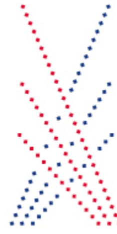

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The Impact of Financial Capital on the Relationships Between Organisational Orientations and SMEs Performance. A Theoretical Perspective.

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Title	The Impact of Financial Capital on the Relationships Between Organisational Orientations and SMEs Performance. A Theoretical Perspective.
Summary (Abstract)	Recent studies suggest that resource-based capabilities such as entrepreneurial orientation (EO), learning orientation (LO) and market orientations (MO) individually as well as jointly improve small and medium-sized enterprises (SMEs) performance. This study suggests that each of these orientations has positive relationships with SMEs performance. However, the level of SMEs access to financial capital influences these relationships. This study underpins the resource-based view approach to synthesise the key issues in SME performance. The theoretical analysis shows that all three organisational orientations and financial capital enhance firm performance. However, firms need financial resources to be organisationally oriented. Since, SMEs have limited access to finance resources, their ability to achieve organisational orientations may be limited and ultimately restrict them to grow and enhance their performance. Thus, this study suggests that financial capital influences the relationships between organisational orientations and SMEs performance.
Track	Entrepreneurship
Word count	6125 (Including citation)

Introduction

Small and medium-size enterprises (SMEs) are highest in the numbers of businesses in an economy. As reported by 'The Organisation for Economic Cooperation and Development' (OECD, 2017a) that 95% of businesses are SMEs in all economies. Hence, their impact on a nation's economy cannot be overlooked. SMEs are considered as a major sector for economic growth, key source of employment and innovation, and technological development in developing as well as developed economies (Ahmed et al., 2017). They are the base for industrial structure as they enhance industrialisation in majority of countries in the world (Majama and Magang, 2017). In OECD countries 99.7% businesses of non-financial sector are occupied by SMEs. They contribute to 60% of employment and generated an average of 50% to 60% of value added (OECD, 2017b).

SMEs have no single agreed definition (ACCA, 2010, OECD, 2017). According to the Bolton (1971) small business in one specific sector may not be small in another sector and thus, firm size can be defined based on the number of employees in one sector, while based on the turnover in another sector. The European Commission (2015) divides the SMEs into three types, micro, small and medium, depending on the numbers of employees, total annual turnover and/or annual balance sheet (see table 1). The same definition is used in the UK (Ward and Rhodes, 2014) and hence, adopted in this study.

Table 1:- Breakdown of SMEs

Type	Numbers of Employees	Annual Turnover	Or	Annual Balance Sheet Total
Micro	1 – 9	≤ €2 million	Or	≤ €2 million
Small	10 – 49	≤ €10 million	Or	≤ €10 million
Medium	50 – 249	≤ €50 million	Or	≤ €43 million

Source: - The European Commission (2015)

Currently, business environment has become turbulent and uncertain, and firms of all types and sizes are facing constant overwarming challenges (Lee et al., 2016). In this type of marketplace, firms struggle to enhance sales, market share, and profitability (Loinel and Carter, 2015). Although, the importance of SMEs is enormous in the economy of a country. However, they are vulnerable to poor performance and eventually fail to be in operations (Majama and Magang, 2017). SMEs lack economy of scale and resources as compared to large firms (Aragón-Sánchez and Sánchez-Marín, 2005). The market failure and barrier adversely impact small businesses, due to their internal limitations such as lack of resources (OECD, 2017a). Therefore, the long-term survival of SMEs is fundamental. This enhances the concern of managers and researchers to investigate the potential of SMEs to achieve competitive advantage (Rivard, Raymond and Verreault, 2006) and ultimately enhance business performance. In doing so, firms must effectively utilise resources and capabilities that are valuable, rare, and inimitable (Loinel and Carter, 2015).

Firm's resources and capabilities have long been discussed and considered as key source of competitive advantage (Barney, 2001; Rothaermel, 2013.). They utilise their different resources and capabilities to gain a sustainable competitive advantage, to attain superior performance (Loinel and Carter, 2015). Although, resources are important for all types of firms. However, the resources-based view argues that for resources to be a source of sustainable competitive advantage, they must be valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991). Intangible resources are mostly important, and they are mostly challenging to be copied (Zhou et al. (2008).

Literature search found that the 'Organisational Orientations', such as entrepreneurial orientation (EO), learning orientations (LO) and market orientation (MO), are those specific intangible assets of the firm that are difficult to duplicate (Loinel and Carter, 2015). The relevant literature also provides some empirical evidence that enlighten that EO, MO and LO collectively as well as independently have positive relationship with firm performance (see e.g. Lonial and Carter, 2015; Wang, 2008; Hult and Ketchen, 2001 and Spicer and Sadler-Smith, 2006; Morgan, Vorhies and Mason, 2009). However, these studies ignored the role of financial capital and in particular with regards to SMEs. Therefore, it implies that a research is needed to answer a question, like: what is the influence of financial resources on the relationship between organisational orientations and SMEs performance?

To be organisational-oriented firm is capital intensive, specifically for SMEs. Grimmer, Miles and Grimmer (2013) found that the financial capital is a most important resource for small retailers. they noted that the access to financial capital is correlated with higher levels of firm performance. Financial capital is one of the most visible resources and allows firms to implement capital-intensive strategies (Cooper, Gimeno-Gasconand and Woo, 1994)

Although, Loinal and Carter (2015) conceptualised that organisational orientations enhance SMEs performance. However, to be organisational-oriented, firms need financial resources. As, SMEs have limited access to financial resources (Brouthers, Nakos and Dimitratos, 2014), they become overly dependent on financial capital. This desist SMEs to be organisational-oriented and may be a key barrier to achieve sustainable competitive advantage, which, in turn impact SMEs performance. Therefore, a clear gap has been identified to investigate the moderating role of financial capital on the relationship between organisational orientations (EO, LO and MO) and firm performance.

The above discussion highlights the importance of considering contextual influence of financial resources on the relationship between organisational orientations and SMEs performance. Particularly, this study building on the resource based-view (RBV) of the firms (Wernerfelt, 1984) posits that several organisational orientations such as EO, MO and LO are key capabilities that independently positively relate to SMEs performance. However, SMEs need to have access to financial capital (key resource) to be organisational-oriented firms.

Literature Review

Resource-based View

The resources and capabilities including physical, human and organisational assets play an important role for firms to achieve a competitive advantage (Loinal and Carter, 2015) and superior performance. It is a key assumption of the resources-based view (RBV) theory of firms that when firms utilise their bundles of resources and capabilities in a unique way, they achieve superior performance (Barney 1991). Firm resources (tangible or intangible) are those specific assets that are linked to a firm "semi-permanently and could be a strength or weakness of that firm (Warnfelt 1984). Whereas, capabilities are simply what a firm can do and based on organisational routines (Grant, 2015). Teece, Pisano and Shuen (1997) noted that capabilities are usually developed as they cannot be bought. Individual resources do not confer competitive advantage; they must work together to create organisational capability, which are the core of superior performance (Grant, 2015).

However, the resources and capabilities can only be the sources of competitive advantages when they are heterogeneous and immobile, alongside being valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991). Zhou et al. (2008) argued that capabilities are not observable, and thus challenging to copy. They keep assets composed and exploit them profitably. Organisational orientations are those capabilities that are challenging for competitors to copy as they are deeply rooted into the daily routines of a firm and hence, considered as some of the most important capabilities (Loinal and Carter, 2015). However, the focus of this study is on three organisational orientations, EO, LO and MO. These three orientations are considered among those capabilities that fulfil the requirement of RBV and are source of competitive advantage (see e.g. Lumpkin and Dess, 1996; Baker and Sinkula, 1999; Brouthers, Nakos, Dimitratos, 2014; Zhou et al., 2008; Hult and Ketchen, 2001).

Moreover, the study is not considering the capabilities only, it also considers financial capital, one of the most visible resource (Cooper, Gimeno-Gascon and Woo, 1994). Although it does not meet the criteria of RBV. However, it can be converted into other resources or capabilities such as EO, LO and MO that fulfil the RBV conditions. As the focus of the study is on SMEs, which have limited access to financial resources (Brouthers, Nakos, Dimitratos, 2014). Therefore, RBV would potentially be a reliable approach concerning the investigation of contextual influence of financial capital on the relationship between three orientations (EO, LO and MO) and SMEs performance.

Entrepreneurial Orientation (EO)

This study is using EO as a firm related internal factor that influence SMEs performance. There is a growing interest in entrepreneurship research as it is believed that entrepreneurship can improve performance of new as well as existing firms (Covin and Slevin, 1991). Entrepreneurial orientation (EO) has become the central area of research and received a significant amount of theoretical and empirical interest (Rauch et. al., 2009).

In the current business environments, the product and business model life cycle are limited and external environment changing constantly (Lonial and Carter, 2015). While, uncertainty in the future profit streams from existing firms, demanding businesses to develop and exploit new opportunities (Wiklund and Shepherd, 2005). Firms that adopt EO are the only one that can exploit new product opportunities (Wang, 2008). Thus, Rauch et al., (2009) define EO as an ‘’entrepreneurial strategy-making processes that key decision makers use to enact their firm’s organisational purpose, sustain its vision, and create competitive advantage(s)’’ (p. 763).

Nonetheless, EO has been constructed in numbers of ways (Lonial and carter, 2015). Lumpkin and Dess (1996) characterise EO into five dimensions such as autonomy, innovativeness, proactiveness, risk-taking and competitive aggressiveness. Theoretically, this study illustrates the EO into three dimensions namely; innovativeness, risk-taking propensity, and proactiveness as suggested by Miller (1983). According to Miller (1983) “An entrepreneurial firm is one that engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with ‘‘proactive’’ innovations, beating competitors to the punch” (p. 771). Rauch et al. (2009) argued that based on the Miller’s (1983) description, numbers of researchers identified and used above mentioned three dimensions of EO (see e.g. Lonial and carter, 2015; Wiklund and Shepherd, 2005; Wiklund, 1999).

Innovativeness is an important component of EO as it is “a firm’s tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes” (Lumpkin and Dess, 1996, p. 142). Innovative firms demonstrate innovative behaviour consistently over time (Wang, 2008), which in turn, lead them to great progress and strong corporate growth (Dess and Lumpkin. 2005). Consequently, firms’ ability to innovate is fundamental to maintain feasibility as it is the source of ideas that lead to improvements and new products and thus enhance firm performance (Lumpkin, Brigham, and Moss, 2010).

Risk-taking in a firm indicates the intensity of owners/managers or entrepreneurs’ willingness to take risky decisions that commit large amounts of resources to projects with uncertain outcomes (Wiklund and Shepherd, 2005). As entrepreneurial firms face high level of uncertainty internally and in the external environment, therefore, it is considered as an important dimension of EO (Wang, 2008).

Proactiveness of a firm is the propensity of introducing new product or service and the ability to make timely decision of whether or not to lunch the new product or service. It is the characteristic of being opportunity-seeking and forward-looking to introduce new products and services and predict future demands ahead of the rivals (Rauch et al., 2011). Being ahead of the competition is the key to be proactive firm (Dess and Lumpkin, 2005) as it enables firms to achieve first mover advantage (Grant, 2015). Liebermann and Montgomery (1988, p. 44) argued that first movers can implement “strategies of spatial pre-emption” that dissuade new entry by subsequent entrants. Proactive firms target premium market segments and charge high prices and ultimately achieve sustained high performance and market share (Zahra and Covin, 1995). Therefore, these firms are leaders in the industry (Lumpkin and Dess, 1996). Although, all three detentions have their individual role on firm performance. However,

collectively they are fundament for firms, particularly those dealings with uncertain environment (Lonial and carter, 2015).

Researchers noted that EO is positively and significantly related to firm performance (see e.g., Grimmer, Miles and Grimmer, 2015; Lonial and Carter, 2015; Wang, 2008; Rauch et al. 2009; Wiklund and Shepherd, 2005; Lumpkin and Dess, 1996; Zahra and Covin, 1995; Smart and Conant, 1994). EO, being a highly studied area encourage Rauch et al. (2009) to conduct a mate-analysis on relationship of EO and firm performance. They found a positive and moderately large effect of EO on firm performance with a corrected correlation of .242. However, EO is a resource consuming strategic orientation and thus, raise firms' requirement of resources to facilitate EO (Wiklund and Shepherd, 2005). As SMEs have limited access to financial resources, the may be less willing to take risk and thus, the impact of EO may be different on SMEs performance (Lonial and Carter, 2015). Hence, firms with abundant of resources (large Firms) may have more capacity to engage in entrepreneurial activities than small firms (Covin and Slevin, 1991). Lonial and carter (2015) also claimed that firms planning to adopt entrepreneurial orientation may lead them to misallocation of scarce resources, which in turn may lead to poor performance.

Moreover, scholar also noted EO-performance relationship is more complex than main-effect-only relationship. Zahra and Covin (1995) found that EO-performance relationship in hostile environment is more significant than other firms. Lumpkin and Dess (1996) mentioned that the relationship is complex and there are internal and external factors of firm that may moderate the relationship. Wiklund and Shepherd (2005) supported the positive relation of EO on firm performance, however, as suggested by Lumpkin and Dess (1996) they noted that main-effect approach provide incomplete results. Wang (2008) found that LO mediate the EO-performance relation, thus, direct relationship between EO and firm performance provides an incomplete picture of performance (Wang, 2008).

Learning Orientations (LO)

Learning orientation (LO) is reflected in organisational values (Sinkula, Baker, and Noordewier, 1997). It is another organisational orientation considered vital in examining firm performance (Baker and Sinkula, 1999; Wang, 2008; and Hult and Ketchen, 2001). Theoretically, LO is that specific set of firm's values which impact firm's propensity to create and use knowledge (Sinkula, Baker, and Noordewier, 1997) and convert it into competitive advantage (Calantone, Cavusgil, and Zhao, 2002).

In the extremely competitive market environment, learning is deemed a core capability of an effective organisation and a key element of a strategy for corporate renewal (Slater and Narver, 1995). Sanzo et al. (2011) posits that LO may be deemed a vital advantage generating capability as it has the quality of being valuable, rare, difficult to imitate, and non-substitutable.

As discussed earlier that learning is a process that lead to acquisition of knowledge. While, knowledge is temporary and required to be up to date (Harrison and Leitch, 2005). Similarly, organisational learning can be seen in organisational routines (Kim, 1993). However, maintaining and elaborating routines are both important for firms and

thus, they must avoid learning, which is excessively routinised (Slater and Narver, 1995). Firms embrace adaptive learning to refine existing knowledge, routines and to understand the basic concept of cause and effect relationship between environment and the firm (Sinkula, Baker, and Noordewier, 1997). However, to refine ‘long-held routines and practices’, firms need to adopt generative learning (Spicer and Sadler-Smith, 2006), in which individuals in a firm question their own behaviour and long held assumptions (Slater and Narver, 1995; Sinkula, Baker, and Noordewier, 1997). As argued by Baker and Sinkula (1999, p. 413) that firms with strong LO encourage employees to “think outside the box” by constantly questioning firm values.

LO has been conceptualized as being three organisational values, routinely associated with the predisposition of the firm to learn, 1) commitment to learning 2) open-mindedness and 3) shared vision (Sinkula, Baker, and Noordewier, 1997). Numerous researchers adopted this conceptualisation (See e.g., Lonial and Carter, 2015; Wang, 2008; and Baker and Sinkula 1999).

To be a learning-oriented firm the existence of fundamental values, are compulsory that lead to the development of learning-oriented culture and climate (Sinkula, Baker, and Noordewier, 1997). Commitment to learning is the degree to which firms are committed to place the values on learning (Sackmann, 1991). Such firms value the need to understand the cause and effect of their actions which is vital to detect and correct error in theory in use (Baker and Sinkula, 1999). If little the value is placed by a firm, the little the likelihood of learning occurrence (Sinkula, Baker, and Noordewier (1997). In general, a firm is a learning-oriented firm when it holds a central value regarding learning and committed to place that value on learning.

Moreover, past experiences form a mental model (memories) of how things work, within a firm (Sinkula, Baker, and Noordewier, 1997). The mental modal loss its experiential truth with the change in time (Baker and Sinkula, 1999), which may encourage ineffective learning. The ability to learn is the ability to face uncertainty and adopt change (Tobin, 1993). Therefore, the capabilities and the business processes should be modernised. Although, the new processes or capabilities can be effective as compared to the old ones however, the firm is unwilling or unable to reject the capabilities in which it has invested so heavily (Slater and Narver, 1995). Consequently, an organisation in the similar situation should promoted unlearning. There is a high level of knowledge obsolescence in most of the business sectors hence, unlearning the old ways of doing things is equally important as renewing and updating the knowledge base (Calantonea, Cavusgila and Zhao, 2001). Unlearning often replace routines and considered as an important condition to successfully adopt changes (Tsang and Zahra, 2008).

Open-mindedness is linked to the notion of unlearning as it is the ability of a firm to question its long-held routines, assumptions, and beliefs (Sinkula, Baker, and Noordewier, 1997). According to Baker and Sinkula (1999) unlearning is at the heart of organisational change while, open-mindedness is an important organisational value that initiate the process of unlearning.

Although, commitment to learning and open-mindedness influence the intensity of learning, the shared vision influences the direction of the learning (Sinkula, Baker, and

Noordewier, 1997). If a firm hold a higher level of common goal at different levels of a firm, there will be higher level of shared vision, which promote a sense of direction (Baker & Sinkula, 1999). Wang (2008) noted that shared vision does not only determines the direction of learning, but it has strong relationship with firm performance as compared to the commitment to learning and open-mindedness. It is possible that within a firm, employees at different departments may interpret the same information in different ways (Brown and Eisenhardt 1995). Therefore, a focus for learning is required and shared vision is critical underpinning proactive learning (Sinkula, Baker, and Noordewier, 1997). Commitment to learning and open-mindedness motivate individuals in a firm to learn (Wang, 2008). However, the motivation to learn is not enough to be a learning-oriented firm unless one does not know what to learn. This lack of shared vision inhibits the higher-order learning (Baker and Sinkula, 1999).

Numbers of studies show positive relationship of LO on firm performance. Lonial and Carter (2015) propose that LO can enhance SMEs performance however, LO along with other organisational orientations (EO and MO) work as indicators for positional advantage which has a significant and positive relationship with performance. In turn, it leads to superior SMEs performance. Wang (2008) found that LO directly impact performance and argued that it must mediate EO-performance to maximise the impact of EO on firm performance. According to Dada and Fogg (2016) in the context of SMEs learning, LO is an outcome of EO and exists as a dependent variable. Thus, positive effect of EO on performance is the result of LO. Calantone, Cavusgil, and Zhao (2002) found that LO is critical for innovation and performance as it relates to firm performance directly as well as indirectly through innovation. Baker and Sinkula (1999) found that the direct main effect of LO is significant and positively related to firm performance. However, MO and LO mutually lead to long term competitive advantage, which ultimately enhance organisational performance.

The firms with an ability to learn from environment are mainly the firms that outperform their rivals in adopting changing business environment and in enhancing the quality of product and service (Lonial and Carter, 2015). As claimed by Wang (2008) learning-oriented firms are more adaptive to changing business situations by developing new products that meet emerging consumer needs. Successively, it improves firms' performance (Baker and Sinkula, 2009). However, firm size is a key element in the relationship of LO and firm performance. As firms that are small in size commit less to learning as compared to large companies which weaken the impact of LO on performance (Lonial and Carter, 2015).

Market Orientation (MO)

The marketing concept is a cornerstone of marketing discipline (Kohil and Jaworski, 1990). It stipulates that satisfying customers' needs and wants more effectively than rivals, is the key to achieve a sustained profitability (Kirca, 2005; Slater and Narver, 1998). Thus, a firm with a focus on implementation of the marketing concept is considered a market-oriented firm (Lonial and Carter, 2015). Although, MO has conceptualised in numbers of ways, however, the key operational focus is on the market information processing activities (acquisition, distribution, interpretation, and storage of market information) regarding customers and competitors (Baker and

Sinkula, 1999). In the literature, there are two key contending conceptualisations of MO 1) from a behavioural process perspective (Kohli and Jaworski, 1990) and 2) as an organisational culture (Narver and Slater, 1990).

This study implements behavioural view of MO, conceptualised by Kohil and Jaworski (1990) due to number of reasons. Firstly, the construct of MO reflects the behaviours of a firm focusing on generation, dissemination of market intelligence and responding to change, based on the generated market intelligence (Loinal and Carter, 2015). Secondly, this conceptualisation is well supported in the present literature for SMEs alongside large firms (see Martin, Martin, and Minnillo 2009 and Kara, Spillan, and DeShields 2005). Finally, the Kohil and Jaworski's (1990) definition of MO has a clear focus on market information and behaviour (Ranco, Carsrud, and Brännback 2009).

Kohil and Jaworski (1990) define MO as the "organisation-wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments and organisation-wide responsiveness to it" (p. 6). This definition shows that MO distinct itself from market information processing as it also include responsiveness, which emphasise using the market information for making decisions and taking actions (Jaworski and Kohli, 1996). Therefore, market-oriented firms which are skilful in acquiring, disseminating, and responding to the market information systematically (Jaworski and Kohli, 1993) and hence, are adoptable to changing environment, which facilitates successful incremental innovation (Baker and Sinkula, 2005b).

Market intelligence is not just customers' needs and wants but also include the analysis of external factors that may impact such needs and wants (Kohil and Jaworski's, 1990). Hence, effective market intelligence generation required firm to develop an understanding of current and future customers' needs, and the influencing external factors (including competitors), through decision support systems, information systems, and market research (Loinal and Carter, 2015).

The generation Market intelligence is of no use until it is disseminated across the firm. The intelligence dissemination is one of the key activities of firm's marketing department (Schmidt et al., 2016) and a core component of MO (Jaworski and Kohli 1993). Thus, market intelligence must be communicated and disseminated across all the relevant departments as well as individuals in the firm and required their virtual participation.

Nonetheless, the dissemination of generated market intelligence is important, the firm achieve very little unless it takes actions to respond to that intelligence (Kohil and Jaworski, 1990). According to Day (1994) firms that are better equipped to respond to market requirements and anticipate changing conditions are expected to enjoy long-run competitive advantage and superior profitability. Being responsiveness include designing and offering products or services that meet the current and future needs in the selected target market by all the departments rather than just marketing department (Kohil and Jaworski, 1990).

Although, the relationship between MO and firm performance is mostly deemed positive, however, universally it is not, as some researchers reported negative relation

and some believe that there is non-significant relationship between two (Loinal and Carter, 2015).

Narver and Slater (1990) found that MO is an important determinant of profitability for businesses. The result of Jaworsk and Kohli (1993) and Baker and Sinkula (1999) empirical test shows that the MO is significantly related to overall business performance when measured using judgemental measures, but not to market share. Jaworsk and Kohli (1993) cited two key reasons for this result, a) market share may not be an appropriate indicator of performance and b) MO takes longer period of time to effect market share. Baker and Sinkula (1999) further found that the effect of MO on firm performance is moderated by LO. Although the they did not find moderating effect of LO on overall performance rather it is on market share. MO had positive and significant effect on change in market share when there was strong LO.

Kirca, Jayachandran and Bearden (2005) in their meta-analysis found that MO has a positive impact on organisational performance. with a correlation of 0.32. However, the stronger relationship is only found in low power-distance and uncertainty-avoidance cultures, and in studies that use subjective measures of performance in manufacturing firms than in service firms.

Hult and Ketchen (2001) found that MO can enhance performance, however, MO independently cannot be a unique resource. Rather it, along with, entrepreneurship, innovativeness, and organisational learning positively effect on multinational organisations performance.

MO in large companies is inherently different than SMEs and that may be the reason of inconsistent result of the relationship of MO and firm performance (Verhees and Meulenberg 2004). Loinal and Carter (2015) noted that differences of MO in SMEs as compared to large firms may be due to the fact that SMEs have limited access to finance, which restrict the gathering of market intelligence through market research and decision support systems. Whilst, the dissemination and responding of marketing intelligence to some extent easier in SMEs as there are limited numbers of employees.

According to Pelham and Wilson (1996) a high level of MO can lead small businesses to achieve a competitive advantage and it is the only variable that directly positively impact small firm performance. in general, there are strong evidences that MO, either independently or within the context of other important phenomena, has positive relationship with firm performance. However, the strength and significance of the relationship may differ with respect to firm size and industry.

Financial Capital

The availability of funds is the life blood of any organisation, particularly for SMEs. Wiklund (1999) argued that numbers of researchers mention financial capital as one of the key factors that influence SMEs performance. As claimed by Coleman (2000) capital is the key element that enable small business to grow, innovate and enhance employment in the economy. Whereas, numbers of studies show that a lack of financial capital can be a major barrier to small business success (Coleman, 2007).

According to Stevenson and Jarillo, (1990) as cited by Wiklund and Shepherd (2005) the ownership of the financial resources is not so important rather it is the access to financial capital. As argued by Morgan, Vorhies and Schlegelmilch, (2006) financial resources are the ability of a firm to access to cash and capital. Abor and Biekpe (2006) contend that access to capital is crucial to the development of small businesses. However, unlike large firms, SMEs are financially more constrained and have limited access to formal financial capital (Beck and Demirguc-Kunt 2006; and Brouthers, Nakos and Dimitratos, 2014). As the financial capital is limited when there is limited access to financial resources, therefore, the term financial capital, access to financial capital and availability of financial capital will be used interchangeably in this study.

Access to financial resources is also important for small firms as it is the most generic type of resource and can comparatively easily be converted into other types of resources (Wiklund and Shepherd, 2005). It is one of the most visible resources which protects against random shocks and let firms to implement more capital-intensive and less imitable strategies (Cooper, Gimeno-Gascon and Woo, 1994). Abor and Biekpe (2006) highlighted that lack of sufficient capital tends to affect SMEs' ability to develop new products and services and thus, impact firm performance.

Binks and Ennew (1996) argued that limited access to external finance would likely be a significant threat to small business growth. They found that firms which had experienced financial difficulties also feel more constrained as compare to the firm which do not experience any financial difficulties. Beck and Demirguc-Kunt (2006) concluded that SMEs are key contributor to economy growth, however, they may not contribute to economic growth as these firms face greater growth obstacle. They noted limited access to finance is one of the fundamental growth obstacles. In other words, the availability of financial capital would enhance SMEs growth which untimely contribute to economic growth. Bell (1997) founds that finance-related problems influence exporters with the greatest difficulties and that these problems often intensify with increased international exposure. Which implies that limited financial capital restricts SMEs to grow.

Moreover, the impact of financial capital may be different with gender. As found by that financial capital does effect profitability as well as growth of men-owned small firms. On the other hand, financial capital only effect profitability of women-owned firms, however has no effect on the growth of women-owned small firms.

Financial Capital as a Moderator

Prior studies, conducted on the relationship of EO and firm performance, consistently indicate two key points. First, EO positively related to firm performance and second, the relationship is more complex than a simple main-effect-only (see, Lumpkin and Dess, 1996; Wiklund and Shepherd, 2003 and Wiklund and Shepherd, 2005). Albeit, Wiklund and Shepherd (2005) did not find moderating effect of financial capital on the relationship of EO and small business performance in a way that small business performance increases faster with EO when they have higher access to finance. However, the importance of financial capital cannot be ignored as EO is a resource consuming strategy and financial capital if the most generic resource which can be

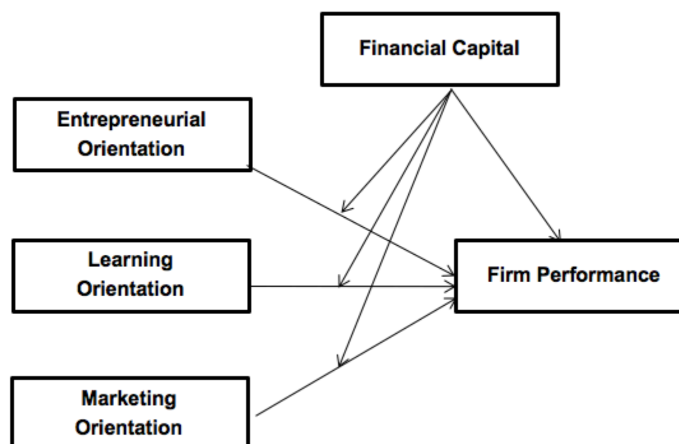
converted into another resource easily. Thus, it can be assumed that the financial capital is a potential moderator of EO and SMEs performance relationship.

LO is a firm value that generates new knowledge and convert the knowledge into competitive advantage. The easy access to financial capital enhances the relationship of financial literacy (learning) and SMEs performance (Adomako and Danso, 2014). In other word, nonetheless, learning directly influence performance, but availability of financial capital strengthens the relationship. Thus, it implies that there is a moderating effect of financial capital on the relationship of LO and SMEs performance.

Furthermore, MO is a process of generation and dissemination of market intelligence and being responsive to that intelligence (Kohil and Jaworski, 1990). This implies that MO can be a resource consuming organisational orientation. Whereas, financial capital is a resource that can facilitate firms to access to essential resources. As argued by Wiklund and Shepherd (2005) that financial capital, as compared to other resources, can easily be transformed into other types of resources as it is the most generic type of resource. Therefore, it can be assumed that financial capital moderates the relationship between MO and SMEs performance.

Since, SMEs have limited access to finance resources, their ability to be organisational-oriented firms may be limited and ultimately restrict them to grow and enhance their performance. This implies that the influence of organisational orientations, specifically on SMEs performance, may change with the availability of financial capital. Therefore, it can be argued that the more the access to financial capital SMEs have, the stronger the relationship between organisational orientations and SMEs performance. The framework suggested by figure 1 highlights the impact of financial capital on the relationship of EO, LO and MO and firm performance.

Figure 1
Conceptual Framework



Discussion

On one hand, the role SMEs play in an economy, through innovations, technological developments and contribution to employment, is enormous (Ahmed et al., 2017). On the other hand, the identification of factors and to understand their impact on firm performance is a key to success, specifically for SMEs, as they confront limited access to financial resources and higher financial pressure (Loinal and Carter, 2015). This study identified three key factors, EO, LO and MO, and conducted a theocratical analysis to investigate the their relationship with SMEs performance and what is the impact of financial capital on this relationship. The framework (figure 1) highlights the direct relationship of EO, LO, MO and firm performance and financial capital as a moderator.

The theoretical analysis shows that EO and firm performance are directly positively related, and the relationship grows with the time, in the large as well as in the small firms. However, the relationship is complex and there are internal and external factors moderate the relationship (Limpkin and Dess, 1996). As argued in the literature review that the EO-performance is stronger when there is stable environment and firms have considerable access to finance. Therefore, it can be argued that SMEs are likely to be benefited from pursuing an EO, and EO-performance relationship may change with the impact of other factors.

Likewise, it is discussed that LO-performance relationship is positive, direct as well as indirect (i.e. through innovation). Again, studies conducted on both large firms and SMEs supported the positive relationship of LO-performance. The literature also highlights that LO is an important mediating factor in the relationship of EO-performance (see Wang, 2008) and moderator in the relationship of MO-performance (Baker and Sinkula, 1999). EO has a positive impact on LO that, in turn enhance firm performance. Although, LO-performance has direct positive relation but the combination of strong MO and strong LO lead to long term competitive advantage, which ultimately enhance organisational performance. Ultimately, being a learning-oriented firm is important for performance regardless of how (either directly or indirectly) it improve performance. Therefore, LO can have positive impact on SMEs performance.

Similarly, MO is mostly theorised as positively relate to SMEs performance as it provides firms 'know-what' advantage which enable firms to choose productive resources combination and thus enhance firm performance. Although, MO is positively related to performance but not to market share. The literature also supports that MO has strong and consistent effect on small-firm performance (see Pelham and Wilson, 1996). Although, it is difficult for SMEs to gather market intelligence due to limited access to finance. However, disseminating and responding to market information is easier in SMEs as compare to large firms. Therefore, it can be contended that MO has a positive relationship with SMEs performance.

Moreover, it can also be derived from the analysis that access to financial capital is fundamental for the success of SMEs. It is the key element that enable small business to grow, innovate and enhance employment in the economy (Coleman, 2000) and thus, is the most important resource for small retailers (Grimmer, Miles and Grimmer,

2013). The limited access to financial capital restricts SMEs to grow (Bell, 1997; Beck and Demirguc-Kunt, 2006). Thus, there is a positive relationship between Financial Capital and SMEs performance

Although, the systematics literature review support that the organisational orientations (EO, LO and MO) and financial capital both enhance firm performance. Meanwhile, to be organisational oriented, firms need financial resources. Since, SMEs have limited access to finance resources, their ability to be organisational-oriented firms may be limited and ultimately restrict them to grow and enhance their performance. This implies that the influence of organisational orientations, specifically on SMEs performance, may change with the availability of financial capital. Therefore, it can be argued that the more the access to financial capital SMEs have, the stronger the relationship between organisational orientations and SMEs performance. Hence, financial capital moderates the relationship between EO and SMEs performance , LO and SMEs performance and MO and SMEs performance.

Conclusion

The importance of SMEs is enormous in the economy of a country as they are the key source of employment, innovation, technological development and enhance industrialisation. However, they are vulnerable to poor performance and eventually fail to be in operations due to the lack of resources as compared to large firms. The resources and capabilities that are valuable, rare, imperfectly imitable and non-substitutable enable firms to achieve sustainable competitive advantage, which in turn enhance firm performance. Three Organisational Orientations', such as entrepreneurial orientation (EO), learning orientations (LO) and market orientation (MO), are identified as those specific capabilities that can be the sources of sustainable competitive advantage. Similarly, financial capital is a most important resource for small retailers and the access to financial capital is correlated with higher levels of firm performance. Financial capital is considered to be one of the most visible and generic resources. It can be converted into other resources easily and thus, allows firms to implement capital-intensive strategies and in turn improved firm performance (Cooper, Gimeno-Gasconand and Woo, 1994).

To be organisational-oriented is capital intensive for SMEs. However, SMEs may not be able to be organisational-oriented and achieve sustainable competitive advantage, and thus weak performance. This implies that the influence of EO, LO and MO on SMEs performance, may change with the availability of financial capital. Therefore, in can be concluded that although, EO, LO, MO and financial capital independently have positive impact on SMEs performance. however, the relationship of EO-performance, LO-performance and MO-performance is moderated by the financial capital.

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