

# Mediating Effect of Market Orientation on The Relationship between Entrepreneurial Orientation Factors and Performance of Banks – Conceptual Study

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## Abstract

The objective and aim of this study were 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 entrepreneurial orientation and organizational performance. 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 developing countries such as the Yemen because there is not enough studies in this field. The content of this conference article includes the conceptual framework; however, further research is conducted in the Yemeni banking industry. The future work includes developing the questionnaire for data collection, collecting data from 9 banks, and data analysis by using PLS-SEM techniques.

*Keywords: Entrepreneurial Orientation, Market Orientation, Organization Performance, Banking Industry, Yemen*

## 1. Introduction

Estimation of performance is vital for compelling administration in any association including banking industry (Demirbag M. T., 2006; Fukuyama & Tan, 2022). Deming (1986) developed a theory in management in which he 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 (Gadanne, 2002). Scholars called attention that the primary condition to upgrade performance is to develop and implement a performance measurement system (Taouab & Issor, 2019; Ahmed & Almaamari, 2020). Traditionally, financial indicators have been used to measured organizational performance that have 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; Naseem, 2020). 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(Alkadash & Shahid, 2017). 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 strengths and weakness 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 strategic positively affects 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 in 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; Nuskiya, 2018).

As the fundamental segment of the administration segment, the managing an account industry has been confronting quickly changing markets and testing business condition reflected in numerous incessant financial crisis (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 (Chang, 1997& Al-Harethi & Al-Maamari, 2018).

The role of banking system 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 (Al-Marri, 2007; Al-Swidi, 2011a; Al-Maamari & Abdulrab, 2017; Aldoseri & Almaamari, 2020). 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, effective banking industry and monetary foundations are fit for assuming their part in building up the economy of the nation through arrangement of items and administrations (Fub, 2007; Al-Hajri, 2008). As it were consistent banks and other monetary establishments. Firer S. (2003) and 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, 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 the regional and global economic integration and promote the country as an attractive investment destination, Yemeni government has been recently involved in a sequence of negotiation meetings with WTO with hope to get the accession to the WTO (World Bank, 2010). These efforts, if successful, will open up the Yemeni economy for many international investors to explore the 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 World Trade Organization (WTO)(Alsaad & Almaamari, 2020).

## 2. Literature Review

### 2.1. 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 relationship in the entrepreneurship field (Davis, 2007) where the existence of the positive relationship between the two was supported e.g. (Drucker, 1985; Covin and Slevin, 1989). In this regard, Covin and Slevin (1991) and Zahra and Dess (2001) contended that while some theoretical studies support the relationship between the two variables, such 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 (2007) and 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 competitive advantage compared to their competitors.

The consequences of this investigation identifying with 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 wellspring of focused advantage (Al-Hosam, 2012).

The investigation additionally uncovered a positive and huge connection amongst 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 relationship between entrepreneurial orientation and organizational performance discussed and supported by different studies such as Nida Platin (2017), and Soares and Perin (2020). The consequence of this examination demonstrated entrepreneurial orientation is emphatically and fundamentally related with SMEs' business development

and exportation performances in different domains such as pharmaceutical SMEs (Chienwattanasook & Jermsttiparsen, 2019), multidisciplinary companies in Egypt (Mahrous & Genedy, 2019).

**H1: The entrepreneurial orientation (EO) have positive significant influence on organizational performance.**

*2.2. The Influence of Market Orientation As Mediator Between (EO) and Organizational Performance*

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

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

**3. Conceptual Framework of the Study**

The following model expresses the strength and direction of the relationship between EO which comprises of (Innovativeness, Proactiveness, and Risk-taking) is independent variables and organizational performance is represented dependent variable and indirection of relationship which effect of market orientation variable between (EO) and (OP) as a mediator.

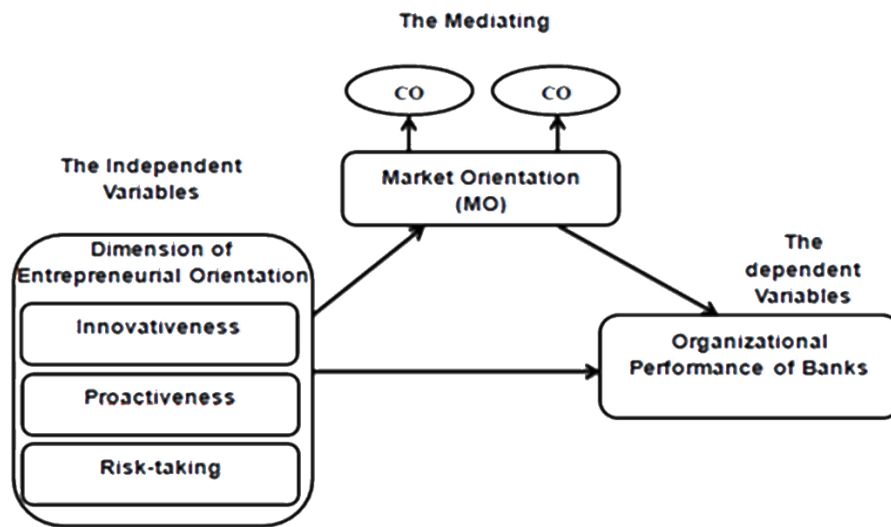


Fig. 1. Conceptual Framework of the Study

**4. Recommendations and Limitations**

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 sort 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.

**5. Conclusion**

The target of this examination is to look at the impact of dimensions of entrepreneurial orientation (EO) on organizational performance of banks in Yemen with the moderating impact of market orientation (MO). 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 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 is still even with MV insert this relationship. The content of this conference article includes the conceptual framework; however, further research is conducted in the Yemeni banking industry. The future work includes developing the questionnaire for data collection, collecting data from 9 banks, and data analysis by using PLS-SEM techniques.

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