

# The Effect of Entrepreneurial Orientation and Innovation towards Small, and Medium Enterprises (SMES) Performance through Motivation

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## Abstract

Problems regarding the performance of Small and medium enterprises (SMEs) based on the creative economy have become a priority issue for both practitioners and academics. Due to the importance of entrepreneurship and innovation in the SMEs companies, the current study investigates the effect of entrepreneurial orientation and innovation towards SMEs performance through manager motivation in UAE. The research design was quantitative, descriptive, causal, and cross-sectional held by an online questionnaire tool targeted all women executive manager who run SMEs of UAE .This study used type stratified random sampling technique, which is a mix between simple random sampling and stratified sampling. Using the AMOS software, the Structural Equation Model (SEM) was adopted to analyze a sample of 439 surveys and examine the hypotheses. The outcome of this study indicated that entrepreneurial orientation has a significant positive effect on SMEs performance, and it confirmed that innovation practices has a significant positive effect on SMEs performance. Moreover, manager motivation has proved to be a mediator between entrepreneurial orientation and SMEs performance. Furthermore, current research findings contribute to extending existing relevant knowledge about the effect of entrepreneurial orientation and innovation towards SMEs performance through manager motivation in UAE and understanding the relationship between these variables to be of significant guidance to managing entrepreneurship in emerging economies. The current research contributes to the present literature since very limited studies investigated the entrepreneurial orientation and innovation on SMEs performance. Moreover, previous studies did not sufficiently analyze the effects of entrepreneurial orientation on SMEs performance with the contribution of manager motivation. thus helping to close the research gap related to these relationships from an emerging-economy perspective.

**Keywords:** Entrepreneurial Orientation, Innovation Practices, Manager Motivation, Performance, SMES

### **Introduction**

In today's business environment, as it is valid with high job losses due to layoffs and retrenchments to create a lean organization, it is also noteworthy for organizations to stop losses of performing employees due to a lack of motivation to continue with the organization for long (Chandrakant, 2017). Existing SME support programs are diverse, often innovative, and very fragmented; they have not seen a systematic evaluation of their results (Owalla et al., 2022). In the same context, Atshan et al. (2024) explores women entrepreneurs' entrepreneurial motivations in the UAE. She found that Emirati women's entrepreneurial motivations unfold in a complex interplay between pull and push motivational factors within the business environment of the UAE. For women-owned SMEs, low digital, business, and financial literacy are major challenges since women tend to have lower education levels than men in some emerging markets. Also, as noted earlier, women tend to have lower access to resources due to social and cultural sanctions. Moreover, low digital literacy for women corresponds with lower access to or control of technology, including mobile phones and the Internet (Long et al., 2023).

The formation of women's private business in modern UAE is slow, encountering many social, economic and legal barriers. As a subject of entrepreneurial activity, a woman faces a particular class of social problems: conflicts of roles performed in public and private life, mass consciousness, deformation towards the patriarchy (Sandybayev, 2018). Entrepreneurship is another crucial issue that correlates with innovation and motivation. An Emirati study by Minhas, (2018) pays particular attention to the link between entrepreneurship and business performance in the UAE and is particularly relevant to SMEs. This study provides a problematic picture of SMEs' innovation and managed by women and analyzed UAE entrepreneurs' attitude towards innovation. Chelliah et al. (2022) referred to the above issues associated with innovation and entrepreneurship by seeking to fostered innovation in SME but should be involved with certain variables such as entrepreneurial orientation and mediated by external variables based on diffusion of innovation. These variables are powerfully influential to SMEs' innovation performance (Chelliah et al., 2022).

It is important to note that the consequences of innovation may not all be positive. This needs to be borne in mind by those promoting, in this case, the adoption of innovation by SMEs, which should be regularly distributed as per the diffusion of innovation theory. But to what extent are SMEs capable of adopting innovation in their business model? This question needs to be answered empirically. The literature did not show empirical evidence on the effectiveness of the combined theories for innovation adoption and entrepreneurship in the SME context. SMEs commonly compete based on price and quality; however, such an approach might not be sufficient to gain competitive advantages, sustainability, and superior performance in today's competitive global business environment (Minhas, 2018). However, the question arises: to what extent does the diffusion of innovation and entrepreneurship foster SMEs' capacity to attend to the perceived attributes of innovation? Whereas past studies mostly used simple linear models, leading to a gap in the study on the interrelationship among personal characteristics and their systematic influence on entrepreneurial intention

(Hongyi, 2021). So far, there have been limited studies on the challenges facing SMEs and women in the UAE.

### *Theoretical Literature and Hypothesis Development*

An important stream of the theory of entrepreneurship over the past three centuries answers what subjects an entrepreneur should meet to remain effective and ensure that the organization stays with time. A business study dates back to the founding of Cantillon (1755) (Castro-Valdivia, 2021), where the entrepreneur was considered an entrepreneur who wanted to take risks and manage uncertainty. Since then, many subsequent publications have enriched initial thinking and suggested additional entrepreneurial activity, as Heber and Link (1988) indicate. However, different concepts of entrepreneurial activity differ significantly from the chosen trend. Most articles say that it is important to take a specific action.

### *Entrepreneurship Orientation*

Entrepreneurship orientation is the core of resource-based theory (Conner, 1991). This theory assumes that the resources necessary to compete on the market are ultimately dependent on entrepreneurship orientation. Entrepreneurial organizations are autonomic, often aggressive towards competition, active, innovative and ready to take risks. There is constantly a lively debate on the dimensionality of entrepreneurship orientation. A comprehensive literature review of the dimension of entrepreneurship orientation is discussed in the publication by Rautch et al. (2009). Paulus and Hermanto (2022) have also proposed two additional dimensions critical to the entrepreneurship orientation concept: competitive aggressiveness and autonomy.

Women's entrepreneurship has a unique structure of motivations for doing business that differs from men's motivations. This gender difference allows us to consider women's entrepreneurship as a special type of entrepreneurial activity. The motives for pursuing entrepreneurship received organized attention, with various authors referring to gender inequality as a push factor for female entrepreneurship in developed and developing economies (Papadopoulou, 2022). It added that the increase in the entrepreneurial support package's value was 63 per cent over 2017. It also revealed that the number of entrepreneurs participating in Dubai SME training and development programs reached 5,767 in 2022, a 163 per cent increase (Papadopoulou, 2022).

### *Innovation Practices*

Innovation is one of the most buzzwords in today's society. Most people appraise innovation and consider that innovation is necessary for individuals and organizations. For instance, citizens demand that organizations be more innovative to solve organizational and socioeconomic problems (Urmutzer and Pyka, 2020).

Product innovation is the creation or development of new goods (products and services) that is significantly enhanced with respect to its characteristics or intended usages, including relevant developments in technological, factors and materials, technical specifications, combined software, user friendliness or other functional features, to satisfying market requirements (Adam and Alarifi, 2021). The aim of product innovation is to attract new customers. Firms introduce new products or modify the existing products according to needs of the customers (Paula et al., 2022). Process innovation means improving the

production and logistic methods significantly or bringing significant improvements in the supporting activities such as purchasing, accounting, maintenance and computing (Aliasghar et al., 2023). Significant changes in techniques and equipment are part of process innovation, which intends to reduce production or distribution costs in order to improve the quality and distribution of products (Paula et al., 2022). A marketing innovation is the implementation of a new marketing method involving significant changes in product design or packaging, product placement, product promotion or pricing. A technological innovation is a new or improved product or process whose technological characteristics are significantly different from before. Implemented technological product innovations are new products (product innovations) or processes in application (process innovations) that have been brought to market. The importance of technological innovation in the development of small and medium-sized enterprises (SMEs) in today's digital age cannot be understood. Technological innovation has been identified as a critical driver of growth in SMEs, enhancing their competitiveness in the domestic and global markets.

### *Manager Motivation*

Manager motivation plays a crucial role in the performance of small and medium-sized enterprises (SMEs). When managers are motivated, they are more likely to be proactive and take initiative in their roles, leading to improved productivity and efficiency within the organization (Nawaz et al., 2020). Motivated managers also tend to have a positive attitude, which can have a ripple effect on their teams, creating a more engaged and motivated workforce. Additionally, motivated managers are more likely to be open to new ideas and innovative approaches, allowing for continuous improvement and adaptation to changing market conditions (Siverbo, 2023).

Researchers need to focus on manager motivation because it plays a crucial role in the overall success and performance of SMEs. When managers are motivated, they are more likely to effectively lead and inspire their teams, resulting in increased productivity and innovation (Mahlamäki et al., 2019). Additionally, motivated managers are more likely to foster a positive work environment where employees feel valued and supported, leading to higher levels of job satisfaction and employee retention. By understanding the factors that drive manager motivation, researchers can provide valuable insights and recommendations to help SMEs cultivate a motivated and engaged management team (Mahlamäki et al., 2019).

### **SME Performance**

Carrasco-Carvajal et al. (2023), stated that business performance shows how an organization uses material and immaterial resources to achieve its goals. It is the culmination of the efforts of an organization. Many scholars in business studies used financial dimensions to measure the performance (Carrasco-Carvajal et al., 2023; Melo et al., 2023). At the same time, profitability is one of the main indicators of business performance (Melo et al., 2023). Growth as a measure of firm performance has had mixed results in the literature. Firms grow in many ways, and that a firm's growth pattern is related to age, size and industry. SMEs business growth in various sectors is emphasized more by the governments of all developing nations to achieve the status of developed or high-income countries (Diabate et al., 2020). The research on business growth has revealed little progress in recent years. Therefore, it is crucial to determine various factors that impact SMEs business growth. Many researchers have

emphasized business growth as an essential indicator of SMEs performance (Melo et al., 2023).

### **Hypothesis Development**

In this section the authors elaborates the relationships between entrepreneurial orientation, innovation practice, women motivation, and SME business performance. The author reviews the empirical results of previous studies in order to derive the hypotheses and construct the conceptual framework of this study.

#### *Entrepreneurial Orientation and SME Performance*

The relationship between entrepreneurship orientation and firm performance has become the main subject of interest in past literatures. Several studies in the past showed that entrepreneurship orientation and SME business performance are linked to each other. Sentanu and Praharjo, (2022) found that entrepreneurial orientation positively influences business performance of SMEs. The results of research on entrepreneurship orientation in general using dimensions of innovativeness, proactiveness and risk taking as factors that influence business performance. Empirical findings also show that entrepreneurial-oriented companies have better performance than companies that are not entrepreneurial oriented (Chelliah et al. (2022)). In entrepreneurship research, researchers agree that entrepreneurship orientation contributes to business performance (Zarrouk et al., 2020). Some studies concluded SMEs that adopt entrepreneurship orientation have better performance comparing to companies (Sentanu and Praharjo, 2022 ; Timotius, 2020). To look further in the context of SMEs, how much impact risk-taking has on business performance (Timotius, 2020), there is also the other evidence about the relatively strong positive impact of entrepreneurship orientation on business performance from the service sector in general (Chelliah et al. (2022)). Based on the empirical results and findings from previous studies. This study assumes that entrepreneurship orientation and SME business performance are linked to each other. This association suggests that entrepreneurship orientation has a direct and significant impact on SME business performance. According to this assumption, this study will examine the following hypothesis statement:

*Hypothesis 1: "Entrepreneurial orientation has a significant effect on SME performance".*

#### *Innovation Practices and SME Performance*

Innovation is broadly seen as an essential component of competitiveness, embedded in the organizational structures, processes, products and services within a firm. Mohamed et al. (2023) explored the effects of the organizational, process, product and marketing innovations on the different aspects of firm performance, including innovative, production, market and financial performances, based on an empirical study covering 184 SMEs in Turkey. A theoretical framework is empirically tested identifying the relationships amid innovations and firm performance through an integrated innovation-performance analysis. The results reveal the positive effects of innovations on firm performance in manufacturing industries (Adam and Alarifi, 2021).

Many studies in the past have confirmed innovation has a positive impact on business performance (Adam and Alarifi, 2021; Ahmad et al., 2022; Mohamed et al., 2023). Innovation has been generally regarded as a key factor affecting firm performance. Many companies try their best to achieve higher profits through innovation in different ways. Innovation usually

consumes a large number of resources. Therefore, innovation related activities may not directly improve firm performance. (Carrasco-Carvajal et al., 2023). However, the literature shows that the impact of innovation on firm performance is different among many innovative firms.

Innovation is widely regarded as one of the most important sources of sustainable competitive advantage in an increasingly changing environment for businesses, because it leads to product and process improvements, makes continuous advances that helps firms to survive, allows firms to grow more quickly, be more efficient, and ultimately be more profitable and show high degree of performance in the market (Adam and Alarifi, 2021). Based on the empirical results and findings from previous studies. This study assumes that innovation practices and SME business performance are linked to each other. This association suggests that innovation practices have a direct and significant impact on SME business performance. According to this assumption, this study will examine the following hypothesis statement:

*Hypothesis 2 : “Innovation practices have a significant effect on SME performance”.*

#### *Entrepreneurial Orientation and Manager’s Motivation*

Although the entrepreneurship orientation commonly referred to as a feature the company and not the individual, since the people are supporting tasks within business, there are defined characteristic behaviors that define the entrepreneurship orientation of individuals. In other words, entrepreneurship orientation of a company is linked to motivated employees (Wahjoedi, 2021). Entrepreneurial firms are important drivers of innovation and economic growth (Chelliah et al., 2022). Their success and survival probability are dependent not only on the market situation, entrepreneurs’ experiences, knowledge, and behavior but also on employees’ performance (Sylvia, 2017; Wahjoedi, 2021). Additionally, influencing employees’ commitment, motivation, productivity, and creativity is essential because it will determine whether employees apply and contribute their competencies. When entrepreneurs work with their employees, this process might influence employees’ evaluation of their work and, thus, their motivation and, subsequently, their performance. If emotional contagion, as explained above, is possible, employees of entrepreneurs can also experience entrepreneurial passion. Employees’ passion, as it is a strong positive emotion, might then influence other outcomes, such as commitment, motivation, productivity (Sylvia, 2017). Based on the empirical evidences from literature review which reveals a significant correlation between entrepreneurship orientation and women motivation in SMEs context. This study will examine the following hypothesis after conducting a survey in selected sample of women SME in UAE.

*Hypothesis 3: “Entrepreneurial orientation has a significant effect on manager’s motivation”*

#### *Manager’s Motivation and SME Performance*

Most of the researches have concluded that motivated employees have positive effect on the organization productivity and performance. This makes motivation as the most important aspect of any organizational setup and creating an environment which facilitates and supports employee to perform optimally. Today’s business organization requires organizations to be more creative and innovative which cannot happen without having a committed and loyal employee base (Chandrakant, 2017). Entrepreneurial motivation



potential simultaneously and partially has a significant influence to SMEs' business performance (Budiarto et al., 2024).

The company's success is related to the quality of performance activities such as: rewarding employees, the making of a favorable organizational climate and culture, and the programs of studying and training (Sandhu et al., 2017). Budiarto et al. (2024) found that there existed relationship between employee motivation and the organizational performance. The study reveals that extrinsic motivation given to workers in an organization has a significant influence on the workers' performance. Sandhu et al. (2017) have conducted research is to find out the influence of employee motivation on employee performance. The findings of their study show that independent variable i.e. employee motivation is having a positive relationship with dependent variable i.e. employee performance. The authors suggest that the leaders in SMEs should motivate their employees to keep them satisfied. By keeping in mind this context, we consider that employee performance in relation to the employee motivation. Every successful organization is backed by a committed employee base, and the commitment is the outcome of motivation and job satisfaction. It is the energy that compels employees towards organizational objective. It would be impossible for the organization to generate performance without strong motivation (Chandrakant, 2017). Based on the empirical evidences from previous studies which reveals a significant correlation between women motivation and business performance of SMEs. This study will examine the following hypothesis statement.

*Hypothesis 3: "Manager's motivation has a significant effect on SME performance".*

#### *The Mediating role of Manager's Motivation*

Entrepreneurship orientation is a tendency of businesses to act autonomously and innovative, take risks and is taking proactive initiatives to potential market conditions. The reality of business all over the words reveals a positive relationship between entrepreneurship orientation and business performance of companies with the influence of employee motivation (Vlasov, 2022). In other words, motivation of employee mediates the association between entrepreneurship orientation and innovation practices. A study by Samuel et al. (2017) surveyed 286 women entrepreneurs from three major Ghanaian metropolitan cities to examine the relationship between entrepreneurship orientation and organizational performance. The study also sought to examine whether motivation mediates the entrepreneurship orientation and organizational performance relationship. Using a structural equation modelling estimation technique, the findings of the study indicate a positive relationship between entrepreneurship orientation and organizational performance. Separating entrepreneurship orientation into its individual components, proactiveness, and competitive aggressiveness exhibit positive relationship with organizational performance. Additionally, the results show that entrepreneurship orientation is more significantly related to non-financial measures but not the financial measures. Further, the findings reveal that the entrepreneurship orientation and organizational performance relationship is mediated by motivation. Another study confirmed the mediation role of motivation between entrepreneurship orientation and innovation practices has been conducted by Al-Jedaia and Mehrez. (2020). This study will examine the following hypothesis statement.

*Hypothesis 5: "Manager's motivation mediates the relationship between entrepreneurial orientation and SME performance".*

### Framework of the Study

In line with aforementioned arguments, the broad literature on entrepreneurship shows that entrepreneurship orientation is an important domain and the motivation literature has separately discussed the variables of entrepreneurship orientation and motivation in relation to innovation practices in different levels of companies separately discussing the variables of entrepreneurship orientation and motivation relation to innovation practices in other businesses' levels. Such research has not paid sufficient attention to the possible mediation interaction between entrepreneurship orientation, motivation and innovation practices of women SME. That is, there is limited research on entrepreneurship orientation that examined the direct effect of entrepreneurship orientation on innovation practices in the context of women SME where motivation mediates the association between these two variables. The bulk of studies showed that motivation can strengthen innovation practices and innovativeness in one model. Since motivation plays a mediation role in this study, entrepreneurship orientation could enhance its effect on innovation practices of organization. Hence, this study is an empirical attempt to develop a new entrepreneurship orientation framework related to women SME as shown in Figure 1.

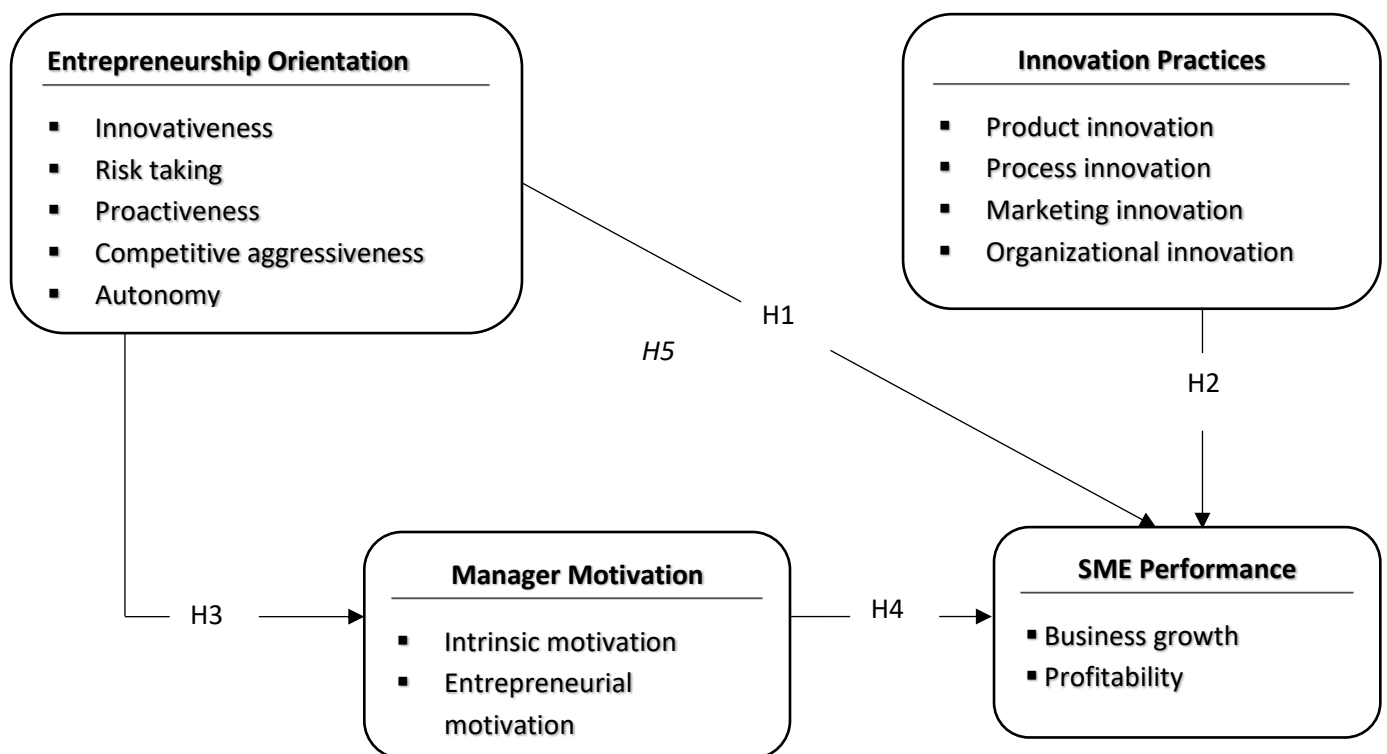


Figure 1. A novel framework for SMEs own by women

Despite there are significant empirical literature on the effect of individual orientations like motivation on firm performance, the majority of these studies did not investigate innovation, while most of these studies have been conducted in a large firm and or in well-developed economies. Additionally, there is a lack of studies in developing countries like UAE where the survey on literature did not show empirical evidence of double mediation effect by women's motivation innovation practice on business performance.



### Data and Methodology

During the survey phase, the researcher has distributed questionnaires to a sample of respondents consists of 500 respondents (women executive manager) of SMEs of UAE. Out of the 500 questionnaires distributed to the study sample, 439 valid questionnaires have been considered for the analysis. This implies a response rate of 87.80%. Scholars in statistics found that a response rate should be more exceed the defined sample to make a correct generalization of results with respect to the whole population (Stedman et al., 2019). The remaining 61 questionnaires are redundant (12.20%) because they identified with missing data or totally incomplete. Missing data is one of the most persistent problems during data analysis procedure (Berchtold, 2019) and could deviate the conclusions so that any detected questionnaire with missing data should not be included in data analysis. Nonetheless, the minimum sample requirement for generalisation was met. A period of six (6) weeks was allocated to collect data. The results were downloaded from the online data collection platform and analyzed with Analysis of (AMOS). The collected data was originally entered into the online data collection platform based on the weights of the various responses.

### Demographic Analysis

Table 1 shows the respondents profile for those participated in the research. Demographic profiles include the statistics that explain the characteristics of study sample. Hence, this section demonstrates the population dynamics by investigating the main demographic data such as age, academic level, work experience of the women managers. With respect to age, it is found that manager who aged 40-49 years are the majority (42.41%). The data of academic qualification reveals that managers holding Master degree are the highest percentage (51.05%). In addition, the managers who have middle occupational experience (10-15 years) represent the majority in SMEs run by women.

Table 1

*Profile of Respondents (N = 381)*

Demographics	Category	Frequency	Percentage (%)
Age	20-29 years	44	11.52
	30-39 years	91	23.82
	40-49 years	162	42.41
	50-59 years	88	23.04
	Older than 60 years	54	14.14
Academic Qualification	Bachelor	161	42.15
	Master	195	51.05
	PHD	83	21.73
Work Experience	1-5 years	79	20.68
	5-10 years	61	15.97
	10-15 years	174	45.55
	Elder than 15 years	125	32.72

### Construct Validity Analysis

Construct validity is essential to the perceived overall validity of the empirical data in this study. Convergent validity, along with discriminant validity, is a subtype of construct

validity. It is a primary analysis that should be conducted before CFA. Table 2 indicates the grouping of dimensions and number of preserved and redundant indicators. From this table, it is found that Entrepreneurial orientation has 5 dimensions (4 omitted indicators), manager motivation is associated with 2 dimensions without omitted indicators, innovation practices have four dimensions (1 omitted indicator). Finally SME performance is grouped into 2 dimensions (1 omitted indicator). The first step is exploring the true structure of indicators with their related dimension by evaluating the initial measurement models based on the dataset. In other sense, these steps are necessary to improve the fit of data with the measurement model before building the structure model. The convergent validity is associated with the indicators belong to a single dimension and reveals how close those indicators to determine a particular dimension. To establish convergent validity, the Average Variance Extracted (AVE) should exceed or equal 0.50 (Hair et al., 2019). Referring the output data in Table 2, it is evident that AVEs for all dimension within the standard threshold ( $\geq 0.50$ ), with a condition that the composite reliability  $\geq 0.7$  (Fornell and Larcker, 1981). In conclusion, each dimension is adequate to convey sufficient variance for indicators to converge into a single dimension.

Table 2

*The Amount of AVE and Composite Reliability of Dimensions*

Construct	Dimensions	Number of indicators	AVE $\geq 0.5$	Square root of AVE	Composite Reliability $\geq 0.7$
Entrepreneurial orientation	Innovativeness	4	0.512	0.715	0.806
	Risk taking	4	0.578	0.760	0.845
	Proactiveness	4	0.559	0.748	0.834
	Competitive aggressiveness	4	0.568	0.753	0.840
	Autonomy	4	0.534	0.731	0.818
Manager motivation	Intrinsic motivation	5	0.567	0.753	0.867
	Entrepreneurial motivation	5	0.529	0.727	0.848
Innovation practices	Process innovation	5	0.676	0.822	0.913
	Product innovation	5	0.506	0.711	0.836
	Marketing innovation	5	0.546	0.739	0.857
	Technology innovation	4	0.521	0.722	0.811
SME performance	Business growth	5	0.560	0.748	0.864
	Profitability	4	0.520	0.721	0.811

*Structural Equation Modeling*

Reading the output data in Table 3 shows that the magnitude of CMN/DF range in between 1.474 – 1.813. To achieve a good fitness with the observed data, the Normed-ratio (CMIN/D) is preferred to be less than 3.00. CFI magnitude ranges in between 0.966 - 0.993 (cut-off  $\geq 0.90$ ). TLI magnitude ranges in between 0.965 - 0.991 (cut-off  $\geq 0.90$ ). While PCLOSE is non-significant for all measures (Non-Sig.  $\geq 0.05$ ), and RMSEA  $\leq 0.08$  for all constructs which indicates a good data fit with the measurement model. In conclusion, all fit-indices are matching the cut-off points of SEM standards.

Table 3  
*Fit Indices of Measurement Models*

CFA model	Absolute Fit			Incremental Fit			Parsimonious
	PCLOSE ≥ 0.05	RMSEA ≤ 0.08	GFI ≥ 0.90	TLI ≥ 0.90	CFI ≥ 0.90	AGFI ≥ 0.90	CMIN/DF ≤ 3.00
Big data analytics	0.957	0.035	0.968	0.991	0.993	0.951	1.474
Risk management	0.896	0.042	0.946	0.965	0.971	0.927	1.700
Crisis management	0.811	0.045	0.930	0.961	0.966	0.909	1.813

The second step in CFA analysis is evaluating the strength of relationships (i.e., beta) between the dimensions and their associated construct, as well as ensuring that all these relationships are significant as shown in Table 4.

Table 4  
*Significance and Strength of Relationships between Constructs and Dimensions*

Dimension	Direction	Construct	Beta	Sig
Data Volume	<<	Big data analytics	0.43	0.00
Data Variety	<<	Big data analytics	0.53	0.00
Data Velocity	<<	Big data analytics	0.45	0.00
Risk identification	<<	Risk management	0.87	0.00
Risk evaluation	<<	Risk management	0.39	0.00
Risk analysis	<<	Risk management	0.51	0.00
Risk response	<<	Risk management	0.63	0.00
Crisis Detection	<<	Crisis management	0.78	0.00
Crisis Prevention	<<	Crisis management	0.53	0.00
Crisis Containment	<<	Crisis management	0.49	0.00
Crisis Recovery	<<	Crisis management	0.54	0.00
Crisis Learning	<<	Crisis management	0.66	0.00

In conclusion, the CFA analysis reveal that all constructs are second order (consisting of a multiple sub-constructs or dimensions). Each sub-construct (dimension) is measured using certain number of indicators. Whereas big data analytics is linked to three latent dimensions (data volume, data variety, data velocity), Risk management is linked to four latent dimensions (risk identification, risk analysis, risk evaluation, risk response)..

*Hypotheses Testing*

In Figure 2 report that all fit-indices are compatible with the cut-off points for SEM standards. Starting with PCLOSE = 1.00 (perfect non-significant), while RMSEA = 0.036 (≤0.08) which reflects a high degree of model-fit. Moreover, CMIN/DF = 1.553 (≤ 3.00), CFI = 0.924 (≥ 0.80), TLI = 0.921 (≥ 0.80), the typical range for TLI and CFI lies between zero and one, whereas TLI and CFI values close to 1 indicate a very good model fit. These are the standard fit-indices in SEM standards that should be used to assess the validity of a theoretical model with an empirical data (Dash and Paul, 2021). These magnitudes are typical (Hair et al., 2019) and shows that hypothesized framework in theory is valid and fit the empirical data, so that modeling entrepreneurial orientation with SME performance through the partial mediating influence of manager motivation is theoretically developed and empirically validated.



Figure 2. Study Framework

*Hypothesis Testing (Direct Effect)*

This section presents the result of hypotheses testing for direct effect. The direct effect test aims to examine the relationships between the independent variables and the dependent variable. The results are presented in table 5 and explained in the following conclusions. To support the statements of hypotheses, the Critical Ratio (C.R) is applied to evaluate the significance level of unstandardized regression coefficients (Hair et al., 2019). The following two criteria are used to validate the hypotheses: (1) if C.R ≥ 1.96 for a specific relationship, then a hypothesis is accepted, otherwise the hypothesis should be rejected, and (2) the estimate path coefficient for a relationship is significant at the 0.05 cut-off point (Sig. ≤ 0.05). Based on the results of hypotheses analysis in Table 4.10, the following discussions on the findings for research objectives.

Table 5  
*Standardized Regression Weights*

Hypothesis Statement	Directions of effects	Beta	C.R	Sig.	Result
H1: Entrepreneurial orientation has a significant effect on SME performance	Entrepreneurial orientation → SME performance	0.80	4.64	0.00	Supported
H2: Innovation practices has a significant effect on SME performance	Innovation practices → SME performance	0.77	4.82	0.00	Supported
H3: Entrepreneurial orientation has a significant effect on manager motivation	Entrepreneurial orientation → manager motivation	0.64	5.02	0.00	Supported
H4: Manager motivation has a significant effect on SME performance	Manager motivation → SME performance	0.60	3.37	0.00	Supported

Testing the hypotheses should answer the research questions by providing evidence on existence of effects and the strength of such effect. This analysis is conducted in several steps, starting with path analysis to assess the significance of direct relationships between entrepreneurial orientation, manager motivation, innovation practices, and SME performance (Akoglu, 2018). To that end, the unstandardized coefficients are used to validate and accept the hypotheses, while standardized coefficients (Beta) are used to measure the strength relationships (Dhakal, 2018). Reading the output data in Table 5 reveals the scale of relationships between entrepreneurial orientation and manager motivation (beta = 0.64), entrepreneurial orientation and SME performance (beta = 0.80), and between innovation practices and SME performance (beta = 0.77). Finally between SME performance and manager motivation (beta = 0.60).

#### *Hypothesis Testing (mediation effect)*

It is found that the indirect (mediated) effect of entrepreneurial orientation on SME performance is significant (Sig. = 0.00 ≤ 0.05), and 0 out of interval (0.158, 0.864). These two conditions are essential to consider the indirect path entrepreneurial orientation → SME performance is partially mediated by manager motivation. The same assumption is applied to assess the total effect between the independent and dependent constructs.

Table 6

#### *The Summary of Bootstrapping of Total and Indirect Effects*

Types of effect	Sig.	Effect	Lower bound	Upper bound	0 out of interval
Standardized indirect effect	0.00	0.383	0.158	0.864	Yes
Unstandardized indirect effect	0.00	0.368	0.139	0.884	Yes
Standardized total effect	0.00	1.183	0.989	1.549	Yes
Unstandardized total effect	0.01	1.136	0.330	1.389	Yes

In brief, the result from bootstrapping reveal that both effects (indirect/total) due to the partial mediating influence of manager motivation are statistically significant (Sig. ≤ 0.05). Furthermore, the evaluation of output data in Table 6 shows that the (0-null) bound falls out of confidence intervals for all paths (indirect and total). Based on this result, hypotheses H5 which states that “manager motivation mediates the relationship between entrepreneurial orientation and SME performance” is accepted and supported.

### **Results and Discussion**

The findings of the hypothesis (H1) is analyzed which states that “entrepreneurial orientation has a significant effect on SME performance”. This hypothesis is supported (Sig. = 0.00, C.R = 4.64 ≥ 1.96). In line with this findings, previous studies reported similar results. Entrepreneurial orientation has a significant impact on SME business performance. The result is harmonious with many prior studies that confirmed this positive relationship (Timotius , 2020; Sentanu and Praharjo, 2022). By fostering a culture of innovation, risk-taking, and proactiveness, firms with a strong entrepreneurial orientation are more likely to identify and exploit new opportunities in the market. This proactive approach enables them to stay ahead of their competitors and adapt quickly to changing market conditions. Moreover, a high level of entrepreneurial orientation is also associated with higher levels of customer satisfaction

and loyalty, leading to improved financial performance and long-term success for SMEs. Furthermore, firms with a strong entrepreneurial orientation tend to have a culture that encourages creativity and experimentation.

Hypothesis (H2) is analyzed which states that “innovation practices have a significant effect on SME performance” This hypothesis is supported (Sig. = 0.00, C.R = 4.82  $\geq$  1.96). Innovation practices have a significant impact on the performance of small and medium-sized enterprises (SMEs). The result is harmonious with many prior studies that confirmed this positive relationship (Adam and Alarifi, 2021; Carrasco-Carvajal et al., 2023). By adopting and implementing innovative strategies, SMEs can gain a competitive edge in the market, enhance their products or services, and meet the evolving needs of customers. Moreover, innovation can also lead to the development of new products and services, expanding the company's offerings and diversifying its revenue streams. Ultimately, by continuously adapting and evolving through innovation, SMEs can not only survive but also thrive in an ever-changing market.

Hypothesis (H3) is analyzed which states that “entrepreneurial orientation has a significant effect on manager motivation”. This hypothesis is supported (Sig. = 0.00, C.R = 5.02  $\geq$  1.96). Likewise, studies in entrepreneurship concluded similar findings. The result is harmonious with many prior studies that confirmed this positive relationship (Sylvia, 2017; Rauch and Hatak, 2016). Entrepreneurial orientation has a significant impact on manager motivation. When managers are encouraged to take risks, innovate, and pursue new opportunities, they become more motivated to excel in their roles. The freedom to make decisions and be creative gives them a sense of ownership and empowerment, which in turn drives their motivation to achieve success. Additionally, the potential for greater rewards and recognition that comes with entrepreneurial orientation can further enhance manager motivation, as they strive to make a positive impact on the organization and reap the benefits of their efforts. This achievement further solidifies the manager's position as a valuable asset to the organization, leading to new opportunities for career advancement and personal growth.

Hypothesis (H4) is analyzed which states that “manager motivation has a significant effect on SME performance”. This hypothesis is supported (Sig. = 0.00, C.R = 3.37  $\geq$  1.96). The result is harmonious with many prior studies that confirmed this positive relationship (Sandhu et al., 2017). The review literature reveals similar findings, e.g., executive manager motivation plays a crucial role in determining the success or failure of SME businesses. When executive managers are highly motivated, they are more likely to set ambitious goals, inspire their employees, and make informed decisions that drive growth. On the other hand, if executive managers lack motivation, it can result in a decline in employee morale, a lack of direction, and ultimately, poor business performance. Therefore, it is essential for SME owners to prioritize the motivation and well-being of their executive managers to ensure the overall success of their business. For example, a small business owner who is motivated and passionate about their company's mission can inspire their employees to share the same enthusiasm. This can lead to a work environment where everyone is committed to achieving common goals, resulting in higher levels of productivity and innovation. Furthermore, a motivated executive manager will actively seek out new opportunities and strategies to keep the business competitive in the market, ultimately driving long-term success.



**Theoretical and Practical Implication**

The theoretical implication of developing such a framework is that it can provide a deeper understanding of the relationship between these variables and their impact on SMEs. By examining how entrepreneurial orientation, manager motivation, and innovation practices are interconnected, researchers can identify the key drivers that contribute to SME performance. This framework can also help in identifying the mechanisms through which these variables influence each other and ultimately affect the overall success of an SME. Furthermore, understanding these relationships can inform policymakers and practitioners in designing strategies and interventions that can enhance entrepreneurial activities and promote innovation within SMEs, ultimately leading to improved economic growth and job creation. By recognizing the interdependencies among different factors, policymakers can develop targeted policies that address the specific needs of SMEs and foster an enabling environment for their growth. Additionally, this framework can aid practitioners in identifying potential bottlenecks or barriers that hinder SME performance, allowing for the implementation of targeted interventions to overcome these challenges. Ultimately, these efforts can contribute to a more vibrant and competitive SME sector, driving overall economic development and prosperity.

The practical implication of developing a framework that links entrepreneurial orientation, manager motivation, innovation practices, and SME performance is the potential for significant improvements in the success and growth of SMEs. By understanding and leveraging the interplay between these factors, organizations can enhance their entrepreneurial mindset, motivate managers to drive innovation, and ultimately achieve better performance outcomes. This framework provides a structured approach for SMEs to strategically align their resources, capabilities, and motivations towards innovation, leading to increased competitiveness and long-term sustainability in the dynamic business landscape.

**Limitations and Directions for Future Research**

It is worth mentioning that there are several limitations to this research, readers need to be informed of limitations of this study. First, this research only explored one sector in UAE namely the SMEs sector. For this reason, it may not be judicious to generalize its outcomes to all other sectors in UAE. As such, other sectors (example, construction, telecommunication, pharmaceutical, and education) should be individually explored as well. Second, due to the difficulty of collecting data on SMEs in UAE, we used a survey design approach. All women executive manager who run SMEs of UAE was responsible for answering all questions, which exposed our study to common method bias. We conducted multiple analyses to investigate the extent to which common method variance may be a threat to the validity of our findings.

The current study uses entrepreneurial orientation as a whole; however, for further study, the researchers may use three or five dimensions. Moreover, considering some more environmental factors affecting SMEs is suggested for future researches. In addition, this study is conducted only in a developing country. Further research can be studied in a developed country, and it can be conducted as a comparative study with any developed country for newer results. Future research should test new configurations of empirical models involving entrepreneurial orientation, innovation and SMEs Performance mainly with mediating, moderating or both variables, such as innovation, market turbulence and learning orientation. Examining the effects of innovation and entrepreneurial orientation seems to

make sense in SMEs, as managers need both market and entrepreneurial orientation strategies.

## **Conclusion**

This study found empirical evidences to support the hypotheses that have been developed from the literature review. These relationships have been evaluated and analyzed based on the results of quantitative conducted in the past. The summary of literature review reveals that entrepreneurial orientation has a direct effect on SME performance. The researcher conducted a survey in SMEs run by women to examine this relationship with more evidences from the UAE market, the result of analysis shows a significant finding that entrepreneurial orientation indirectly influences SME performance through a mediation interaction of manager motivation. In conclusion, entrepreneurial orientation, which encompasses the proactive and risk-taking behavior of the manager, indirectly influences SME performance through a mediation interaction of manager motivation. When executive managers are highly motivated and driven by the entrepreneurial spirit, they are more likely to adopt a proactive approach and take calculated risks that align with the goals and strategies of the firm. This motivation, in turn, positively impacts the performance of the SME, as it fosters innovation, resource acquisition, and competitiveness in the market. Hence, the mediating role of manager motivation plays a crucial role in translating entrepreneurial orientation into improved SME performance.

The study on the "Effect of Entrepreneurial Orientation and Innovation on Small and Medium Enterprises (SMEs) Performance through Motivation" explores the relationship between these key factors and their impact on the performance of SMEs. Here's a detailed look at the motivation and contributions of this research:

**Importance of SMEs:** SMEs are vital to economic growth and job creation. Understanding what drives their performance is essential for policymakers and business leaders. **Role of Entrepreneurial Orientation:** Entrepreneurial orientation (EO) encompasses traits like risk-taking, proactiveness, and innovativeness. Investigating how EO influences performance can shed light on effective strategies for SMEs.

**Innovation as a Growth Catalyst:** Innovation is crucial for SMEs to remain competitive. The study aims to examine how fostering innovation can enhance business performance.

**Linking Motivation to Performance:** Understanding how motivation serves as a mediator in the relationship between EO, innovation, and performance can provide insights into how SMEs can enhance employee engagement and productivity.

**Theoretical Insights:** The study contributes to the theoretical framework by linking entrepreneurial orientation, innovation, and motivation to performance. It enhances the understanding of how these elements interact in the context of SMEs.

**Practical Implications:** The findings can guide SME owners and managers in developing strategies that foster an entrepreneurial mindset and promote innovation, ultimately leading to improved performance.

**Policy Recommendations:** Insights from the study can inform policymakers about the support needed for SMEs to enhance their entrepreneurial and innovative capacities, contributing to overall economic growth.

Framework for SMEs: The research may propose a model or framework that SMEs can use to evaluate and enhance their entrepreneurial practices, innovation efforts, and employee motivation, providing a practical tool for implementation.

Contextual Relevance: By focusing on SMEs, the study addresses a significant gap in existing literature, which often emphasizes larger corporations. This context-specific research is valuable for understanding unique challenges faced by SMEs.

Overall, this study aims to provide a comprehensive understanding of how entrepreneurial orientation and innovation can be leveraged to improve SME performance, with motivation playing a crucial mediating role. The insights gained can drive both theoretical advancements and practical applications, supporting the growth and sustainability of SMEs.

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