

The Mediating Effect of Market Orientation on the Relationship between the Entrepreneurial Orientation and the Performance of Banks in Yemen – Conceptual Analysis

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Abstract

The of this study was to investigate and evaluate the mediating effect of Market Orientation (MO) on the relationship between entrepreneurial orientation dimensions (EO) which are (Innovativeness, Proactiveness, and Risk-taking) and organizational performance (OP). The motivation for this study was driven by the inconsistent findings in the literature concerning the relationships between EO and organizational performance also In the related literature, many theories have recommended and suggested that study the relationship between EO and OP with other variables which could have a positive or negative impact especially in Yemen because there is no more study in this field about that sample. I have used the questionnaires as the main tool for collecting data were distributed to 8 Yemeni banks. 346 questionnaires were returned and used in the analysis SPSS statistical software package and Structural Equation on Modeling (SEM) Using by AMOS. The findings of this study clarify and illustrate that EO dimensions were positive and have also been proven to be significant predictors of organizational performance. More importantly, the results have also confirmed the mediating and partial effect of Market Orientation on the relationships between EO dimensions, and organizational performance.

Keywords: Entrepreneurial Orientation Dimensions, Market Orientation Dimensions, Organizational Performance, Yemeni Banks

1. Introduction

Estimation of performance is vital for compelling administration in any association (Demirbag M. T. 2006). Deming (1986) contended that change of any procedure is impossible without estimating its results. Along these lines, the organizational performance change needs a few estimations to decide the degree of adequacy of organizational recourses on business performance (Gadenne, 2002). (Kanji, 2007) called attention that the primary condition to upgrade performance is to develop and implement a performance measurement system. Traditionally, financial indicators have been used to measure organizational performance that has a few deficiencies, be that as it may, to defeat these inadequacies a few creators added non-money-related pointers to the conventional estimating frameworks (Demirbag M. T, 2006). In the present business evolving condition, organizations require to assess their outside and inner condition for circumstances and difficulties keeping in mind the end goal to stay focused and maintain their development. In such condition, associations with the goal for them to develop and survive need to enhance their execution and accomplish upper hand over contenders, however, how this performance can be improved and what systems that ought to be actualized towards that, is as yet the issue that should be additionally researched.

To accomplish an improved organizational performance, key administration is considered as a standout amongst the most critical factor and it is additionally the most ordinarily examined approach in the field of organizational behavior (Chen 2005). Vital administration is the way toward looking at present and future situations, starting the targets of association, actualizing and controlling choices to accomplish organizational objectives (Adeleke 2008). In addition, strategic management is how to deploy the strengths and weaknesses of the firm to gain the advantages of its outer openings and limit its outside issues/dangers (Adeleke 2008). In addition, it alludes to the administrative choices made by the firm to adapt to the day-by-day changing condition keeping in mind the end goal to enhance short and long-haul performance (Stahl 1997). Besides, usage of strategy positively affects the gainfulness of the association and a positive association with a market share (Dauda, 2010). Dauda (2010) pointed out that some recent studies about strategic management by (Akingbade, 2007) and (Nmadu, 2007) have confirmed the effect of strategic management on corporate performance.

In the current worldwide economy, the administration area has been pulling into consideration as one of the fundamental supporters of the development of the general economy. This expanding part of the administration division has been upgraded by the Internet and Communication Technology (ICT) upheaval. (Gupta, 2005)

As the fundamental segment of the administration segment, the managing an account industry has been confronting quickly changing markets and testing business conditions reflected in numerous incessant financial crises (Al-Marri 2007). Due to the across-the-board arrangement of money-related items and administrations by suppliers, the saving money industry has been described by expanding rivalry. This opposition has been made stiffer by some different associations, similar to post workplaces and insurance agencies that offer numerous monetary items and administrations (Kaynak, 1992, Hull, 2002). Therefore, banks need to build up a reasonable favorable position for their survival thus doing, they bring to the table high caliber and inventive items and administrations at aggressive rates (Khalid, 2010). Banks need to think of one-of-a-kind items and administrations from their exceptional, uncommon, and matchless assets. Further, they ought to likewise center on their HR talents, abilities, and capacities that could go about as a particular base for their upper. (Alkadash, 2017; Alkadash, 2015; Chang, 1997)

The banking system's role in the whole economy has been set up in principle and practice. The banking system of a country shapes the center of the entire monetary structure as it is the real driver of improvement programs and contributes essentially to the financial thriving (Alkadash, 2020; Al-Marri, 2007, Al-Swidi, 2011a). Banks, additionally, contribute fundamentally to the development of the economy through encouraging the budgetary assets for SMEs and substantial associations to work and accomplish their short and also long haul targets (Cohen 2007). Accordingly, the effective banking industry and monetary foundations are fit for assuming their part in building up the economy of the nation through the arrangement of items and administrations (Fub, 2007; Al-Hajri, 2008). As it were consistent banks and other monetary establishments. (Firer S 2003; J. 2004) have a key part in driving monetary development through their arrangement of assets and money-related administrations to the business area. In the present business area, banks need to constantly upgrade their execution keeping in mind the end goal to acquire a manageable upper hand. They need to furnish redid and unmistakable items with esteem included services (Goh, 2005), Which will just stop by going up against viable and inventive methodologies. Consequently, the focused execution of banks has dependably been a point of hot exchange for the market chiefs and best pioneers who are envious of securing a huge position in the market.

To establish regional and global economic integration and promote the country as an attractive investment destination, the Yemeni government has been recently involved in a sequence of negotiation meetings with WTO with the hope to get accession to the WTO (World Bank, 2010). These efforts, if successful, will open up the Yemeni economy for many international investors to explore Yemeni investment opportunities. However, it is anticipated that many leading banks will enter the Yemeni market introducing superior financial products and high quality and innovative services. However, this study was motivated by the desire to provide the Yemeni banks and other business operators with good insights into the nature and structure of the future Yemeni business environment especially after the full access to the World Trade Organization (WTO).

2. Literature Review

2.1. Entrepreneurial Orientation (EO)

Entrepreneurial orientation (EO) is a key concept when executives are crafting strategies in the hopes of doing something new and exploiting opportunities that other organizations cannot exploit. EO refers to the processes, practices, and decision-making styles of organizations that act entrepreneurially. Any organization's level of EO can be understood by examining how it stacks up relative to three dimensions; Innovativeness, Proactiveness, and risk taking. These dimensions are also relevant to individuals (Al-Mamary et al., 2020; Wales, Covin, & Monsen, 2020).

Innovativeness is the tendency to pursue creativity and experimentation. Some innovations build on existing skills to create incremental improvements, while more radical innovations require brand-new skills and may make existing skills obsolete. Either way, innovativeness is aimed at developing new products, services, and processes. Those organizations that are successful in their innovation efforts tend to enjoy stronger performance than those that do not (Kennard, 2021; Stiro, 2021).

Proactiveness is the tendency to anticipate and act on future needs rather than reacting to events after they unfold. A proactive organization is one that adopts an opportunity-seeking perspective. Such organizations act in advance of shifting market demand and are often either the first to enter new markets or "fast followers" that improve on the initial efforts of first (Darwish, Alzayed, & Ahmed, 2020)

Risk taking refers to the tendency to engage in bold rather than cautious actions. Starbucks, for example, made a risky move in 2009 when it introduced a new instant coffee called VIA Ready Brew. Instant coffee has long been viewed by many coffee drinkers as a bland drink, but Starbucks decided that the opportunity to distribute its product in different "make-at-home" format was worth the risk of associating its brand name with instant coffee (Annushkina & Regazzo, n.d.; Slimbach, 2020).

2.2. Market Orientation (MO)

Market orientation is an approach to business that prioritizes identifying the needs and desires of consumers and creating products and services that satisfy them. Companies that have a market orientation consider the opinions and needs of their target market as a critical component of their research and development (R&D) for new products (Alkadash, & Law, 2020; Kasim, Ekinci, Altinay, & Hussain, 2018; Mohammadi & Sohrabi, 2018).

It may sound obvious, but advocates of market orientation argue that the conventional approach to product development is the opposite. That is, marketing strategies focus on establishing key selling points to promote existing products rather than designing products that have the qualities consumers say they want (Thimmel, 2018).

Market orientation is a customer-centered approach to product design. It involves market research aimed at determining what consumers view as their immediate needs, primary concerns, or personal preferences within a particular product category (Chanda, 2018; Thimmel, 2018). Companies may also employ additional data analysis to reveal trends and consumer desires that are not specifically expressed. A knowledge of these trends ideally can help product developers meet or even anticipate consumer needs. They may even inspire improvements that the consumer was not aware of as being an option (Alkadash, 2020; Krafft et al., 2021; Thimmel, 2018).

This allows a company to focus its product development efforts on the characteristics that are most in-demand. With an increasingly global economy and the proliferation of choices for consumers, companies that adapt to a market orientation may benefit from a competitive advantage over other companies (Christensen & Bengtsson, 2021; Krafft et al., 2021).

2.3. The influence of entrepreneurial orientation (EO) on organizational performance.

Researchers have proposed different measures to gauge the EO concept, with some examining the whole construct and its relationship to performance, and others determining the impact of its dimensions on the performance of the organization. The latter method is adopted in this examination to build up the theory with respect to the EO measurements organizational performance relationship.

Moreover, several authors have examined EO and organizational performance relationships in the entrepreneurship field (Davis 2007) where the existence of the positive relationship between the two was supported e.g. (Drucker 1985, Covin & Slevin 1989). In this regard, (Covin & Slevin 1991) and (Zahra & Dess 2001) contended that while some theoretical studies support the relationship between the two variables, such a relationship still needs solid empirical evidence.

Albeit most examinations focused on the impact of (EO) on organizational performance prove a positive effect some affirmed the inverse. Some other studies like (Keh, Nguyen, et al. 2007) demonstrated that firms having high degrees of entrepreneurial capabilities are able to examine and take advantage of business opportunities and have a higher tendency to develop a competitive advantage compared to their competitors.

The consequences of this investigation identifying with the impact of entrepreneurial orientation on performance of Islamic banks was affirmed in accordance with premises of asset-based perspective of firm hypothesis which takes a gander at organizational capacities as a wellspring of focused advantage (Al-Hosam, 2012).

The investigation additionally uncovered a positive and huge connection between EO and financial performance while social performance was sure yet immaterial. The examination reasons that social endeavors working in Kenya portrayed low levels of entrepreneurship. (Kiruki, 2016)

The consequence of this examination demonstrated entrepreneurial orientation is emphatically and fundamentally related to SMEs' business development and exportation performances (Nida Platin, 2017).

- H1: The entrepreneurial orientation (EO) has a positive significant influence on organizational performance.

2.4. The influence of Market orientation as a mediator between (EO) and organizational performance

An impact of (EO) on organizational performance has generally been talked about affirmed by scientists. The inquiry emerges now how (EO) can improve performance and what is the component that clarifies impact. Consequently, market orientation has come to answer this inquiry. It is proposed in this investigation to intercede the connection amongst (EO) and organizational performance. The connection between (EO) and market orientation on the one hand and the connection between market orientation and organizational performance on the other hand have been theorized to have noteworthy connections because of the past writing that favors that relationship. Furthermore, the circuitous (EO) organizational performance relationship is more unmistakable than the immediate relationship (Chen, Li et al. 2006). As such, the connection between (EO) and organizational performance is no immediate; thusly it is affected by various segments. (Vij & Bedi, 2012)

- H2: The Market orientation as a mediator has a positive influence on the relationship between the entrepreneurial orientation (EO) and organizational performance

3. Conceptual Framework

The following model expresses the strength and direction of the relationship between the following variable.

- Entrepreneurial Orientation (EO) which comprises of
 - o Innovativeness - independent variable
 - o Proactiveness - independent variable
 - o Risk Taking - independent variable
 - o Organizational Performance (OP) - dependent variable
 - o Market Orientation (MO) – Mediating variable between (EO) and (OP)

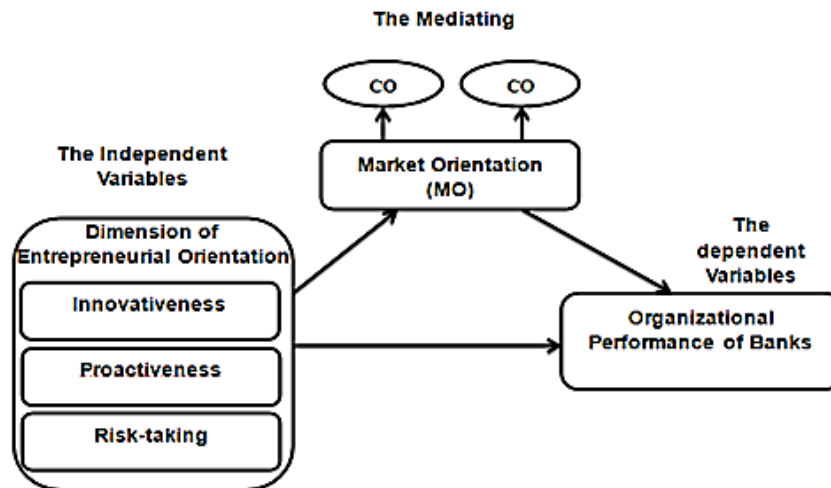


Fig. 1. Research model of this study

4. Conclusions and Recommendations

The target of this examination is to look at the impact of dimensions of entrepreneurial orientation (EO) on the organizational performance of banks in Yemen with the moderating impact of market orientation (MO). The consequences of this study found that EO dimensions were positive and have been proven to be significant predictors of organizational performance. All the more essentially, additionally, outcomes have affirmed that market orientation has a significant effect on the relationship between entrepreneurial orientation and organizational performance of banks but at the same time, this effect and impact is partial effect not complete because relationship and impact of entrepreneurial orientation on organizational performance DV are still even with MV insert this relationship.

Through the observational discoveries, this examination adds to the current writing; aftereffects of investigation can't be summed up. Future examinations ought to embrace the proposed inquire-about model among various sorts of market orientation and entrepreneurial orientation (EO) for generalizing the findings. At long last, the administrative level and important effect market orientation in the organization performance ought to be considered as a control variable to build up the discoveries.

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