovation in organisations could act as competitive advantages, such as reducing production cost and increase financial performance (Coviello and Joseph, 2012; Yli-Renko and Janakiraman 2008). Furthermore, the sustainable competitive advantage could be attained via the implementation of financial management practices in business (Thompson et al. 2014) and ultimately promising better performance to the respective firm (e.g., Chahal and Bakshi 2015; Martin and Staines 2008).

6 Conclusion

The objective of this study is to test the serial mediation of access to external finance and competitive advantage simultaneously with the relationship between entrepreneurial orientation practices and business performance of the small business. In order to fulfil the research objectives, a sample of 280 small businesses was collected via a proportionate stratified random sampling technique by using a set of questionnaires. Key findings highlighted that entrepreneurial orientation practices have a direct positive link with small business performance. Furthermore, this study has verified that access to external finance and competitive advantage was partially mediated by the relationship between entrepreneurial orientation practices and small business performance. On the basis of these findings, it is concluded that entrepreneurial orientation practices such as innovativeness, risk-taking and proactiveness at a firm-level bring to greater chances for small businesses to access to external financial sources and generate competitive advantage, thus help to bolster their business performance. Concisely, based on these findings, all primary research objectives, as well as research hypotheses, were clearly answered and had been achieved by this present study. This nature of the study is also vital to remind the authorities such as government, NGOs, private bodies and entrepreneurs on the importance of practising entrepreneurial orientation such as being innovative, willing to take a calculated risk and act proactively may increase the opportunity for business to obtain sufficient external finance access and competitive advantage on sustaining business performance.

Hence, taking into account the limitations, it is possible to develop an extensive agenda for further research in this area. However, key elements for consideration should

be as follow. First, future researchers could consider many other factors that might be contributing to the variant degree of the relationship of business performance based on RBV Theory by not only focusing on entrepreneurial orientation, access to finance and competitive advantage. Further studies may include factors such as technology adaption (e.g., Farah Adila et al. 2016; Nik Firdaus et al. 2018), digitization (refer Syamsuriana et al. 2020b; Syamsuriana et al. 2019), cyberpreneurship (see Hazrina et al. 2020), as well as macroeconomic variables such as GDP, inflation, exchange rate, oil prices (Ali et al. 2018). Second, judging from the samples collected, 280 small businesses are considered sufficient data, according to Cooper and Schindler (2014), Hair et al. (2014) and Sekaran and Bougie (2019). However, future researchers could increase the sample size since small businesses are accounted for more than 95% of the total SME establishment in Malaysia. Last but not least, the future direction of this study can be extended by expanding the research areas to other regions such as Northern Region, Central Region, Southern Region and East Malaysia instead of limited to the East Coast Region of Peninsular Malaysia. A larger scale with a significant sample size could shed light on how entrepreneurial orientation, access to finance and competitive advantage are correlated to business performance.

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