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Article

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OPERATIONS MANAGEMENT | RESEARCH ARTICLE

Implications of strategic orientation on firms' performance in a lower middle-income country: Does organizational innovation capability matter?

Marian Maclean¹, Michael Karikari Appiah^{2*} and Joyce Francisca Addo³

Abstract: Since the birth and subsequent ratification of United Nations' Agenda 2030 for sustainable development, local businesses are working assiduously to re-strategize and adapt to the changing external environment including responsible consumptions and production in order to gain competitive advantage and improve their performance. To facilitate this call, our paper is aimed to analyse the implications of strategic orientation on firm performance, and develop a model to explain the mediating role of organizational innovation capability on the relationship between strategic orientation and firm performance with a focus on a lower middle-income country where such studies are largely inadequate. Our paper is anchored on positivists' ontology and quantitative approach. Cross-sectional survey data have been elicited from formalized small and medium enterprises (SMEs) that are registered with Ghana Enterprise Agency. Our hypotheses have been tested using Partial Least Square and Andrew Hayes Macro Process techniques. Our results have showed that the dimensions of strategic orientation (marketing, entrepreneurship, and technology) exert positive and significant effects on firms' innovation capability and performance. Besides, organizational innovation capability significantly mediates the relationships between marketing and technological orientations and firms' performance. This study is among the very few to provide strategic orientation model to enhance organizational innovation and performance in the context of lower middle-income country. The emergency of contextual variables that impact on organizational innovation and firm performance would go a long way to guide managers, owners and regulators to develop robust strategies that could enhance the realization of sustainable development goals in the long term.

Subjects: Economics; Business, Management and Accounting; Industry & Industrial Studies

Keywords: Strategic Orientation; Firm's Performance; Organizational Innovational and Lower Middle-Income Country

1. Introduction

The birth and subsequent ratification of United Nations Agenda 2030 have necessitated the need for responsible consumptions and productions. As a result, corporations are exploring

opportunities to re-strategize and adapt to the external environmental changes in order to gain competitive advantage and improve its performance (Akter et al., 2021; Chevroliier et al., 2019). Environmental adaptation has become a basic requirement in the turbulent and sophisticated business environment. Strategy is one of the main pillars that significantly influence an organization's structure, operations, investments, market relationships and performance. Strategic Orientation is a general or permanent train of thought, trend or interest. It broadly encompasses the way in which a company adapts to the external environment (Ibarra-Cisneros et al., 2021; Obel & Gurkov, 2021). In other words, it is about how an organization responds to its environment to improve its performance and achieve competitive advantage. Other researchers consider strategic orientation as part of organizational culture. Organizational culture is a kind of intangible resource and the development of these resources or orientations has different impacts on the organization. Strategic orientation focuses resources to achieve desired outcomes (Adiguzel & Sonmez Cakir, 2022; Nassani & Aldakhil, 2021).

Business strategy offers tremendous contributions towards problem solving in order to create new opportunities and improve firm competitive performance by providing conducive platforms support organizational and managers decision to pool resources, identify opportunities to deliver valuable products and services, and drive those products and services to greater profitability. In order to choose the best strategy, companies need to coordinate their approaches to create industry niches and/or strengthen their resources, skills, and capabilities to adapt to the internal and external environment in order to achieve sustainable competitive advantage and improve business performance (Chevroliier et al., 2020; Akter et al., 2021; Blaique et al., 2022; Cao et al., 2022; Huo & Li, 2022; Vlastic, 2022). In order to fulfil the outlined goals, organizations should rather focus on developing robust strategic orientation. Thus, an organization's strategic direction reflects its operational, commercial and business innovation capability. In this way, a company achieves its goals in the marketplace by taking risks, investing in innovation, acting proactively, and developing forward-looking insights. Organizational innovation includes changes in business practices, workplace organization, and external relationships (Walker et al., 2015). Nandram (2016) define organizational innovation practices (OIP) as new knowledge that is incorporated into process, product, and service development. Innovation is a creative process that focuses on going beyond conventional practices and finding new ways of doing or managing things (Bocken et al., 2019). Amidst other suitable theories to explain the association between firm performance and strategic orientations the Resource-Based View (RBV) proposed by Penrose (1959) and standardized by Barney in 1984 has been adopted to explain the relationship between strategic orientation, organizational innovation and firm performance. RBV focuses on human capabilities and external capabilities such as networks and technology to achieve competitive advantage—which is also reflected in the strategic management literature.

Drawing on the RBV theory, this paper aims to analyse the implications of strategic orientation on firm performance, and to develop a model to explain the mediating role of organizational innovation on the relationship between strategic orientation and firm performance with a focus on a lower middle-income country to address responsible consumption and production (Sustainable Development Goal (SDG) 12) while taking actions to mitigate the impact of climate change (SDG 13). Inferring from the main aim of the paper, the following specific research questions are formulated.

RQ1: To what extent do the dimensions of strategic orientation impacts on firm's innovation capability and performance in a lower middle-income country?

RQ2: To what extent do firm's innovation capability drive firm performance in a lower middle-income country?

RQ3: To what extent do firm's innovation capability mediate the relationships between dimensions of strategic orientation and firm performance in a lower middle-income country?

The crux of this paper is that majority of available empirical (Capriati & Divella, 2020; Liu et al., 2022; Mendoza-Silva, 2021; Migdadi, 2022; Montreuil et al., 2021; Pufal & Zawislak, 2022; Siegenthaler, 2022) evidence suggest that strategic orientation and firm performance has been widely researched. There is the need to investigate extent to which organizational innovation capability mediates the relationship between strategic orientation and firm performance, particularly in the context of lower middle economy. The lower middle-income countries are mostly emerging economies, as such innovational capabilities are either employed at incremental or radical levels. It has been argued that economic growth and development in such markets require innovational capabilities. SMEs are the most dominant businesses in this market and a major source of employment, innovation, gross domestic products (GDP) and human capital development. In effect, exploring how innovational capabilities mediate the relationship between strategic orientation and firm performance is therefore timely and imperative to enhance sustainable firm growth and development. Moreover, there is the need to investigate how the dimensions of strategic orientations, for example, marketing, entrepreneurship and technological could be used to develop organizational innovation or competitive advantage and eventually improve the overall firm performance. This paper by implications, has provided a context specific strategic orientation model to enhance organizational innovation and firm performance. Moreover, the paper has provided contextual variables that impact on organizational innovation and firm performance which could go a long way to guide managers, owners and regulators in the SMEs sector to develop robust strategies to enhance the realization of SDGs. This paper has been structured into six sections as follows: the introduction, theoretical background and hypotheses development, materials and methods, results and discussions, conclusion, implications and limitations.

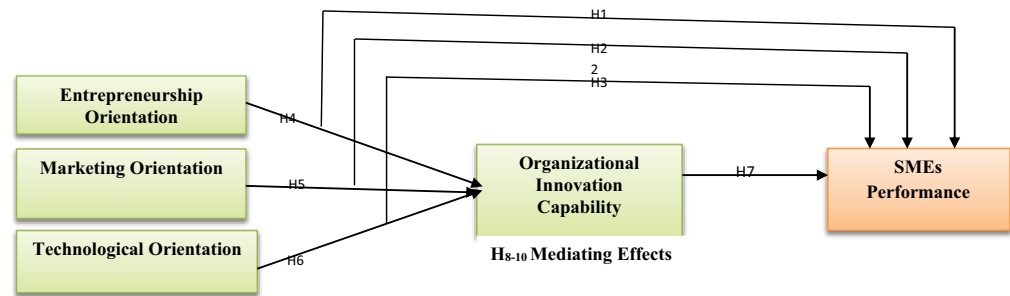
2. Literature review: theoretical and hypotheses development

The RBV theory which serves as the main foundation of the present study has its origin from the theory of firm growth by Penrose (1959). Penrose argues that strategic orientation of firms entails integrated role between internal factors (capabilities) and the external environment (competitors). In his seminal Wenerfelt (1984) asserted that organizational strategic resources include tangibles (e.g., buildings, chairs, desks, documents, etc.) and intangible (employee skills) assets that are partially functionally interdependent. Barney (2000) divides firm resources into three categories, namely physical capital, which is used to value raw materials and technology, human capital, such as the intelligence, relationships, training and work experience that people have in the firm, and organizational capital, which are systems designed to manage and coordinate people in teams and in the firm environment. Central to this theoretical proposition is the idea that a firm's performance in achieving sustainable corporate advantage is enhanced by the acquisition and management of valuable, rare, unique and irreplaceable (VRIN) resources and the ability to harness and apply them (Barney, 2001). The current study argues that that strategic orientation increases the competitive advantage of SMEs in a highly competitive environment. Resources and skills offer significant benefits to SMEs in terms of reduced transaction costs and access to external resources and skills. The RBV thus suggests that strategic orientation and organizational orientations have a positive impact on SMEs performance. In addition, sourcing and quality strategies appear to contribute to the sustainability and performance of SMEs. Global competitive innovation in the current high-tech era forces firms to build long-term relationships and software to demonstrate their capabilities by learning new knowledge and skills needed to achieve competitive advantage, which are referred to as organizational innovation capability. On the bases of the above, the present study postulate that strategic orientations such as marketing orientation, entrepreneurship orientations and marketing orientation are intangible resources that work together to enhance SMEs innovational capability which drives SMEs performance as demonstrated in the Figure 1. Number of prior studies (Charoensukmongkol, 2016, 2022; Ekawee & Charoensukmongkol, 2020) have utilized RBV in related studies.

2.1. Strategic orientation and SMEs performance

Strategic orientation has been variously studied and reported (Chevrollier et al., 2020; Akter et al., 2021; Ibarra-Cisneros et al., 2021; Obel & Gurkov, 2021, 2021; Vlastic, 2022). Nevertheless, the

Figure 1. Research Framework.



results have generally been mixed and inconclusive. The present study argues that strategic orientation has direct effect on firm performance base on the assumptions of RBV theory. Strategic orientation focuses on how a company should respond to external influences such as competitors, consumers, and technology (Asghari & Amani, 2016). Strategic orientation describes the business behaviour of a company (Abdulrab et al., 2021; Hassan & Samour, 2016; Rasyid & Linda, 2019) and according to Uzoamaka et al. (2020), strategic orientation is the strategic direction that a company should take to continuously improve its performance in order to gain a competitive advantage over others. Again, Nganga (2017) argued that strategic orientation is a strategic choice, strategic disposition, strategic direction, and strategic adaptation. In this paper we have defined strategic orientation as the process of creating business direction and adapting to the external environment changes in order to develop a competitive advantage. Entrepreneurship orientation is core component of strategic orientation which entails proactiveness, innovativeness, risk-taken, competitive aggression and, autonomy (Charoensukmongkol, 2016, 2022; Ekawee & Charoensukmongkol, 2020; Novotna, 2021). The arguments presented here are based on the proposition that strategic orientation drives firm performance. Therefore, the study proposes as follows:

H1: *Entrepreneurship orientation has significant and positive effect on SMEs performance*

H2: *Marketing orientation has positive and significant effect on SMEs performance*

H3: *Technological orientation has positive and significant effect on SMEs performance*

2.2. Strategic orientation and organizational innovation capability

Deducing from the RBV theory, prior studies (See; Adiguzel & Sonmez Cakir, 2022; Huo & Li, 2022; Nassani & Aldakhil, 2021; Vlastic, 2022) have argued that strategic orientation could readily build robust organizational innovative capacity in the form of competitive advantage. Strategic orientation provides the direction and culture that a firm adopts to conduct its business and gain competitive advantage (Zhani et al., 2021). It ultimately leads to lower products is a management philosophy that emphasizes their growth, lower productivity and loss of market share in pursuit of higher performance, work on imported food and competitive advantage can create value and a set of beliefs (Jassmy et al., 2018). In their study, Hollen et al. (2013) define organizational innovation as new to a company, for It involves setting up, motivating employees, coordinating activities and decisions, arising through new interorganizational relationships, and conceptualizing it as firm-specific management activities aimed at achieving organizational goals. According to Rietveldt and Goedegebuure (2014), a network is a relationship linked by exchange. Networking is a formal process of interconnection in which channels are created through which information about other individuals and groups can be easily collected, validated and tested to the benefit of the organization (Mano, 2014). The arguments presented here are based on the proposition that strategic orientation drives SMEs innovation. Therefore, the study proposes as follows:

H4: *Entrepreneurship orientation has positive and significant effect on SMEs innovation capability*

H5: *Marketing orientation has positive and significant effect on SMEs innovation capability*

H6: *Technological orientation has positive and significant effect on SMEs innovation capability*

2.3. Organizational innovation capability and SMEs performance

The final proposition of the paper is that organizational innovation drives firm's performance (Iqbal et al., 2021; Liu et al., 2022; Mendoza-Silva, 2021; Migdadi, 2022; Pufal & Zawislak, 2022). Fan et al. (2022) asserted that organizational innovation new approaches used by firms in three areas. Organizational innovation capability entails business practices, work organization and external relationships. Besides, Demircioglu (2016) suggested that organizational innovation capability is ability to generate ideas, new products, methods, services, processes, technologies and strategies introduced by an organization. Organizational innovation includes changes in business practices, workplace organization, and external relationships (Gibson et al., 2014; Walker et al., 2015). Nandram (2016) define organizational innovation practices (OIP) as new knowledge that is incorporated into process, product, and service development. Innovation is a creative process that focuses on going beyond conventional practices and finding new ways of doing or managing things (Bocken et al., 2013; Ludmila and Stanislava (2015); Suriyapperuma et al. (2015); Valencia and Cazares (2016). In this paper we define organizational innovation capability as the ability of firm to design new market, new process, new product, new suppliers while adjusting to the external environmental threats. The arguments presented here are based on the proposition that strategic orientation drives SMEs innovation. Therefore, the study proposes as follows:

H7: *SMEs innovation has significant and positive effect on SMEs performance*

H8: *SMEs innovation significantly mediate in between entrepreneurship orientation and SMEs performance*

H9: *SMEs innovation significantly mediate in between marketing orientation and SMEs performance*

H10: *SMEs innovation significantly mediate in between technological orientation and SMEs performance*

3. Research methodology

3.1. Population and sampling procedure

Population in the context of this paper defines individuals or groups who have expertise or working knowledge on the issues being investigated. The target group of the study consisted of Ghanaian SMEs. The main criteria for inclusion in the sample were: i) SMEs duly registered and operating in Ghana, ii) SMEs that is a number of at least one regulatory body e.g., Association of Ghana Industry (AGI), Ghana Enterprise Agency (GEA) among others. The samples for the study were estimated using the Rule of Ten (Hair et al., 2017). Which requires that the minimum number of survey participants should not be less than total number of paths directed towards a latent variable which according to the survey is 100 (e.g., 10-paths \times 10). Meanwhile, for the robustness and validity purpose 250 questionnaires were administered to the participants, out of which 225 responses were received. Further checked such as completeness, non-response and incomplete questionnaires reduced the sample to 219 useful responses recording 87.6% response rate. The 219 SMEs in Ghana were selected using a stratified sampling strategy. To effectively select the participants strata was formed using the target participating sectors e.g., mining, pharmaceuticals, manufacturing, oil and gas, and hospitality. The actual participants were then randomly selected until the

219 total samples were attained. This type of sampling technique is very effective towards sampling errors eradication and fairness in the sample representatives.

3.2. Survey design

This paper is anchored on quantitative research approach and positivist's ontology with the aim of analysing the implications of strategic orientation on firm performance, and to develop a model to explain the mediating role of organizational innovation on the relationship between strategic orientation and firm performance with a focus on a lower middle-income country where such studies are largely unexplored. Prior studies (K. M. Appiah, 2022; M. K. Appiah et al., 2022; Appiah, Tettevi, et al., 2022; 2022) asserted that one of the uniqueness of quantitative research approach is its ability to support statistical modelling and hypotheses testing. Besides, it focuses on numerical data rather than textual. Again, our chosen research approach is consistent with survey design. Surveys allows research problems to be translated into questionnaires which are used to elicit information from large pool of participants. This strategy is cost effective and saves a lot of time. (Zikmund et al., 2012).

3.3. Constructs, measures and data collection

Table 1 presents names of constructs and their measurements for the paper. We designed the questionnaire based on previous literature. For example, items measuring strategic orientation were adapted and modified from Li and Zhou (2010) and Panda (2014), organizational innovation capability were adapted and modified from Wang and Chen (2013) and SMEs performance measures were adapted and modified from Wang and Chen (2013). Strategic orientation was measured with three sub-constructs and 12 items, organizational innovation capability was measured using two sub-constructs and 8 items while SMEs performance was measured using two sub-constructs and seven items. Structured questionnaires were used because they are often used in behavioural science research to determine intentions, preferences, attitudes and opinions. Several other authors, including (K. M. Appiah et al., 2021; K. M. P. Appiah et al., 2021; Appiah et al., 2022), argued that there is very effective in modelling and straightforward to use. All constructs were measured using point Likert's Scale. The highest point of the scale was 5 -implies strongly agree while 1-implies strongly disagree. This paper involves the use of human participants, as result all the recommended ethical protocols were duly followed. These include; informed content, voluntary participation, respect for human right and protection from harm. Ethical Review Committee of the Kumasi Technical University approved the measurement instruments.

Table 1. Constructs and Measurements

Constructs	Number of Items	Type of Scale	Sources
Strategic Orientation Sub-constructs (Marketing orientation; Technology orientation and Entrepreneurship orientation)	12 items	5-Point Likert-Type Scale	Li and Zhou (2010); Panda (2014)
Organizational Innovation Capability Sub-constructs Radical innovative capability Incremental innovative capability	8 items	5-Point Likert-Type Scale	Wang and Chen (2013)
SMEs Performance Sub-constructs Financial Performance Customer Service Performance	7 items	5-Point Likert-Type Scale	Yang et al. (2009); Ngo and O'Cass (2013); Lin et al. (2018)

Source: Authors compilations

3.4. Analytical Technique

The mediation analysis has been conducted using Andrew Hayes Macro Process and SPSS version 23. Analyses were conducted at two levels. Firstly, the validity of the measurements has been determined through discriminant and convergent approaches. Secondly, the T-values have been used to test the hypotheses of the model. The composite reliability and factor loadings have been used to evaluate convergent validity. The result has been validated using AVEs score. Nevertheless, discriminant validity has been assessed using AVEs estimates based on Fornell and Larcker approach as showed in the Table 2. Direct and indirect effects. The impact of strategic orientation on SMEs performance was determined using direct effect model (without the mediator) and an indirect effect (with mediator) model (organizational innovation capability). The mediation analysis was based on the procedure of Baron and Kenny (1986) and Sobel (1982). According to Sobel, a variable can be considered a mediator to the extent that it transfers the effect of a given independent variable (IV) to a given dependent variable (DV). In general, Sobel argues that mediation exists if (1) the IV has a significant effect on the mediator, (2) the IV has a significant effect on the DV in the absence of the mediator, (3) the mediator has a significant unique effect on the DV, and (4) the effect of the IV on the DV decreases when the mediator is included in the model.

4. Results

4.1. Convergent validity, discriminant validity and, multicollinearity test

Prior to the structural analyses and testing of hypotheses, the paper has assessed the model for possible violation of construct validity and multicollinearity assumption. Factor loadings, Cronbach's alpha and composite reliability, scores were used to assess convergent validity. To validate convergent validity, the average variance extracted scores were assessed. As showed in Table 2 all the factor loadings are higher than the recommended 0.7 which is acceptable for the model. Likewise, Cronbach Alpha and Composite Reliability scores are higher than the minimum recommended 0.7. Moreover, AVE scores are far higher than the minimum recommended 0.5. These scores imply that the model has acceptable convergent validity score. As indicated in Table 3, Fornell and Larcker (1981) criteria has been used to determine discriminant validity using square roots of the AVE estimates. The square roots of the AVE estimates are far higher than the intra-construct correlation co-efficients suggesting an acceptable discriminant validity. Again, the study has revealed Table 4 that there is no major multicollinearity problem in the model as VIF scores are within the acceptable limit (e.g., $VIF < 5$) (Hair et al., 2017).

4.2. Path Co-Efficients and hypotheses testing

As showed in the Table 5, the predictive power of the hierarchical regression models ranged from 0.864 to 0.957 suggesting that between 86.4% and 95.7% changes in SMEs performance are caused by the variables used in the models. The score further suggest that the models are strong suitable for its purposes. Moving on with the individual direct and indirect effects, the results have showed that entrepreneurial orientation has significant and positive effect on firm performance ($\beta = 0.326$, $t\text{-value} = 2.030$). Again, market orientation has significant and positive effect on firm performance ($\beta = 0.593$, $t\text{-value} = 6.500$). Also, technology orientation has significant and positive effect on firm performance ($\beta = 0.777$, $t\text{-value} = 6.958$). Moreover, entrepreneurial orientation has significant and positive effect on organizational innovation capability ($\beta = 1.149$, $t\text{-value} = 11.860$). Furthermore, market orientation has significant and positive effect on organizational innovation capability ($\beta = 0.354$, $t\text{-value} = 6.417$). Furthermore, technology orientation has significant and positive effect on organizational innovation capability ($\beta = 0.624$, $t\text{-value} = 9.248$). Again, organizational innovation capability has significant and positive effect on firm performance ($\beta = 0.855$, $t\text{-value} = 25.302$). Expectedly, organizational innovation capability significantly mediates the relationship between market orientation and firm performance ($\beta = 0.431$, $t\text{-value} = 4.391$). Similarly, organizational innovation capability significantly mediates relationship between technology orientation and firm performance ($\beta = 0.495$, $t\text{-value} = 3.764$). However, organizational innovation capability does not significantly mediate the relationship between entrepreneurial orientation and firm performance ($\beta = -0.156$, $t\text{-value} = -0.737$). As illustrated in Table 6, all the hypotheses of

Table 2. Convergent Validity

	Factor Loading	Cronbach a if items deleted	Cronbach a	Composite Reliability	AVE
EntOrient1	0.839	0.947	0.895	0.909	0.829
EntOrient2	0.962	0.756			
EntOrient3	0.926	0.831			
MarOrient1	0.644	0.887	0.873	0.811	0.666
MarOrient2	0.812	0.849			
MarOrient3	0.816	0.847			
MarOrient4	0.902	0.812			
MarOrient5	0.884	0.823			
TecOrient1	0.966	0.873	0.927	0.904	0.825
TecOrient2	0.966	0.873			
TecOrient3	0.770	0.963			
TecOrient4	0.917	0.900			
OrgInnoCap1	0.849	0.945	0.951	0.862	0.744
OrgInnoCap2	0.833	0.946			
OrgInnoCap3	0.864	0.944			
OrgInnoCap4	0.874	0.943			
OrgInnoCap5	0.884	0.942			
OrgInnoCap6	0.838	0.946			
OrgInnoCap7	0.874	0.943			
OrgInnoCap8	0.884	0.942			
FirPerf1	0.675	0.943	0.946	0.757	0.869
FirPerf2	0.779	0.936			
FirPerf3	0.785	0.936			
FirPerf4	0.727	0.940			
FirPerf5	0.698	0.942			
FirPerf6	0.812	0.934			
FirPerf7	0.824	0.934			

EntOrient=Entrepreneurial Orientation; MarOrient=Market Orientation; TecOrient=Technology Orientation; OrgInnoCap=Organization Innovation Capability; FirPerf=Firm Performance

the study are supported except H8. There was no enough evidence to support the claim that organizational innovation capability significantly mediate the relationship between entrepreneurial orientation and firm performance. Therefore, H8 is rejected. These results have been discussed in the next section.

5. Discussions

Strategic orientation has evolved as one of the means to attain competitive advantage in order to ensure business survival, growth and sustainability. This paper has been conducted to analyse the implications of strategic orientation on firm performance, and to develop a model to explain the mediating role of organizational innovation on the relationship between strategic orientation and firm performance with a focus on a lower middle-income country where such studies are largely unexplored. The paper is aimed to specifically answer three questions: What are the effects of strategic orientation dimensions on firm performance? What is the effect of organizational innovation capability on firm performance? To what extent do organizational innovation capability mediate the relationship between strategic orientation and firm performance? The findings from the study are largely consistent with previous studies (Chevrollier *et al.*, 2020; Akter *et al.*, 2021; Ibarra-Cisneros *et al.*, 2021; Obel & Gurkov, 2021; Strategic Direction, 2021) and confirm the

Table 3. Discriminant Validity Using Fornell and Larcker (1981) criteria

	Composite Mean ± SD	AVE	OIC	EO	MO	TO	FP
Organizational Innovation Capability	3.821 ± 0.883	0.744	0.862				
Entrepreneurs Orientation	3.803 ± 0.945	0.529	0.217	0.910			
Market Orientation	3.739 ± 0.883	0.666	0.748	0.792	0.816		
Technology Orientation	3.755 ± 0.968	0.725	0.791	0.722	0.767	0.908	
Firm Performance	3.702 ± 0.999	0.769	0.764	0.783	0.709	0.726	0.932

Note: AVE=Average Variance Extracted; *Italics values in the diagonal row are square roots of the AVE*

Table 4. Test for Multicollinearity Using Variance Inflation Factor (VIF)

	VIF
EntOrient1	2.048
EntOrient2	4.750
EntOrient3	4.291
MarOrient1	1.646
MarOrient2	2.364
MarOrient3	2.103
MarOrient4	3.546
MarOrient5	3.648
TecOrient1	3.767
TecOrient2	1.714
TecOrient3	3.696
TecOrient4	1.000
OrgInnoCap1	4.363
OrgInnoCap2	3.482
OrgInnoCap3	3.620
OrgInnoCap4	2.381
OrgInnoCap5	4.586
OrgInnoCap6	2.679
OrgInnoCap7	2.168
OrgInnoCap8	4.106
FirPerf1	4.362
FirPerf2	4.032
FirPerf3	4.440
FirPerf4	3.020
FirPerf5	2.778
FirPerf6	4.691
FirPerf7	4.172

assumption of the RBV theory. With respect to the RQ1 the results have showed that strategic orientation (marketing, entrepreneurship, and technology) exerts positive and significant effect on firms' innovation capability and performance. These imply that SMEs entrepreneurial capabilities to spot opportunities, take risks and show competitive aggression are able to impact on SMEs innovation capability and performance positively. Likewise, SMEs with the capability to design appropriate products/services, do better market segmentation analysis and consumer behaviour to promote its products have positive effect on SMEs innovation and performance. Besides, SMEs ability to use modern innovation and new approaches and techniques and processes enhance their overall performance as compared to firms that lack such technological orientation. These results largely support the proposition of the RBV theory and show consistency with prior related studies (Adiguzel & Sonmez Cakir, 2022; Huo & Li, 2022; Nassani & Aldakhil, 2021; Vlastic, 2022) that strategic orientation could readily build robust organizational innovative capacity in the form of competitive advantage. Strategic orientation provides the direction and culture that a firm adopts to conduct its business and gain competitive advantage (Zhani et al., 2021). It ultimately leads to lower products is a management philosophy that emphasizes their growth, lower productivity and loss of market share in pursuit of higher performance, work on imported food and competitive advantage can create value and a set of beliefs (Owusu et al., 2019; Jassmy et al., 2018). Concerning RQ3, the study has revealed that organizational innovation has significant on firm performance which is in agreement of previous proposition (Blaique et al., 2022; Cao et al., 2022;

Table 5. Hierarchical Regression Model

Hypothesis Paths Controls	FP	OIC	FP	FP	FP	FP
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Firm Type	0.015(0.39)	0.19(0.35)	0.11(0.15)	0.22(0.35)	0.16(0.91)	10.15(0.015)
Firm Size	-0.012(0.15)	0.81(0.23)	-0.09(0.89)	0.18(0.19)	-0.53(0.41)	-0.05(0.019)
Direct Effects						
ENO	0.326(2.030*)					
MRO	0.593(6.500***)					
TEO	0.777(6.958***)					
ENO		1.149(11.860***)				
MRO		0.354(6.417***)				
TEO		0.624(9.248***)				
OIC			0.855(25.302***)			
Indirect Effects						
ENO on FP thru. OIC				-0.156(-0.737 ^{ns})		
MRO on FP thru. OIC					0.431(4.391***)	
TEO on FP thru. OIC						0.495(3.764***)
Model Fitness						
R	0.873	0.957	0.864	0.865	0.876	0.873
R Square	0.763	0.915	0.747	0.747	0.768	0.762
Adjusted R Square	0.759	0.914	0.746	0.745	0.765	0.760
F-statistics	230.203	773.476	640.214	319.703	356.710	346.620
Sig.	0.000	0.000	0.000	0.000	0.000	0.000

ENO=Entrepreneurial Orientation, MRO=Market Orientation, TEO=Technology Orientation, OIC=Organizational Innovation Capability, FP=Firm Performance, T-values are in the parenthesis. *p < 0.05; **p < 0.01; ***p < 0.001; ns=not significant

Table 6. Statement of Hypotheses

Hypothesized Paths	Beta	T-value	Decision
H1: Entrepreneurial orientation has significant and positive effect on firm performance	0.326	2.030	Supported
H2: Market orientation has significant and positive effect on firm performance	0.593	6.500	Supported
H3: Technology orientation has significant and positive effect on firm performance	0.777	6.958	Supported
H4: Entrepreneurial orientation has significant and positive effect on organizational innovation capability	1.149	11.860	Supported
H5: Market orientation has significant and positive effect on organizational innovation capability	0.354	6.417	Supported
H6: Technology orientation has significant and positive effect on organizational innovation capability	0.624	9.248	Supported
H7: Organizational innovation capability has significant and positive effect on firm performance	0.855	25.302	Supported
H8: Organizational innovation capability significantly mediates the relationship between entrepreneurial orientation and firm performance	-0.156	-0.737	Not Supported
H9: Organizational innovation capability has significant mediating effect in between market orientation and firm performance	0.431	4.391	Supported
H10: Organizational innovation capability has significant mediating effect in between technology orientation and firm performance	0.495	3.764	Supported

Source: Author's Compilation

Capriati & Divella, 2020; Charoensukmongkol, 2016, 2022; Ekawee & Charoensukmongkol, 2020; Iqbal et al., 2021; Liu et al., 2022; Mendoza-Silva, 2021; Migdadi, 2022; Montreuil et al., 2021; Pufal & Zawislak, 2022; Siegenthaler, 2022). Also, organizational innovation capability significantly mediated the relationships between marketing and technological orientations and firms' performance but failed to mediate the relationship between entrepreneurship orientation and firm

performance. These results suggest that organizational innovation capability is a partial necessity for marketing and technology orientations to be reprocessed to be able to positively impact on firm performance. Meanwhile, entrepreneurship orientation does not require the presence of organizational innovation to impact on firm performance which is partly consistent with prior studies that organizational innovation drives firm's performance (Iqbal et al., 2021; Liu et al., 2022; Mendoza-Silva, 2021; Migdadi, 2022; Pufal & Zawislak, 2022). Fan (2019) asserted that organizational innovation new approaches used by firms in three areas. Organizational innovation capability entails business practices, work organization and external relationships. Besides, Demircioglu (2016) suggested that organizational innovation capability is ability to generate ideas, new products, methods, services, processes, technologies and strategies introduced by an organization. Organizational innovation includes changes in business practices, workplace organization, and external relationships (Gibson et al., 2013; Walker et al., 2015). By implications, the emergency of contextual variables that impact on organizational innovation and firm performance would go a long way to guide managers, owners and regulators in the SMEs sector to develop robust strategies that could enhance the realization of SDGs.

6. Conclusion, implications and limitations

6.1. Conclusion

SMEs in the lower middle-income countries such as Ghana are working studiously to adapt to the changes in the external business environment including working to attain SDGs particularly responsible consumption and production.

in order to gain competitive advantage and improve their performance. Our paper has approached this gap by analysing the implications of strategic orientation on firm performance, and to develop a model to explain the mediating role of organizational innovation on the relationship between strategic orientation and firm performance with a focus on a lower middle-income country where such studies are largely unexplored. The paper has revealed that strategic orientation (marketing, entrepreneurship, and technology) exerts positive and significant effect on firms' innovation and performance. Besides, organizational innovation significantly mediates the relationship between marketing and technological orientations and firms' performance. The paper concludes that the dimensions of strategic orientation improve SMEs performance. Moreover, organizational innovation capability also drives firm performance. The paper has further revealed that organizational innovation capability has become a necessary condition through which the impacts of strategic orientation on firm performance is achieved which is consistent with RBV theory. The implications from the conclusions have been elaborated in the next section.

6.2. Implications – Theoretical, Practical and Policy

Theoretically, the paper has developed a context specific strategic orientation model to enhance organizational innovation and performance using RBV theory with slight variations with a focus on a lower middle-income country where such studies are largely unexplored. This study is one of the very few to develop a context specific model to guide decision making in the dynamic business environment. This model is robust as compared to the generic theories which was developed and tested mainly in the context of developed and high-income economies. The newly developed baseline model could be used other economies such as least developed countries. Policy and Practical implications of the paper include the emergency of contextual variables that impact on organizational innovation and firm performance would go a long way to guide managers, owners and regulators in the SMEs sector to develop robust strategies that could enhance the realization of SDGs. Moreover, this paper has reiterated the need for SMEs governing bodies to stimulate and reawake the curiosities of SMEs towards realization of SDGs. These may include campaign to encourage SMEs to adapt strategies that promote social justice, right for human right, environmentally friendliness while maintaining profit for its shareholders.

6.3. Limitations

This paper has some limitations which could be used as bases for further knowledge acquisition and disseminations. Foremost, this paper focused on strategic orientation and firm performance and the mediating role of organizational innovation capability. It is suggested that future studies should consider multi-mediation model. Besides, there is the need to test the moderating effect of top leadership commitment on the relationship between strategic orientation and firm performance. Again, this study adopted cross sectional survey strategy, it is strongly recommended that future studies should consider using longitudinal study and compare the outcome. Also, there is the need to conduct a comparative study between strategic orientations of multinational corporations and local SMEs. Furthermore, future researchers should endeavor to use mixed method research approach since one automatically offset the weakness of the other. Moreover, future studies should adopt qualitative research approach to explore strategic orientation in new and emerging specific markets. Again, there is the need for key informant interviews with SMEs regulatory bodies to explore policy options to enhance SMEs sustainable growth and development.

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Appendix A: Survey Questionnaire

I respectfully, request you to be part of this research by completing the attached questionnaire. This questionnaire is aimed to be filled in by business owners, business units' heads, and CEO's. Most of the items are rating scales. To what extent do you agree with the following statements about your business? (1=Strongly Disagree; 2=Disagree; 3=Neutral; 4=Agree; 5=Strongly Agree). Tick as appropriate

Strategic Orientation	1	2	3	4	5
Strategic Orientation					
(1) We constantly monitor our level of commitment and orientation to serve the customer needs					
(2) Our business objectives are primarily driven by customer satisfaction					
(3) Our business objectives are driven by creating greater customer value					
(4) Our competitive strategies are based on our understanding of customer needs					
(5) We constantly monitor our level of commitment and orientation to serve the customer needs					
Entrepreneurship orientation					
(1) We value the simply and risk-reducing management process much more highly than leadership initiative for change					
(2) Our top managers are likely to "play it safe"					
(3) Our managers like to implement plans only if they are certain that they will work					
Technological Orientation					
(1) We use sophisticated technology in our new product development					
(2) Our new products are always the state-of-the-art technology					
(3) We actively solicit and develop technologically advanced new products					
(4) Technical innovation, based on research results, is readily accepted in the organization					
Organizational Innovation Capability					
(1) Our company has the capability of innovations that reinforce the prevailing product/service lines.					
(2) Our company has the capability of innovations that reinforce the existing expertise in prevailing products/services.					

(Continued)

(Continued)					
Strategic Orientation	1	2	3	4	5
(3) Our company has capability to ensure innovative learning					
(4) Our company has the capability of innovations that reinforce how it currently competes.					
(5) Our company has the capability of innovations that make the prevailing product/service lines obsolete.					
(6) Our company has the capability of innovations that fundamentally change the prevailing products/services.					
(7) Our company is among the first to adopt new technologies in our industry					
(8) Our company has the capability of innovations that make the existing expertise in prevailing products/services obsolete.					
Firm Performance					
(1) Our company profit margin has increased as a result of corporate strategy					
(2) Our company returns on investment has increased as a result of corporate strategy					
(3) Our company return on assets has increased as a result of our commitment towards corporate strategy activities					
(4) Our company market share has increased through corporate strategy					
(5) Our company cost components have decreased through corporate strategy					
(6) Our company flexibility in the production processes has increased					
(7) Our company has increased in consistency in meeting the needs of customers					