



The Impact of Entrepreneurial Orientation on Competitive Advantage Moderated by Financing Support in SMEs

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ABSTRACT

The purpose of this study is to examine the relationship between entrepreneurial orientation and competitive advantage (CMA) and to investigate the moderated role of financial support (FNC) between the influences of entrepreneurial orientations on CMA. This study adopted a quantitative approach using survey instruments. The targeted sample size was 680 from a total manager population in 3526 SMEs working in Kurdistan Region Government (KRG) in Iraq. The total number of usable questionnaires was 580. Structural equation modeling was employed to examine the relationship among the variables. The statistical result showed that entrepreneurial orientations significantly influenced on CMA. The results also highlight that FNC had a moderated role in relationship between entrepreneurial orientation and CMA in SMEs in Iraqi KRG.

Keywords: Small and Medium Sized Enterprises, Entrepreneurial Orientation, Financial Support, Competitive Advantage

JEL Classification: L2

1. INTRODUCTION

Small businesses play a key role in creating jobs, contributing to tax, export and import revenues, facilitating the distribution of goods, as well as contributing to human resource development. SMEs are the cradle of innovations (INNs) and entrepreneurship (Agyapong, 2010; Schlögl, 2004). In addition, SMEs are very important in the fight against poverty. They also employ poor and low income workers and are sometimes the only source of employment in the rural area; their contribution cannot be overlooked (Ackah, 2011).

In South East Asian countries, about 90% of industrial establishments are under SME. In countries like Singapore, Malaysia, Taiwan, Thailand and South Korea, contributions of SMEs to employment ranges from 35% to 61% and contribution of value added products ranges from 22% to 40% (Meng, 2005).

SMEs account for 60-70% of jobs in most OECD countries, with a particularly large share in Italy and Japan, and a relatively smaller share in the United States 30-60% of SMEs can be characterized

as innovative, of which some 10% are technology-based. SMEs tend to be quicker in responding to new opportunities than large firms (OECD, 1998). In Turkey there are 194.546 SMEs, with of them 94.3% employing nine or less employees (Akyüz et al., 2006). Although SMEs are significant contributors to economic performance in every country, SMEs are less studied than large organizations (Burke and El-Kot, 2014).

According to Ackah (2011); Chidoko et al. (2011); Haron et al. (2010); Southiseng and Walsh (2010), SMEs are facing many challenges in their struggle to keep the business intact. They suffer from limited access to financial sources, in addition to lack of focus, lack of good human resources, lack of skills and management techniques. SMEs also suffer from unfair government policy of government. Technological barriers, poor infrastructure and onerous regulations are other obstacle foe SMEs. This study will focus on the factors that influence SMEs competitiveness.

Ireland et al. (2003) showed that SMEs are effective in identifying opportunities but less successful in developing competitive advantages (CMAs) needed to appropriate value

from those opportunities. Gürbüz and Aykol (2009) stress that entrepreneurship is integral for organizations regardless to their size. Entrepreneurs always have original ideas and try to make difference in the market. Entrepreneurial behaviors by many companies are regarded as essential to survive companies in a world increasingly driven by accelerating change (Lyon et al., 2000). As resources and capabilities are scarce in SMEs, entrepreneurs need to shoulder the responsibility of ensuring the survival and success of their firms. Flexibility in operations and adaptability to changes in SMEs offer a greater possibility to gain from unexpected changes and accidental discoveries (Ong et al., 2010). Entrepreneurship is also regarded as a fundamental element, instrumentally important to strategic INN, particularly under shifting conditions in the firm's external environment. The same thing is true for any firm, regardless of its size and type (Knight, 1997). Therefore, this study aims to investigate the impact of each dimension of entrepreneurial orientation on CMA in Iraqi Kurdistan Region SMEs.

The relationship between the entrepreneurial orientation (EO) and its CMA has been thoroughly investigated, from both conceptual (Alvarez and Busenitz, 2001) and an empirical point of view (Gitau et al., 2016; Lechner and Gudmundsson, 2014). However, many questions remain unanswered. The existing literature has two important limitations. The first is that most previous studies have been done in developed countries. The second is that researchers suggest that EO-performance relationship is moderated or mediated by many variables (Messersmith and Wales, 2011; Moreno and Casillas, 2008; Rauch et al., 2009; Wales et al., 2011a). Thus, studies of moderator as an intervening factor between EO and performance are still not adequate and need further research in order to understand the causal mechanisms of EO effects on other variables (Lechner and Gudmundsson, 2014). Therefore, this study will seek to fill the gap in the existing literature through studying the moderated role of financial support (FNC) between entrepreneurial orientations and CMA in the SMEs in Iraqi Kurdistan Region.

2. LITERATURE REVIEW

This section will focus on previous studies that related to entrepreneurial leadership, CMA, and FNC. First, the study will attempt to explain CMA, and explain the variables that may have influence it. Second, it will discuss entrepreneurial leadership which is an independent variable in this study. Then, it will focus on government support as moderating variable between entrepreneurial orientation and CMA.

2.1. CMA

To survive and win, a firm has to gain advantage over its competitors and earn a profit. The firm gains CMA by being better than their competitors at doing valuable things for their customers (Bateman and Snell, 2004). CMA has been defined in many different ways. For instance, Porter (1985) sees that CMA refers to the comparative positional superiority in the marketplace that leads a firm to outperform its rivals. While, Rothaermel (2013) defines CMA as the way that a firm formulates and implements a strategy that leads to superior performance relative to other competitors in the same industry. So, CMA is the ability of an organization to

add more value for its customers than its rivals, and thus attain a position of relative advantage (Thompson, 2001).

Based on what has been mentioned above, this study defines CMA as the result of a process of strategy formulation adopted by a firm with the purpose of providing added value (differentiation and low-cost) to customers resulting in an advantageous position to the firm over its competitors for a period of time.

2.2. Entrepreneurial Orientation

Entrepreneurship as a characteristic attitude or process of organizations is now recognized by many firms and scholars as a critical factor in company success (Knight, 1997). Despite general agreement on the effects of entrepreneurship in various organizations, there is some debate regarding the definition and operationalization of entrepreneurship. Gartner (1988), defined entrepreneurship as a role that individuals undertake to create new organizations. According to Knight (1997), "entrepreneurship refers to the pursuit of creative and novel solutions to challenges confronting the firm, including the development or enhancement of products and services, as well as new administrative techniques and technologies for performing organizational functions." Whereas, entrepreneurship showed as "a process of enhancement of wealth through INN and exploitation of opportunities (Nasution et al., 2011). Miller (1983) define EO in terms of its components that are composed of an innovative mindset characterized by risk taking (RSK) and a proactive approach to marketplace competitiveness.

Some scholars favor approaching entrepreneurship as an organizational behavior rather than an individual action (Covin and Slevin, 1991; Covin and Slevin, 1988; Gürbüz and Aykol, 2009; Kreiser et al., 2002; Wiklund and Shepherd, 2003; Zulkifli and Rosli, 2013). According to Covin and Slevin, (1991), a firm-level of entrepreneurship is appropriate because entrepreneurial effectiveness is arguably a firm-level phenomenon. In their word it is an entrepreneur's effectiveness that can be measured in terms of his or her firm's performance. Firm performance is a function of organizational-as well as individual-level behavior. Based on these propositions, this research will study the entrepreneurship at the firm level.

Most of the researchers in the field of entrepreneurship stressed that firms are entrepreneurial if they pursue innovative, RSK and proactive (Covin and Slevin, 1991; Covin and Slevin, 1988; Gürbüz and Aykol, 2009; Kreiser et al., 2002; Miller, 1983; Wiklund and Shepherd, 2005). In addition, researchers like Lumpkin and Dess, 1996; Zulkifli and Rosli, 2013, studied the concept of an entrepreneurial orientation with five dimensions. According to those authors, an EO consists of processes, structures, and/or behaviors that can be described as aggressive, innovative, proactive, risk-taking, or autonomy seeking.

To considering EO as a uni-dimensional or multidimensional is another debated issue in previous literature. Several authors believe that a firm may be considered entrepreneurial only when it exploits these three dimensions to large extent (Miller, 1983). Others believe that EO is a multidimensional strategic orientation (Covin and Slevin, 1991, 1989; Gürbüz and Aykol, 2009; Kreiser

et al., 2002; Lumpkin and Dess, 1996; Zulkifli and Rosli, 2013). The researchers argue that each dimension of entrepreneurship may have a different relation with performance variables (Kreiser et al., 2002; Lumpkin and Dess, 1996). This study will focus on EO as multi-dimensional.

2.3. Financing (FNC) Support

Researchers and policy-makers acknowledge that SMEs are the primary source of vitality in the economy. They are also found to be extremely vulnerable to the vagaries and turbulences of the external environment. It is, therefore, recognized by policy-makers in most countries that SMEs need special help for their survival and growth. Traditionally such support was offered to facilitate the external environment. Such facilitation will be effective only if the SMEs have the internal capabilities for taking advantage of the external facilitation (Manimala and Kumar, 2012).

To sustain the development of business, both entrepreneurs and government agencies are the primary stakeholders to intervene and contribute support in all capital investment efforts and regulation reinforcements (Southiseng and Walsh, 2010). SME supports cover a vast spectrum starting from the designing and extending to FNC, training, and marketing and consultancy services. Such support programs may be summarized under six headings as of technology/research and development, training, FNC, machinery/equipment, marketing and consultancy supports (Aykan et al., 2013). Sentsho et al. (2007), pointed out that tax rate is generally viewed as prohibitive to SMEs competitiveness. This requires special SMEs rates for minimizing the taxation impact on SMEs, as is the case with many developed countries. Some legislation, too, are not encouraging for SMEs because administrative procedures and their costs do not differentiate between SMEs and large businesses.

Support programs that are directed towards providing and maintaining a sustainable growth for SMEs had been discussed extensively in previous studies. Among the programs that are offered under assistance programs are financial and credit, technical and training, extension and advisory services, infrastructure support, in addition to marketing and market research (Gisip and Harun, 2013). Thus, this study will focus on FNC support to SMEs due to access to finance regarded as the top constraint faced by small enterprises everywhere (Beyene, 2002). According to the Landstrom and Stevenson (2002), the general reasons for government to support SMEs is to strengthen the existing base of small enterprises by ensuring that they can compete in the market place and they are not prejudiced because of their small size (van Stel et al., 2006). The FNC support includes providing finance directly and indirectly. They provide guidance and advice-soft support-to SMEs on a wide range of topics. They also try to influence the start-up of new firms, through measures such as grants, tax relief and educational programs (Beyene, 2002).

3. THEORETICAL MODEL AND HYPOTHESIS DEVELOPMENT

The theoretical model proposed in this study illustrated in Figure 1 explains the relationship relationships among INN, pro-activeness

(PRA), RSK, FNC and CMA. Figure 1 presents the constructs and the hypothesized relationships.

3.1. Entrepreneurial Orientation and CMA

Studying strategy content (the generic strategies) with strategy making processes EO seems to be a logical choice of enquiry. EO is the starting point for creating and implementing competitive strategies. Hence, studying EO and competitive strategy is a promising research endeavor (Lechner and Gudmundsson, 2014; Rauch et al., 2009; Wales et al., 2011a). Van Geenhuizen et al. (2008) note that EO has emerged as a possible antidote to the problems facing businesses that wish to achieve a sustained CMA. Thus, there is a particular interest in enriching the understanding of EO in an SME context. Different dimensions of EO (INN, PRA, and risk-taking) have differential impacts on the CA (Lechner and Gudmundsson, 2014).

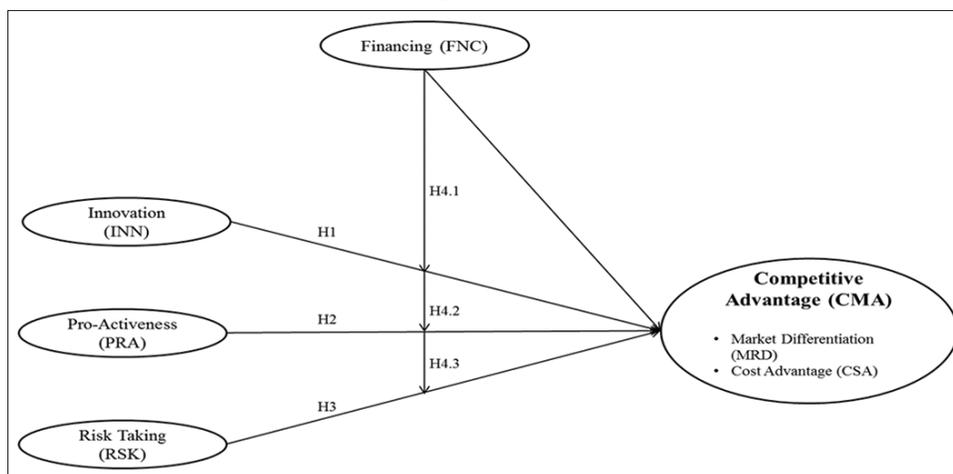
Through the process of INNs firms discover ways to operate more efficiently. Market INNs contribute to a company's interest in operating more effectively; in that they help the firm identify new market space in which it can compete (Kuratko et al., 2001). Differentiation requires INN capabilities, leading to new products that increase the value to the customer, justifying price premiums (Lechner and Gudmundsson, 2014). In the same context, Gitau et al., (2016) stress that the firm should continuously keen on introducing new and rapid INNs to their customers in order to keep its competitiveness. Thus, greater innovativeness will lead to increasing the CMA in small firms. This leads to the first hypothesis:

H₁: Innovativeness positively influences CA in small firms.

PRA refers to how firms relate to market opportunities by seizing initiative in the marketplace (Li et al., 2009). At this point in tracing the link between EO and resource acquisition, it could be asserted that proactive firms seek specific and valuable resources to enhance their CMA (Huang and Wang, 2011). Firms with higher EO will proactively work to obtain resources provided by the environment. These resources can then be employed in proactive and innovative projects enabling the firm to explore and exploit fertile opportunities associated with a munificent environment. Firms may also create innovative-resource combinations that make them able to further invest such opportunities. Consequently, they are more likely to create CMAs and achieve higher performance oenbus levels (Rosenbusch et al., 2013).

Small firms to be active in identifying and exploiting business opportunities, they need to be pro-active (Gitau et al., 2016). The PRA dimension makes a firm to adopt continuous environmental scanning and acts in advance towards change to better serve customers and markets. PRA leverages the firm's responsiveness capability and propensity to act to meet new circumstances (Hughes and Morgan, 2007). Thus, a proactive firm tends to become first movers, and it is rewarded by marketplace positions of CMA such as unusual returns, distribution channels, and brand recognition (Li et al., 2009). Accordingly, it is hypothesized that:

H₂: PRA positively influences CMA in small firms.

Figure 1: Proposed theoretical model

Risk-taking means a tendency to take bold actions such as venturing into unknown new markets, committing a large portion of resources to ventures with uncertain outcomes, and/or borrowing heavily (Li et al., 2009; Walter et al., 2006). It involves the willingness to commit significant resources to opportunities, which have a chance to fail (Frese et al., 2002). Risk-taking largely reflects the organization's willingness to break away from the tried-and-true and venture into the unknown (Wiklund and Shepherd, 2003). It also allows the owners to make lucrative deals and it should, therefore, be positively related to success (Frese et al., 2002).

Differentiation strategies involve expending resources through research and development, marketing new products and services and promoting brand image (Porter, 1985). In addition, firm with making large resource commitments; obtain high returns by seizing opportunities in the marketplace (Lumpkin and Dess, 1996). Therefore, risk-taking should be more important for CMA in small firms. This leads to the following hypothesis.

H₃: Risk-taking positively influences CMA in small firms.

3.2. The Moderated Role of FNC Support between Entrepreneurial Orientation and CMA

SMEs competitiveness in international markets relies on their access to vital resources that include finance, technology and managerial skills. The policy environment within which SMEs also operate plays a critical role in their competitiveness. If the policy environment is onerous and creates a burden on the operations of SMEs, it is likely to compromise their competitiveness (Sentsho et al., 2007). In the same perception, Okpara, (2011) stressed that since lack of finance support and corruption regarded as the most common constraints hindering SMEs growth and survival; it is the role of government to provide finance support to SMEs through government or through FNC organization. Agyapong (2010), sees that it's the government and policymakers role to provide viable credit support and non-financial business support services to help SMEs grow. Thus, according to previous studies, government FNC support is to increase the SMEs competitiveness in both developed and developing countries (Agyapong, 2010; Ahmed, 2012; Aykan et al., 2013; Djankov, 2009; ECA, 2001; Gongera et al., 2013; Okpara, 2011; Southiseng and Walsh, 2010).

The intervention of government increased the effect of the relationship between the values of entrepreneurs, firm FNC, management and performance growth of SMEs (Shariff et al., 2008). In the same context, Abdullah and Hussin (2010) investigated the moderating effect of government assistance towards the improvement of business performance of turnaround companies. The study found that partial support in the moderating effect of government assistance and firm size and their influence in the relationship between strategy and successful turnaround. Therefore, the current study proposes that FNC plays a positive role in the relationship between EO's dimensions and CMA. Thus, the following hypothesis is formulated:

H₄: FNC support has a moderating role between the EO's dimensions (innovativeness, PRA, and risk-taking,) and CMA in SMEs in Iraq.

4. METHODOLOGY

A quantitative approach was adopted in this study in which a cross-sectional survey was used. This design of the research was oriented towards observing the natural setting of the phenomenon under investigation and testing a number of hypotheses. The unit of analysis selected for this study was the organizational level particularly the owners or top management of SMEs. Random sampling was employed due to explanatory nature of this study.

4.1. Measurement and Instrumentation

The researchers developed an English-language questionnaire translated it into Kurdish language by a team of three researchers of different majors. All the items in the questionnaire were measured on a five point Likert scale ranging from "strongly disagree" to "strongly agree." All of these items were adapted from the existing literature. The current study includes three main variables, namely: EO as the independent variable, CMA as the dependent variable, and government FNC as a moderating variable. In this study, variable measurements have been selected from the existing scales in the literature. In addition, some of the items presented in this

study are taken from the original source and changes are done according to the purpose of this study.

The items that used to measure EO's dimensions (innovativeness, PRA and risk-taking) were adapted from Miller (1983), the measurement of these items in turn, were used by (Covin and Slevin, 1989; Alarape, 2013; Lumpkin et al., 2009; and Yusuf, 2009). There are 5 items that measure innovativeness, 6 items that measure PRA and other 6 items for measuring risk-taking.

For measuring the dependent variable, this study operationalized CMA as the result of a process of strategy formulation adopted by a firm with the purpose of providing added value through market differentiation and cost advantage to customers resulting in an advantageous position to the firm over their competitors for a period of time. The CMA construct includes the dimensions of lower cost and market differentiation (Lechner and Gudmundsson, 2014; Ong et al., 2010). This study has used (16) items to measure the dependent variable. These items have been divided across market differentiation and cost advantages. Market differentiation had been measured by (8) items and cost advantage also measured by (8) items. The items have been adapted from Aljubouri (2005) because that study had been conducted in Iraqi environment. The current study also adapted three items from Li and Zhou (2010) to market differentiation and three other items for measuring cost advantage.

Regarding FNC is operationalized as the condition in which government has the ability to assist SMEs in order to enable them be more competitive locally and globally through providing proper FNC support (Abdullah, 1999; Al-Hyari, 2013; Gisip and Harun, 2013; Shariff et al., 2010). Items has been adapted from Moktan (2007) and (2) items have been added by the researcher.

4.2. Statistical Analysis Technique

this study used the structural equation modeling (SEM) method For analyzing both the measurement and structural models, as allows the incorporation of both unobserved (i.e., latent) and observed variables in the same model, and it handles errors of measurement within exogenous variables having multiple indicators by the usage of confirmatory factor analysis (CFA). Additionally, SEM permits simultaneous analysis of multiple linear regression between the independent variables, multiple path analysis, assess the direct and indirect effect, and fitness of overall model which is not feasible in a traditional regression analysis method (Chin et al. 2003; Gefen et al., 2000). Another advantage of SEM method is that it conceptualizes a variety of relations between ranges of variables. SEM can also provide measures of fit to assess the entire model (Smith and Langfield-smith, 2004). Smart PLS applies many methodological approaches to calculate SEM. The advantage of using PLS path modeling is that it can estimate very complex models with many latent and observed variables. Also PLS technique is suitable for prediction-oriented research. The powerful feature of PLS path modeling is that it assesses very complex models having many latent and manifest variables. Also PLS technique is useful for prediction-oriented research. Thereby, the methodology assists researchers who focus on the explanation of endogenous constructs.

5. DATA ANALYSIS

5.1. Sample Demographic Profile

Over 580 collected questionnaires, 562 useful responses were received from the male (96.9%) and only 18 from the female (3.1%). Therefore, the sample of this study is mainly dominated by male. Regarding the respondents age, 18.4% of the respondents stated that they had <30 years old, 30-35 were 25.9%, 36-41 years old, were 29.7%, 17.1% had 42-47 years old and only 9.0% had more than 47 years old. In specifying the marital status of the respondents, 82.4% of them were single and only 17.6% were married. About 18.3% of the respondents stated that they have <5 years of experiences. 40.0% have 5-10, 20.2% have 11-15 and 21.6% of the respondents have more than 15 years of working experience. Regarding the study level of respondents, 51.9% of the responders were secondary, 22.6% were diploma, 18.6% were bachelors and 6.9% were others. In specifying the years of establishment in business, 26% of the respondents stated <5 year, 50% stated 5-10 year, 14% stated 11-15 years and 10% stated more than 15 year. Finally the respondents were asked to specify the number of workers. As the results, 62.9% of them have <11 workers while 37.1% have 11-99 workers.

5.2. Measure Reliability and Validity

CFA was applied to assess the reliability and validity of the measures that adapted from the previous studies. The results are showed in Table 1.

In this study, the convergent validity of the measures was tested. Convergent validity is the degree to which multiple attempts to measure the same concept in agreement. The factor loadings, composite reliability and average variance extracted (AVE) were used to assess convergence validity as suggested by Hair et al., (2010). After discarding 7 items (i.e. PRA5, RSK6, RGL2, RGL3, RGL7, MRD1 and CSA4) due to insufficient factor loading below 0.6, the factor loadings of all remaining items range from 0.689 to 0.912, exceeded the threshold of 0.6 as recommended by Hair et al, 2006.

The AVE, which reflect the overall amount of variance in the indicators accounted for by the latent construct, were in the range of 0.563 and 0.831 which were all above the recommended value of 0.5 (Hair et al., 2010). Composite reliability values, which depict the degree to which the construct indicators indicate the latent construct, range from 0.865 to 0.952 which exceeded the recommended value of 0.6 (Hair et al., 2010). In the next step, the inter-item consistency reliability value of Cronbach alpha was used to measure the reliability of the measures. The values range from 0.797 to 0.939 which were above the threshold of 0.7 as suggested by Nunnally and Bernstein (1994).

In this study two approaches were used to test the discriminant validity of the constructs. First the correlations between the constructs were examined, which revealed that the correlations between the constructs were all below the threshold 0.85 (Kline, 2011). Second, the criterion of Fornell and Larcker, (1981) was applied to test whether each construct's square rooted AVE is greater than its correlations with the remaining constructs. As

Table 1: Result of CFA for measurement model

Construct	Item	Convergent validity			Internal reliability Cronbach alpha
		Factor loading	AVE ^a	CR ^b	
INN	INN1	0.809	0.636	0.897	0.857
	INN2	0.781			
	INN3	0.743			
	INN4	0.821			
	INN5	0.830			
PRA	PRA1	0.813	0.626	0.893	0.850
	PRA2	0.802			
	PRA3	0.789			
	PRA4	0.794			
	PRA6	0.391 ^c			
RSK	RSK1	0.717	0.563	0.865	0.805
	RSK2	0.763			
	RSK3	0.780			
	RSK4	0.768			
	RSK5	0.720			
FNC	FNC1	0.883	0.767	0.952	0.939
	FNC2	0.906			
	FNC3	0.892			
	FNC4	0.870			
	FNC5	0.892			
	FNC6	0.806			
MRD		0.126 ^c	0.627	0.922	0.901
		0.090 ^c			
		0.525 ^c			
	MRD2	0.781			
	MRD3	0.815			
	MRD4	0.749			
	MRD5	0.818			
	MRD6	0.818			
CSA	MRD7	0.778	0.582	0.907	0.879
	MRD8	0.781			
	CSA1	0.747			
	CSA2	0.776			
	CSA3	0.839			
		0.390 ^c			
	CSA5	0.768			
	CSA6	0.689			
Competitive advantage (CMA)	CSA7	0.716	0.831	0.908	0.797
	CSA8	0.796			
	Market differentiation (MRD)	0.912			
	Cost advantage (CSA)	0.911			

^aAVE= $\sum \lambda_i^2/n\lambda$ =Standardized factor loading, n=Number of item in a model, ^bCR= $(\sum \lambda_k)^2/[(\sum \lambda_k)^2+(\sum 1-k^2)]$ k²=Factor loading of every item, ^cDenotes for discarded item due to insufficient factor loading that was below cut-off 0.6. CFA: Confirmatory factor analysis, INN: Innovation, CSA: Cost advantage, MRD: Market differentiation, FNC: Financing, RSK: Risk taking, PRA: Pro-activeness, AVE: Average variance extracted, CR: Composite reliability

shown in Table 2, both analyses confirm the discriminant validity of all constructs. In total, the measurement model demonstrated adequate reliability, convergent validity and discriminant validity.

5.3. Structural Model

With the satisfactory results in the measurement model, the structural model was evaluated subsequently. The predictive accuracy of the model was evaluated in terms of the portion of variance explained (R^2). The results suggest that the model is capable of explaining 44.3% of the variance in CMAs. Besides estimating the magnitude of R^2 , researchers have recently included predictive relevance developed by Geisser, (1975) and (Stone, 1974), as additional model fit assessment. This technique shows the model adequacy to predict the manifest indicators of each latent construct. Stone-Geisser Q^2 (cross-validated redundancy) was

computed to examine the predictive relevance using a blindfolding procedure in PLS. Following the guidelines suggested by Chin (2010), the values of Q^2 for CMAs was 0.355, far greater than zero which refers to predictive relevance of the model. In sum, the model exhibits acceptable fit and high predictive relevance.

Nonparametric bootstrapping was applied with 1000 replications to test structural model (Wetzels et al., 2009). The structural model resulting from the PLS analysis is summarized in Figure 2.

As shown in Figure 2, all of the hypotheses were supported. The details of examining hypotheses are presented in Table 3.

As highlighted in Table 3, the direct effects of INN, PRA and RSK on CMA were 0.238, 0.242 and 0.256 respectively. All of these

effects were positive and significant as their P values were all significance at 0.001 levels. Therefore, the hypotheses H_1 , H_2 and H_3 were supported the model. The results of moderation analysis indicated that the interaction terms of FNC with INN, PRA and RSK had significant effects on CMA as all P values were lower than the standard significance level of 0.05. The relative path coefficients were 0.132, 0.170 and -0.144 respectively. These results demonstrated that FNC moderates the effects of INN, PRA and RSK on CMA. Therefore hypotheses $H_{4.1}$, $H_{4.2}$ and $H_{4.3}$ were supported. Figure 3 shows the graphs of moderating effects of FNC on the relationships between INN, PRA and RSK as predictors and CMA as criterion.

As shown in Figure 3, the two lines in each moderation graph indicated a positive relationship between the predictors and

Table 2: Discriminant validity of constructs

Construct	INN	PRA	RSK	FNC	CMA
INN	0.797				
PRA	0.549	0.791			
RSK	0.392	0.457	0.750		
FNC	0.074	0.047	0.105	0.876	
CMA	0.480	0.496	0.472	0.174	0.912

Diagonals represent the average variance extracted, while the other matrix entries represent the square correlations. INN: Innovation, PRA: Pro-activeness, RSK: Risk taking, FNC: Financing, CMA: Competitive advantage

Table 3: Examining results of hypotheses

Path shape	Path coefficient	Standard error	t value	P value	Hypothesis result
INN→CMA	0.238***	0.036	6.660	0.000	H_1 supported
PRA→CMA	0.242***	0.046	5.320	0.000	H_2 supported
RSK→CMA	0.256***	0.041	6.301	0.000	H_3 supported
(FNC*INN)→CMA	0.132***	0.034	3.912	0.000	$H_{4.1}$ supported
(FNC*PRA)→CMA	0.170**	0.052	3.305	0.001	$H_{4.2}$ supported
(FNC*RSK)→CMA	-0.144^*	0.071	2.025	0.043	$H_{4.3}$ supported

* $P < 0.05$, ** $P < 0.01$, and *** $P < 0.001$. INN: Innovation, PRA: Pro-activeness, RSK: Risk taking, FNC: Financing, CMA: Competitive advantage

criterion. Due to the two lines were not parallel this mean that the moderating effects of FNC is existing. The relationships between INN and PRA as predictors and CMA as criterion were greater for the high level of FNC compare to the low level. Hence, it could be concluded that the FNC strengthen the positive effects of INN and PRA on the CMA. Conversely, the direct relationship between RSK and CMA become greater were the low level of FNC existing compare to the high level of FNC support. Hence, it could be concluded that the FNC weaken the positive effects of RSK on the CMA.

6. DISCUSSION

The first objective of this study was to investigate the influence of each individual dimension of EO (INN, PRA, and RSK) on CMA. The influence of EOs dimension on CMA is represented by hypothesis H_1 , H_2 and H_3 . The statistical results reveal a direct significant and positive relationship between each individual EOs dimension and CMA. As shown in Table 3, the direct effects of INN, PRA and RSK on CMA were 0.238, 0.242 and 0.256 respectively. All of these effects were positive and statistically significant as their P values were all significance at 0.001 level. Thus, the hypotheses H_1 , H_2 and H_3 were supported. This finding is generally consistent with previous studies Gitau et al., (2016);

Figure 2: PLS analysis of the structural model

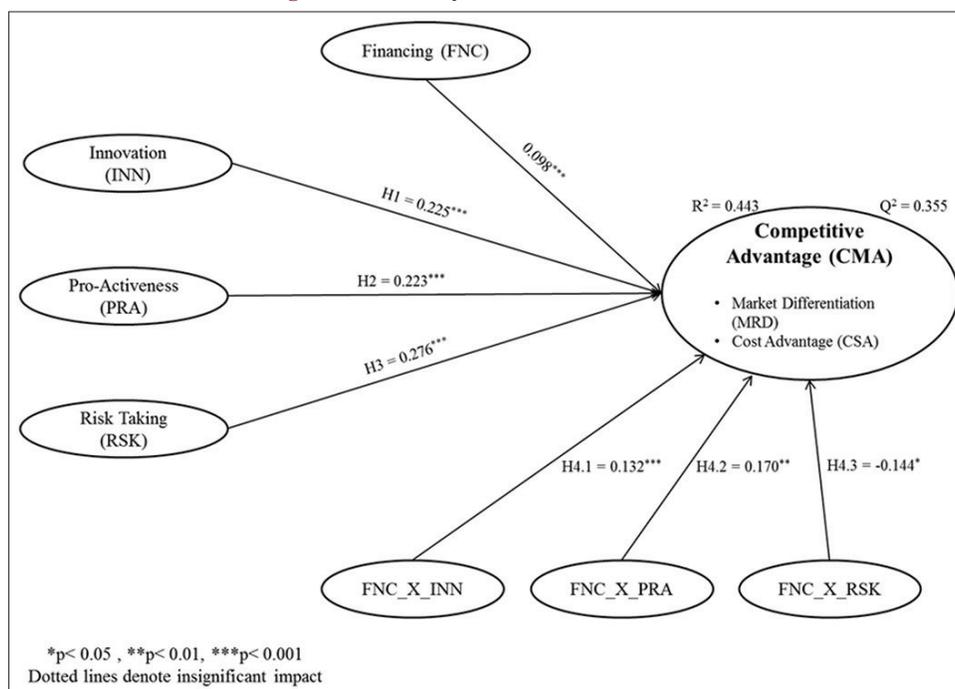
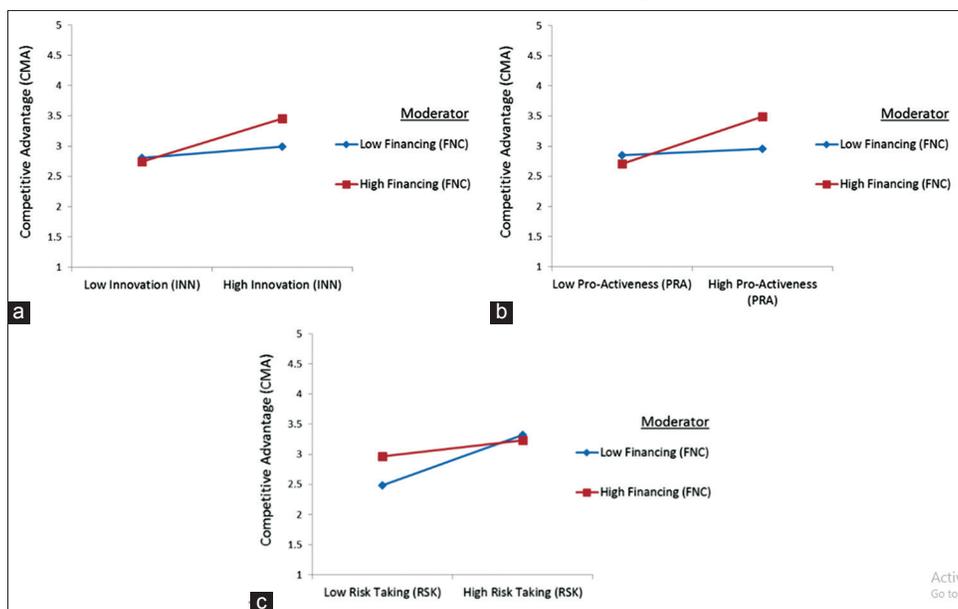


Figure 3: (a-c) Moderation effects of financing on the relationships between innovation, pro-activeness and risk taking and competitive advantage

Kuratko et al., (2001); Lechner and Gudmundsson, (2014) that illustrated that each of EO's dimensions had significant influence on CMA.

The second objective of this study was to examine the moderated role of FNC between each individual EOs dimension and CMA. The moderated role between the influences of each EOs dimension on CMA is represented by hypothesis $H_{4.1}$, $H_{4.2}$ and $H_{4.3}$. The statistical results show that FS moderated the influence of each individual EOs dimension on CMA. The results of moderation analysis indicated that the interaction terms of FNC with INN, PRA and RSK had significant effects on CMA as all P values were lower than the standard significance level of 0.05. The relative path coefficients were 0.132, 0.170 and -0.144 respectively. These results demonstrated that FNC moderates the effects of INN, PRA and Taking RSK on CMA. Therefore hypotheses $H_{4.1}$, $H_{4.2}$ and $H_{4.3}$ were supported.

The results of this study, support theorizing that FNC serves as an important factor for the influence of EO practices on CMA. Indeed, the relationship between EO practices and CMA is stronger for firms that are supported from the government. These findings provide preliminary support for (Messersmith and Wales, 2011; Moreno and Casillas, (2008); Wales et al., (2011) who assertion that the influence of EO practices firm performance may depend on a moderator or mediator environmental variables.

7. CONCLUSIONS AND POLICY IMPLICATIONS

This study attempted to examine the EO's dimension, CMA, and FNC in Kurdistan Region SMEs. More specifically, the objective was to explain the influence of EO's dimension on CMA, as well as the moderating effect of FS on the relationship between each dimension of EO and CMA. SEM was employed to examine the relationship among the variables. The targeted

sample size was 680 from a total manager population in 3526 SMEs working in Kurdistan Region Government in Iraq. Based on 580 usable questionnaires, the results of this study indicate that each individual dimension of EO (INN, PRA, and RSK) had positive and significant influence on CMA. The results also reveal that FNC moderated the relationship between each dimension of EO and CMA.

This study has several implications for policymakers, researchers and small firm owner/managers. It contributes to existing literature through addressing the issues that, in previous study, had been suggested to advance EO understanding: To analyze the effect of each individual EO dimensions on CMA. CMA matters for small firms because individual EO dimensions would impact upon the two CMA. The study has confirmed that the EO dimensions do an effect on CMA positively, and advances the understanding of the relative impact of EO dimensions on CMA. The study also contributes to integrate the field of EO with CMA through moderator variable that FNC that consisted with the suggestion of previous studies variables Messersmith and Wales, (2011); Moreno and Casillas, (2008); Rauch et al., (2009); Wales et al., (2011a) that argued that the relationship between EO and CMA is moderated or mediated by external variables. Thus the finding of this study may lead and promote researcher for understanding of the cross-contextual variation of the EO-CMA link.

The implication of this study to small firm owner/managers is that, it shows entrepreneurship as an essential tool for exploring and exploiting opportunities. In addition, successful small firms have an important contributor to regional and national economy. If the policy makers aim to create more employment opportunities and economic development through successful small firms, they have to develop systems that emphasize the importance of "entrepreneurship" for the small firm.

This study has some limitations. First, it focused on SMEs in Iraq, which make difficult to generalize its result, due to the context of

the study was focus in the local scale. The researchers propose to do similar studies on SMEs in other countries. Second, this study examined the moderated role of FNC between EO and CMA. However, these studies do not focus on other types of governmental support that may affect the relationship between EO and CMA. Thus, further study might gain additional insight by exploring other moderator such as regulations, programs support, training, and infrastructure.

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