

STRATEGIC ORIENTATIONS AND PRODUCT PERFORMANCE IN COMMUNITY-BASED ENTERPRISES: THE LINK OF INNOVATION

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ABSTRACT

This paper investigates the relationship between entrepreneurial orientation (EO) and market orientation (MO) and how they affect product performance through the mediating effect of innovation. The data were collected from a sample of 706 community-based enterprises (CBEs) operating in Thailand. The results indicate that EO and MO have indirect impacts on product performance, via the mediating effect of innovation. EO strongly affects MO and innovation is a robust antecedent of product performance in small firms. This study has implications for the managerial practice of firms in Thailand, providing evidence in support of EO and MO as strategic tools for innovation and performance. Innovation as a vital mechanism for organizational growth is highly necessary for CBEs in Thailand, as an emerging economy. This study provides a clearer understanding of the relationship between those two strategic orientations and their benefits. This study considers all four factors of CBEs (EO, MO, innovation, and performance) in a single model. This study therefore provides new insights into how MO and EO simultaneously contribute to superior product performance through innovation.

Keywords: Entrepreneurial Orientation, Market Orientation, Innovation, Firm Performance, Community-Based Enterprises.

INTRODUCTION

In a highly competitive and changing business environment, firms must gather key resources and develop their capabilities to achieve long-term competitive advantage and business efficiency. Innovation is considered a necessary resource and capability that firm can exploit in pursuit of sustainable competitive advantage. To accomplish successful innovation, organizations must take two complementary strategic proclivity approaches – namely, market-driving and market-driven—to adapt to their external environments and capture market opportunities (Otero-Neira et al., 2013; Song et al., 2019).

Entrepreneurial orientation (EO) and market orientation (MO) are recognized as critical success factors for small firms seeking global competitiveness (Amin et al., 2016; Yadav et al., 2019). EO is a market-driving approach, while MO is market-driven (Song et al., 2019). The market-driving approach drives firms to proactively pursue new business opportunities and create new products, services, and markets (Song et al., 2019). In contrast, the market-driven approach promotes a customer-oriented culture, with behavior that seeks to meet customers' needs and wants in the existing market and to create products and services of superior value (Otero-Neira et al., 2013). Otero-Neira et al. (2013) suggest that reactive responses to market demands are not adequate for success in a highly competitive market. Firms may have multiple strategic orientations and strategies, especially when facing unpredictable change in emerging

markets (Buli, 2017; Kocak et al., 2017). To reduce market pressure and remain competitive, complementary orientations must be implemented simultaneously.

However, previous empirical studies of EO and MO have produced inconsistent results (Eggers et al., 2013). A review of the literature shows that organizational factors such as strategy, resources, knowledge combination, and innovation have been shown to influence the relationship between EO and MO performance (Gruber-Muecke & Hofer, 2015; Song et al., 2019). Further study of these mediation effects is important for identifying other factors that explain how these two orientations impact business performance. Empirical research (e.g., Eggers et al., 2013; Liu et al., 2017) has shown that innovation leads to greater organizational effectiveness and that innovation can mediate the link between EO, MO, and performance. However, the role of EO, MO, and innovation and their effects on small firm performance – have been largely explored in developed countries (Ndubisi & Iftikhar, 2012; Herath & Karunaratne, 2018; Yadav et al., 2019), and the contribution of EO and MO to small firm performance in developing countries is not yet clearly understood (Buli, 2017). Importantly, there is no research examining whether and how EO and MO affect product performance from the viewpoint of innovation capability in community-based enterprises (CBEs).

This study seeks to fill these research gaps and argues that an integrated approach of MO and EO (sequential or simultaneous) contributes to improving performance. Drawing on the resource-based view (RVB) perspective, this study applies the resource-capability-performance relationships to explain how EO and MO enhance innovation capability and performance. A review of the previous research indicates that this is a distinctive study in its integration into a single model of the constructs of EO, MO, innovation, and the performance of CBEs, namely the Thai “*One Tambon One Product*” (OTOP) program.

This study empirically investigates the relationship between EO, MO, innovation, and product performance in the Thai context. Adding to the existing body of knowledge, this study advances understanding of how these two orientations boost organizational innovation and, in turn, improve the product performance of small firms, particularly CBEs operating in turbulent business environments. Furthermore, this study tests whether MO and EO can be adopted in different environments and cultural contexts and strengthens the results of previous research.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Entrepreneurial Orientation (EO) and Market Orientation (MO)

Entrepreneurial Orientation (EO) determines a firm’s decision-making styles and behaviors, encouraging a proclivity toward innovativeness, risk-taking, and proactiveness (Otero-Neira et al., 2013). An entrepreneurial firm is one that effectively allocates its available resources to introducing and implementing product innovations, undertaking risky activities, and proactively entering new markets (Amin et al., 2016; Tajeddini, 2010). In this sense, EO is a strategic resource that allows the firm to explore and exploit new business opportunities and potential markets, ultimately leading to superior performance (Song et al., 2019; Yu et al., 2016).

EO is a market-driving approach that allows a firm to respond proactively to changes in the external environment via the development of innovations (Otero-Neira et al., 2013).

The market-driven approach is customer-centric, allowing a firm to create value with which to meet market needs and wants (Song et al., 2019). Market Orientation (MO) is the market-driven approach taken by a market-oriented firm to respond to customer orientation,

competitor orientation, and inter-functional coordination (Yu et al., 2016). The marketing literature considers MO important for improving business outcomes (Montiel-Campos, 2018; Yadev et al., 2019). It is regarded as a culture that promotes the following key behaviors: (1) the creation of customer value based on customer and competitor intelligence; (2) the identification of competitors' strengths and weaknesses, as well as their strategies for gaining market competitiveness; and (3) the allocation of organizational resources to create superior customer value. This is consistent with the conclusions of Kohli and Jaworski (1990); Narver & Slater (1990).

Kajalo & Lindblom (2015) highlight that it is specifically the integrative effect of MO and EO that contributes to improvement in business performance. Otero-Neira et al. (2013) agree that an entrepreneurial inclination alone may not be sufficient, with MO also required for a positive impact on performance. Otero-Neira et al. (2013) suggest that an entrepreneurial firm may need market-based information to diminish uncertainty in the process of decision-making around innovation, particularly in a complex and dynamic environment. Furthermore, an emphasis on the existing market opportunities of the market-oriented firm may be essential, but it is not sufficient for business success because it overlooks emerging market opportunities (Matsuno et al., 2002). The internal management of the information is necessary to transform market knowledge into a concrete response of the firm to satisfy market needs. The success of such an internal response requires the effective allocation of the firm's resources and capabilities (i.e., the entrepreneurial inclination; Otero-Neira et al., 2013).

Although EO and MO measurements are similar in their concepts and theoretically overlapping in various aspects, including being "*change focused, opportunistic in nature, and innovative in their approach to management*" (Mamun et al., 2018) empirical research indicates that EO and MO are significantly correlated, but distinct business philosophies (Hakala, 2011). Hakala (2011) observes that these orientations are mutually complementary, depending on "*the level of correlation, mediation or moderating effects*" (Montiel-Campos, 2018). However, there is no inclusive study linking EO to MO as business performance impact in the context of Asia. This study suggests that entrepreneurial proclivity and a market-oriented culture can work together to contribute to superior performance. Therefore, the following hypothesis is formulated:

H₁: Among the community-based enterprises in the Thai "One Tambon One Product" program, entrepreneurial orientation has a positive effect on market orientation.

Entrepreneurial Orientation and Innovation

Innovation is increasingly acknowledged as an important source of long-term success and widely considered to be the primary result of EO (Ndubisi & Iftikhar, 2012). To compete successfully in changing market conditions, a firm with an EO can generate innovative activity with its ability to foresee changes in its customers' needs and new market opportunities, while developing and commercializing its product innovations (Otero-Neira et al., 2013; Song et al., 2019). Numerous studies have shown that entrepreneurship operates alongside other organizational factors to generate expected business outcomes (Tajeddini, 2010). Prior studies have demonstrated that entrepreneurial proclivity encourages innovation. For example, Kocak et al. (2017) analyzed the relationship between EO and innovation in the context of an emerging market and found a positive effect of EO on innovation. Chen et al. (2012) also found that EO can promote two organizational value-creating capabilities, namely exploitative and exploratory

competencies. Liu et al. (2017) further show that the interaction between EO and innovation is associated with better business results than the simple relationship between EO and performance. Therefore, the following hypothesis is formulated:

H₂: Among the community-based enterprises in the Thai “One Tambon One Product” program, entrepreneurial orientation has a positive effect on innovation.

Market Orientation and Innovation

MO is an important element in the development of innovation (Atuahene-Gima, 1996; Varadarajan & Jayachandran, 1999). Suggest that MO is more likely than other typologies of strategic orientation to support small firms in their development of innovation, improving their ability to create products, processes, and new product's outcomes. Similarly, Ngo and O'Cass (2012) argue that when smaller companies exploit MO, they have greater opportunities to develop in terms of their innovation. According to the dynamic capability perspective, strategic orientation is associated with market-sensing, market-learning, and innovation (Ahmed et al., 2017; Vega-Vázquez et al., 2012). This facilitates the generation and dissemination of market intelligence, which is then transformed into knowledge for the firm (Ahmed et al., 2017). Taking a resource-based point of view, Amin et al. (2016) suggest that market-oriented organizations, with their pursuit of sustainable competitive advantage, improve their organizational learning and implement innovative strategies that increase their performance. Therefore, the following hypothesis is formulated:

H₃: Among the community-based enterprises in the Thai “One Tambon One Product” program, market orientation has a positive effect on innovation.

Innovation and Firm Performance

According to Wang & Chung (2013), innovation contributes to performance because it provides a competitive edge, either improving the company's responses to changes in its internal or external environments or due to proactive action taken to influence these environments (Kocak et al., 2017). Thus, as a result of the greater uncertainty in the emerging markets, it is vital that small firms understand how innovation leads to better firm performance. Resource-based theory defines “*innovation*” as a firm's ability to develop new solutions and implement innovative activities (Liu et al., 2017; Ngo & O'Cass, 2012). Similarly, Ndubisi & Iftikhar (2012) define “*innovation*” as organizational activities, including new products and services, new production process technology, and new structures or administrative systems within the organization (Al-Henzab, 2018).

Empirical research confirms the positive and significant influence of innovation on factors such as productivity, quality output, organizational learning, and financial performance (Ahmed et al., 2017; Maldonado-Guzmán et al., 2019; Ndubisi & Iftikhar, 2012). However, studies of the benefits of innovation for small firms are more limited than those examining large firms (Maldonado-Guzmán et al., 2019). Moreover, few studies have examined how innovation influences product performance, and some empirical studies have reported inconsistent findings on the relationship between these constructs (Kocak et al., 2017; Tsou et al., 2014). Therefore, this study proposes that innovation plays a critical driving role in improving product performance, promoting activities that transform organizational capability into better-quality

products and services, improved production methods, cost reductions, and higher productivity. Therefore, the following hypothesis is formulated:

H₄: Among the community-based enterprises in the Thai “One Tambon One Product” program, innovation has a positive effect on product performance.

Mediating Role of Innovation

In the literature, there is a dearth of empirical research on the bridge between the four variables under study here (EO, MO, innovation, and performance). The complementary effects of those strategic orientations on product performance for small firms (particularly CBEs) are critical issues that require further research, as either of the two alone may not promote robust performance (Otero-Neira et al., 2013; Liu et al., 2017; Ngo & O’Cass, 2012). Accordingly, scholars suggest that there may be internal and external organizational components that mediate the link between EO, MO, and performance (Kajalo & Lindblom, 2015; Shah & Ahmad, 2019), as the existing empirical evidence is contradictory and occasionally suggests a non-significant correlation (Huhtala et al., 2014; Kocak et al., 2017).

While prior studies have indicated inconsistent relationships between these variables, a few have suggested innovation as an organizational capability influencing the relationship between MO, EO, and performance. Some previous studies have confirmed that a firm can only improve its competitive advantage and performance through the use of MO and EO as strategic resources for developing innovation capabilities (Ahmed et al., 2017; Liu et al., 2017; Ndubisi & Iftikhar, 2012; Tsou et al., 2014). Drawing on resource-based theory, this study applies the resource-capability-performance model to clarify these complex relationships and show how EO and MO improve innovation capability and performance. Taking a contingency approach, this study proposes that innovation will enhance this relationship. Therefore, the following hypothesis is formulated:

H₅: Among the community-based enterprises in the Thai “One Tambon One Product” program, innovation mediates the relationship between entrepreneurial orientation and market orientation performance.

Theoretical Framework

Based on the set of hypothetical relationships described above, this paper presents the theoretical framework of the study as follows (Figure 1). This framework is tested using empirical data, and the mythology is explained in the following section.

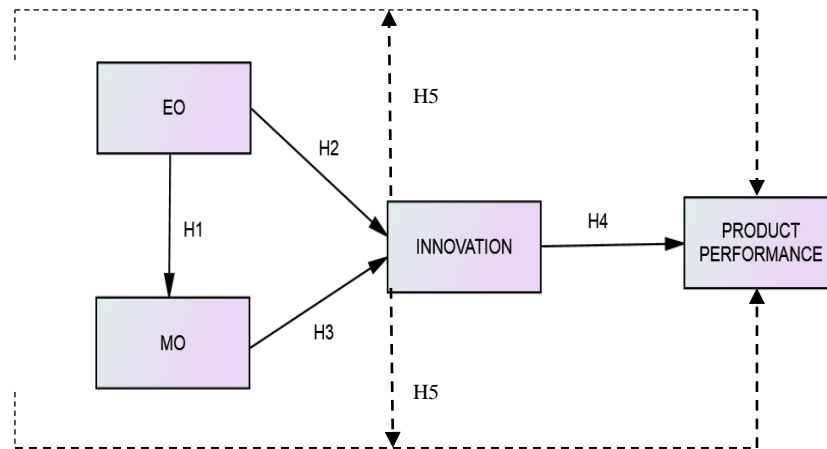


FIGURE 1
CONCEPTUAL MODEL OF THE STUDY

RESEARCH METHODOLOGY

Research Context

Thailand's "One Tambon One Product" (OTOP) is a local entrepreneurship motivation program that aims to promote unique knowledge and resources for product development in village communities across the country (Chumkate, 2015; Sitabutr & Pimdee, 2017). The implementation of this program is related with the concept of CBEs as a result of a local entrepreneurial activities, using the CBEs' social resources and networks (Natsuda et al., 2012). This project is intended to reduce poverty in the area by raising income at the grassroots level and helping local communities to become self-reliant (Lakhanapipat et al., 2016; Suindrmedhi, 2015). Under the OTOPT program, high-quality standard products are selected from each community to receive formal branding as an "OTOP product," and these products are then promoted in local and international markets (Lertpongmanee, 2014).

Though it has the potential to contribute significantly to the economy, sustainable entrepreneurship in the rural context has faced various challenges in quality control, production capacity, cost efficiency, and productivity, all of which affect the survival and growth of entrepreneurship (Sitabutr & Pimdee, 2017). Under conditions of globalization that force players to struggle for survival against global competition, while facing rapid changes in consumer demand, OTOPT entrepreneurs must take action to ensure their organizational capability and performance (Mamun et al., 2018; Chumkate, 2015). Thus, process, practice, and decision-making styles are issues of concern when reacting to external environments to pursue new market opportunities and exploit existing markets (Mamun et al., 2018). In the small firm context, it has been reported that firms with significant market and entrepreneurial orientations are more likely to achieve strong business results (Laukkanen et al., 2013). However, few empirical studies have explored the relationship between entrepreneurship and market strategies and how these influence business performance in the context of small firms in developing countries.

Sampling and Data Collection

Data were collected from a cross-sectional questionnaire survey of Thai OTOP enterprises. Survey questionnaires were distributed to owners and managers of 1,000 OTOP enterprises at the “*OTOP Trade Fair*” hosted by the Community Development Department. In total, 721 questionnaires were returned, of which 706 were usable, giving a response rate of 71 percent. These OTOP enterprises represent several manufacturing, retail and wholesale, and service industry businesses, located across all regions of Thailand. Table 1 lists the respondents’ characteristics (Madsen, 2007).

Description	%
Firm size (number of employees)	
0-30	50.28
51-100	33.57
101-200	16.15
Business type	
Manufacturing	50.9
Retail/wholesale	36.1
Service	13.0
Industry classification of firms	
Apparel and textiles	33.2
Souvenirs, gifts and art works	11.9
Food and beverage	23.7
Instruments and furniture	10.4
Non-edible herbal products	14.5
Household and decorative items	6.3

Measurements

Before implementing the survey, the instrument was reviewed by 10 OTOP entrepreneurs. This was intended to identify any problems with the wording or content of the questions (including ambiguity), and some minor changes were made on the basis of the entrepreneurs’ recommendations. All items were measured on a five-point Likert scale. The items for each construct were adopted from previous research in which they were demonstrated to be valid and reliable. The items for measuring MO were adopted from the scales of Narver and Slater (1990), since “*they had been previously tested and found to have acceptable measurement properties, particularly for developing economies*” (Gruber-Muecke & Hofer, 2015). These items concern three behavioral perspectives, namely customer orientation, competitor orientation, and coordination among departments.

The EO items were developed based on those from Kajalo & Lindblom (2015). These consist of three dimensions, concerning the top management’s decision-making and actions regarding product and market innovation, risk-taking, and proactiveness. The innovation items were adapted from Nasution et al. (2011) and Ngo and O’Cass (2012) and related to new products or services, production processes, and administrative systems within the organization. To capture the qualitative characteristics of firm performance, the items for quality output were adapted from Ndubisi & Iftikhar (2012).

RESULTS AND DISCUSSION

This study employed structural equation modeling to test the proposed theoretical model, with factor analysis and multiple regressions combined into a single statistical procedure (Hair et al., 2009). According to Arshi et al. (2020), this is a two-step approach: first, a confirmatory factor analysis (CFA) assesses the reliability and validity of the measurement models, then a structural model is used to test the hypotheses.

Measurement Model Analysis

A CFA was conducted to evaluate the reliability, the convergent validity, and the discriminant validity of the constructs. The reliability of each construct was then assessed using Cronbach's alpha. Table 2 shows that all the factor loadings are statistically significant at $p < 0.01$ and ranged from a low of 0.61 to a high of 0.93, supporting convergent validity, and all constructs exceed the suggested level of 0.70 (ranging from 0.74 to 0.85), signifying that the constructs have acceptable internal validity (Table 3). Discriminant validity was also evaluated for each construct. The average variance extracted (AVE) was examined, and the AVE scores of all concepts range from 0.50 to 0.60 and are thus higher than 0.50 (Table 3). This confirms discriminant validity between the constructs (Kwon, 2010).

Table 2
CONSTRUCT MEASURES, RELIABILITY, AND VALIDITY MEASUREMENT

Constructs and measures	^a Items	Std. loadings
Market orientation	MO2	0.64
	MO3	0.77
	MO4	0.74
	MO5	0.68
Entrepreneurial orientation	EO1	0.80
	EO2	0.76
	EO3	0.62
Innovation	INNO1	0.60
	INNO3	0.73
	INNO4	0.85
	INNO5	0.67
Product performance	PP3	0.67
	PP5	0.80
	PP6	0.73
	PP7	0.66

Notes: ^aItems retained during the scale validation process.

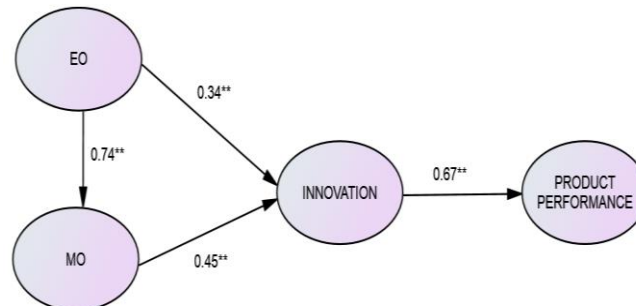
Table 3
DESCRIPTIVE STATISTICS AND CORRELATIONS

	Mean	SD	AVE	Alpha	1	2	3
1. EO	4.32	0.55	0.53	0.75			
2. MO	4.22	0.50	0.50	0.74	0.55**		
3. Innovation	4.27	0.48	0.52	0.75	0.51**	0.50**	
4. Product	4.15	0.56	0.60	0.81	0.37**	0.42**	0.50**

*Notes: **Correlation is significant at the 0.01 level (2-tailed)*

Hypothesis Testing

Following the establishment of the measurement models, a full structural equation model was evaluated and found to fit the data: CMIN/DF=4.88, RMSEA=0.07, SRMS=0.03, GFI=0.99, and CFI=0.98. Thus, the model presented in Figure 2 is considered acceptable.



Note: *significant at $p < 0.05$, ** $p < 0.001$

FIGURE 2
FINAL MODEL OF EO, MO, INNOVATION, AND PERFORMANCE

The arrows with supportive β coefficients shown at the center of each link in Figure 2 demonstrate that all hypotheses are supported (Table 3). EO has a strong effect on MO ($\beta=0.74$, $p < 0.001$), thereby providing support for H₁. This result suggests that a firm's entrepreneurial proclivity collectively enhances MO behavior on the customer-centric approach and ultimately contributes to business success. This finding is consistent with the conclusions of Amin et al. (2016), who conducted a survey of SMEs in Malaysia and found that firms with high levels of EO tend to be highly market-oriented. Entrepreneurial firms with higher levels of market information generation and responsiveness are better able to identify new market opportunities and thus perform better.

The results also show that EO is positively related to innovation ($\beta=0.34$, $p < 0.001$), which supports H₂. This result also supports previous studies—such as that of Ndubisi and Ifitikhar (2012), who found that entrepreneurial activities influenced innovation among SMEs in Pakistan. Otero-Neira et al. (2013) further suggest that entrepreneurial proclivity allows firms to more effectively allocate their resources and capabilities, which can significantly contribute to successful innovation. Taking a “dynamic capability” perspective, Kocak et al. (2017) highlight that “strategic orientations provide market knowledge and lead new decision to exploit and/or explore opportunities for innovation”.

In addition, MO has a positive effect on innovation ($\beta=0.45$, $p < 0.001$), which supports H₃. This result is consistent with previous studies, such as that of Vega-Vazquez et al. (2012), who found that market-oriented firms were more likely to demonstrate innovation competence because of their understanding of and responsiveness to customer requirements. Narver & Slater (1990) also conclude that MO has a positive impact on a firm's ability to introduce new products in response to market needs. Accordingly, Kohli & Jaworski (1990) note that the generation and dissemination of market information—and organization-wide responses to this information—represent innovative behaviors.

Furthermore, innovation is positively related to product performance ($\beta=0.37$, $p < 0.001$), which supports H₄. This result is in line with previous research (e.g., Maldonado-Guzmán et al.,

2018; Vega-Vázquez et al., 2012) and suggests that innovation is a robust antecedent of product performance in small firms. Applying resource-based theory, Liu et al. (2017) conclude that SMEs that undertake innovation activities create superior value and better-quality outputs (Ndubisi & Iftikhar, 2012). Finally, the R² values indicate that the model explains 57% of MO, as well as 55% and 44% of innovation and product performance, respectively.

The findings of this study suggest that innovation can be viewed as the link between EO, MO, and performance. This study shows an indirect influence of EO and MO on performance, thereby providing support for H₅. It suggests that these two orientations increase performance by promoting innovation. This reaffirms the findings of previous studies (Kocak et al., 2017; Liu et al., 2017; Tsou et al., 2014). Matsuno et al. (2002) highlight that neither EO nor MO alone is sufficient to achieve superior performance and competitive advantage. Kocak et al. (2017) demonstrate that innovation improves the link between strategic orientations and small firm performance. Drawing on the resource-based view, Liu et al. (2017) further argue that strategic orientations alone do not ultimately lead to superior performance, and organizational capability is also required to enhance small business outcomes. Therefore, it is important to include innovation as an internal performance measurement when exploring the link between strategic orientations and performance (Al Mamun, 2018).

Owing to the indirect impact of EO on innovation via MO, this study suggests that EO is highly influential in strengthening MO, which in turn enhances effective innovation capability. The results provide support for the conclusions of Shin & Aiken (2012) who suggest that “*these orientations are not mutually exclusive and that it is common for firms to engage in multiple sets of these strategic behaviors simultaneously.*” Since the literature demonstrates these orientations are distinct concepts, further research is required to consider the different instruments and relationships between these important constructs.

Implications for the Literature

This paper fills a research gap by investigating the impacts of EO and MO on product performance among Thailand’s CBEs. The results enrich the literature on resource-based view, entrepreneurship, and strategic management in various ways. First, it illustrates that MO affects firm performance indirectly through innovation. The indirect impact of MO on non-financial performance is supported by other studies, such as those of Gruber-Muecke and Hofer (2015), Amin et al. (2016), and Yu et al. (2016). This research thus clarifies the indirect effect of MO on performance through innovation and suggests that innovation can act as the link between MO and performance. Thus, it highlights that MO requires innovation–through complementary resources, competencies, and capabilities –to improve the product performance of small firms (Ahmed et al., 2017; Tsou et al., 2014).

Second, this study indicates that EO influences product performance indirectly through innovation, which is a finding supported by previous studies (Liu et al., 2017; Ndubisi & Iftikhar, 2012). This suggests that it is critical to include internal organizational processes, particularly innovation, when investigating the consequences of EO on the performance of CBEs (Kajalo & Lindblom, 2015).

It is important to note that EO can influence MO, which in turn enhances innovation. The results of this study confirm the conclusion of prior studies that EO is highly correlated with – but distinct from MO (Hakala, 2011; Montriél-Campos, 2018). Abebe & Angriawan (2014) note that MO emphasizes customer and competitor information, whereas EO highlights untapped market opportunities. Firms engaging in entrepreneurial endeavors require MO to take effective

and innovative action in the market and respond quickly to customers' needs (Amin et al., 2016). Accordingly, firms can engage in these strategic behaviors simultaneously, which contributes to higher levels of innovation (Kocak et al., 2017; Liu et al., 2017). This paper argues that EO acts as a stimulus, influencing the relationship between MO and innovation.

Finally, innovation has a direct effect on product performance. Hence, non-financial criteria can be valuable when measuring firm performance (Carton & Hofer, 2006). Firms must be innovative in their efforts to lower their costs and achieve higher product quality and productivity (Tajeddini, 2010). A review of the literature reveals no previous studies in the context of CBEs. Therefore, this paper provides new insights into the relationship between MO and EO and performance among these unique business enterprises, particularly OTOPs in Thailand, which further differentiates this study from others.

Implications for Practice

This paper also has implications for managerial practice. In today's increasingly competitive environment, competitive advantage and performance require CBEs to adopt two complementary strategic proclivity approaches and innovation capabilities. This study suggests that MO and EO are complementary orientations; therefore, to attain better business outcomes, it may be necessary to synthesize organizational processes: specifically, when innovation is improved, superior product performance may result. Quality output—in terms of quality control, production capacity, cost reduction, and productivity are vital (especially for OTOP entrepreneurs) to achieve organizational growth. Consequently, it is important to aggressively pursue new market opportunities and to identify, analyze, and respond to market needs to create distinctive value. Market knowledge of one's customers and their changing needs is essential because it enables adaptation to the environment and effective responses to opportunities and threats. In addition to gathering market knowledge about customers, firms must monitor the activities of their current and potential competitors. Being proactive and taking risks can assist firms in understanding the capabilities of their competitors and using their own resources to deliver better customer value.

More importantly, firms must apply appropriate management styles to ensure that they are improving upon their products and services, innovating, and acting proactively. To achieve organizational success, there must be a willingness to outperform one's competitors, rather than to simply be a "good follower." This involves collecting market knowledge, being proactive, and staying ahead of one's competitors by engaging in innovation and development. The effective implementation of innovations (including improvements to existing products and services, as well as the development of new products and services, methods of production, processes, and management) reveals the value-creation effects of MO and EO. Therefore, firms are recommended to adopt specific strategic orientations namely, MO and EO and to consider their main competencies, together with innovation capability.

LIMITATION AND FUTURE RESEARCH

This study has a number of limitations. First, the sample includes CBEs, specifically OTOPs in Thailand. It is therefore recommended that future research cover other business sectors and contexts. Previous studies have shown that the effect of EO on performance may differ depending on the environmental, organizational, and cultural contexts (Buli, 2017; Shah & Ahmad, 2019). Furthermore, this study measures MO and EO as uni-dimensional constructs, and

the relationships between their individual dimensions and performance are not tested. Future research could examine the effect of MO and EO and their respective dimensions on performance. Previous research has found that each of the dimensions of MO and EO may vary independently and may be unfavorable for the performance of small firms (Amin et al., 2016; Ndubisi & Iftikhar, 2012; Shah & Ahmad, 2019). It is also recommended that future research explore the link between MO, EO, and performance in the context of small firms by taking other mediator and moderator variables to better understand the conditions under which MO and EO strategically influence performance.

CONCLUSION

This research investigates the prerequisites for product performance, as viewed through the theoretical lens of the resource-based and dynamic capabilities perspectives. This study examines the relationship between EO and MO and how they affect product performance through the mediating role of innovation, using data collected from owners and managers of Thai CBEs. The findings of this study suggest that innovation mediates the relationship between EO, MO, and product performance. This paper provides new insights into the relationships between EO and MO and performance among CBEs in Thailand. Innovation, as a vital mechanism for organizational growth, is vital for CBEs in Thailand, as an emerging economy. This study shows that EO and MO can be applied to small firms in developing markets.

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