UNVEILING THE STRATEGIC FACTORS THAT INFLUENCE SMALL AND MEDIUM-SIZED ENTERPRISES' PERFORMANCE

Chouayb Larabi *

* Faculty of Business Studies, Arab Open University, Riyadh, Saudi Arabia
Contact details: Faculty of Business Studies, Arab Open University, P. O. Box 84901, Prince Faisal Ibn Abdulrahman, Hittin, Riyadh 11681, Saudi Arabia

How to cite this paper: Larabi, C. (2025). Unveiling the strategic factors that influence small and medium-sized enterprises' performance. *Corporate & Business Strategy Review, 6*(2), 19–29.
https://doi.org/10.22495/cbsrv6i2art2

ISSN Online: 2708-4965
ISSN Print: 2708-9924

Received: 05.03.2024
Revised: 22.06.2024; 25.10.2024; 04.03.2025
Accepted: 27.03.2025

JEL Classification: L1, L25, M1, M13
DOI: 10.22495/cbsrv6i2art2

Abstract

This research aims to study the influence of entrepreneurial orientation (EO), knowledge management (KM), and small and medium-sized enterprises (SMEs) performance and seeks to identify the moderation effect of organizational trust (OT) on these relationships. The study empirically examines the conceptual model using a sample of 210 SMEs, using a close-ended self-administered questionnaire. The result indicates a positive direct relationship between EO, KM, and performance. Moreover, OT moderates the relationship between EO, KM, and SME performance. This study has provided some empirical evidence for the importance EO practices (innovativeness, proactiveness, and risk-taking) and KM (knowledge sharing, acquisition, and application) to improve SMEs performance and create a competitive advantage (Abdelwahed & Alshaikhmubarak, 2023; Giampaoli et al., 2017). Furthermore, this study affords insights for SME owners/managers to support initiatives and innovation practices. Policymakers, on the other hand, should reinforce trust and facilitate access to sharing and implementing knowledge and creative ideas for the benefit of firms.

Keywords: Entrepreneurial Orientation, Knowledge Management, Organizational Trust, SME Performance, RBV Theory, KBV Theory

Authors' individual contribution: The Author is responsible for all the contributions to the paper according to CRediT (Contributor Roles Taxonomy) standards.

Declaration of conflicting interests: The Author declares that there is no conflict of interest.

Acknowledgements: The Author extends his appreciation to the Arab Open University (AOU) for funding this work through the AOU research fund.

1. INTRODUCTION

Small and medium-sized enterprises (SMEs) are a crucial component of the business landscape in numerous countries around the world. In fact, SMEs are the dominant type of enterprise in over 90% of these countries (Naradda Gamage et al., 2020). However, these businesses often face significant challenges that can impede their growth and success. The inability to reduce the unemployment rate and fragility to grow in size (Jdidi, 2016), and experiencing weak proactiveness to new markets, lack of entrepreneurship mindset, and knowledge management (KM) practices (Bouazza et al., 2015) are some of these challenges. Entrepreneurial orientation (EO) besides KM are fundamental factors in the performance of SMEs. EO helps organizations to survive and improve their performance (Miller, 1983), and it is essential to improve the competitive advantage and performance (Altinay et al., 2016) and is a good facilitator for growth and performance (Chow, 2006; Carree & Thurik, 2003). However, past research indicates that examining the direct EO-performance relationship provides missing parts

of the picture (Lumpkin & Dess, 1996), besides the inconsistent relationship between them (Al-Dhaafri & Al-Swidi, 2016). These inconsistent results suggested a need to apply a moderator between the use of EO and firm performance.

KM, however, is also deemed as the main source of business success and as a result creating competitive advantage (Matin & Sabagh, 2015), and the most valuable factor in organizations (Rivera-Vazquez et al., 2009), and becoming an increasingly essential asset for organizations (Schulz & Jobe, 2001). KM has proven to be the preeminent instrument for developing strategic competencies for firms to handle the current challenges and stay competitive position in the industry (Imran, 2014). In other words, KM significantly contributes to the overall performance and competitiveness of firms by solving problems, reducing work redundancy, satisfying customers, retaining employees, and sustaining competitive advantage. However, prior studies show mixed results (Al-Hakim & Hassan, 2016), therefore, further studies are requested as detailed in Section 2.

The literature discusses many predictors of firm performance; however, few reviews have explored the relationship between EO, KM, organizational trust (OT) and performance, especially in developing countries. Therefore, this study addresses the potential moderating role of OT to enhance the link of EO, KM, and firm performance. However, a review doesn't reveal any study that examined OT with these predictors and SME performance. Thus, the objective of this research is to study the moderation of OT with EO, KM, and performance, so, the research questions are as follows:

RQ1: Does entrepreneurial orientation positively influence SMEs' performance?

RQ2: Does knowledge management positively influence SMEs' performance?

RQ3: Does organizational trust play a moderator role in entrepreneurial orientation and SMEs' performance?

RQ4: Does organizational trust perform a moderator role in the knowledge management and performance relationship?

The remainder of this study is structured as follows. Section 2 presents a review of these factors with performance, and ends by justifying the hypotheses. Section 3 discusses the measurement of the variables and the population used for this study. Section 4 discusses the research findings. Section 5 discourses the results of this study. Finally, Section 6 explains the implications, contributions, and limitations of this research.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Theoretical foundation

The basis for this study is resource-based view (RBV) and knowledge-based view (KBV) theories. The RBV theory was developed by Barney (1991), and it was initially promoted by Penrose (1959) and expanded by others (Wernerfelt, 1984). Barney (1991) argued that the RBV focuses on internal factors that affect firm performance to fulfill a competitive advantage. EO is internal and an intangible resource with the ability to lead a firm to achieve a competitive advantage (Abdi et al., 2008). These characteristics and qualities make EO a strong resource for greater firm performance and competitive advantage (Grande et al., 2011). Therefore, SME owners must use these resources to enhance their performance.

However, the KBV theory is the second theory that explains the link between KM and performance. KBV theory theorizes that these knowledge resources can yield a sustained competitive advantage. However, Alavi and Leidner (2001) indicated that the KBV theory is generally difficult to imitate, as it is complex. KBV theory assumes that the superior performance of organizations depends more on their knowledge resources to survive (Kim & Gong, 2009) and enhance their performance (Liao & Wu 2009). This theory also assumes that a firm's competitive advantage is based on knowledge (Alavi & Leidner, 2001). Moreover, later researchers indicated that an important aspect of KBV of the firm is that the source of high performance is related to the implementation of knowledge rather than to the knowledge itself.

2.2. Hypotheses development

2.2.1. Entrepreneurial orientation and SMEs' performance

Entrepreneurial orientation refers to the mindset and business approach toward innovativeness, risk-taking, and proactiveness. A strong EO is very beneficial for SMEs since it helps them stay competitive and grow, considering that resource-wise, they are always lagging behind large enterprises. SMEs have to adopt an EO wherein they will be agile, efficient, creative solution generators that can quickly act on the opportunities identified and exhibit a risk tendency where the gain from risks can be substantial. Through a proactive and innovative attitude, the SME can adapt to the change in market conditions and meet the requirements of their customers to improve performance and attain success (Abdelwahed & Alshaikhmubarak, 2023; Govori & Sejdija, 2023).

The literature review shows inconsistent findings between EO and performance. The positive relationship has been confirmed by the study of Mantok et al. (2019). They examine the mediation of organizational learning between EO and performance. The results show that EO has a positive influence on performance. Other findings have shown the impact of this predictor on performance, such as Mahrous and Genedy (2019), who examined the intra-organizational environment, market orientation and EO and organizational performance. The surveys were distributed to 120 large firms working in seven industries: communication and information technology, engineering and home appliances, clothing, chemicals, food and beverage (F&B), smoking, furniture and decoration. The authors confirmed that EO has a positive impact on firm performance and that market orientation mediates the relationship between EO and performance. Moreover, past studies have investigated the impact of EO on organizational performance; however, there exists a limited understanding of the aforementioned association within the framework of SMEs operating in developing countries. However, prior studies reveal a negative relationship between EO and organization performance due to the context differences (Altinay et al., 2016). Moreover, some EOs show a negative relationship with performance due to innovation as the EO dimension had less

impact on the performance of new endeavors in low-income than in higher-income economies of countries (Kowalik et al., 2017).

This study aims to examine this relationship by employing another predictor of KM that aligns with EO.

H1: There is a positive link between entrepreneurial orientation and firm performance.

2.2.2. Knowledge management and SMEs' performance

Knowledge management is the systematic process of obtaining, developing, using, and sharing organizational knowledge effectively. In the case of SMEs, it has special value since they generally have limited resources and have to be agile in competitive markets. Proper KM enables technology to facilitate better decision-making by ensuring access to relevant information in a timely manner, spurring innovation and creativity by encouraging employees to share knowledge and enhancing operational efficiency through the documentation and sharing of best practices. Furthermore, it makes SMEs more able to know and react to the needs of customers, hence increasing customer satisfaction and loyalty.

Previous studies have reported mixed results between these two constructs. In other words, previous studies demonstrated a positive relationship between these two variables (Giampaoli et al., 2017). However, limited studies have examined this impact while incorporating various moderators. Studies of — for instance — Imran (2014) and Mustapa and Mahmood (2016) included goal orientations, KM performance, organizational commitment, and quality assurance standards. However, as of the current juncture, there is a scarcity of reviews performed on companies within the Arab context. However, literature shows a negative influence between KM and organizational performance (Al-Hakim & Hassan, 2016). Based on this inconsistency, further research is needed to confirm this correlation (Masa'deh et al., 2017). It is imperative to ascertain the findings and establish whether this relationship tends to be positive or negative.

H2: There is a positive link between knowledge management and firm performance.

2.2.3. Organizational trust as a moderating factor between entrepreneurial orientation and SMEs' performance

Organizational trust within an organization is considered as a moderator to examine how it magnifies the connection between KM and EO. When there is trust within an organization, it creates a supportive atmosphere for open communication and collaboration, which in turn boosts the sharing and application of knowledge, thus amplifying the positive effect of KM. Moreover, OT plays a crucial role in fostering entrepreneurial endeavors by promoting risk-taking and creativity, as workers believe that their contributions will be recognized and respected. Research findings indicated that companies with elevated trust levels are more adept at harnessing their knowledge assets and entrepreneurial competencies to enhance their overall performance.

Regarding EO, recommendations for further investigation should be made on OT as a moderator with strategic factors (Olander et al., 2015; Liu, 2012; Micheels & Gow, 2011), due to its importance. OT, from an EO perspective, is expected to enhance the capability of firms to fulfill high export performance (Ismail, 2011). Furthermore, enhancing innovative behavior within an organization can be facilitated by OT, as it diminishes interior control levels and renders the structure of the organization to be less rigid (Block, 2013). Moreover, it facilitates a firm's capability to exploit EO by enhancing the extent and knowledge quality exchange across different departments (De Clercq & Sapienza, 2006). Moreover, OT within the context of entrepreneurship enables the emergence of new ventures, reducing the fear of criticism (Atuahene-Gima & Murray, 2007). De Clercq et al. (2010) inspected the moderation influence of organization context on firm performance and innovation. The authors found that higher levels of trust make the relationship between innovation and firm performance stronger. Additional research is needed to examine the specific circumstances under which EO is particularly valuable to performance (Wales, 2016; Dess et al., 1997).

From the RBV perspective, EO is considered a distinctive intangible resource, as it is essential for exploiting and identifying business openings and intensely combined in routines, and cannot be simply substituted and copied (Lonial & Carter, 2015). Given those features, EO can assist as a foundation of competitive advantage and higher performance (Grande et al., 2011; Wiklund & Shepherd, 2011).

H3: Organizational trust has a moderating influence on entrepreneurial orientation and SME performance.

2.2.4. Organizational trust as a moderating factor between knowledge management and SMEs' performance

Organizational trust in the context of KM is crucial because it encourages knowledge sharing and adoption from other resources (Alavi & Leidner, 2001). When OT is adopted in a firm, it helps employees comprehend the firm objectives clearly. Then, they become more encouraged to share their knowledge with colleagues to effectively realize the firm mission and vision (Chou, 2008). Moreover, OT smooths the discussion of private and sensitive information with functional executives because it reduces the risk of exploitation and, thus, the necessity to hide this knowledge (Yli-Renko et al., 2001). Micheels and Gow (2011) investigated the moderating influence of OT on performance and market orientation. The authors found that OT moderates learning and firm performance. Verma and Sinha (2016) distributed questionnaires to 582 team members who surveyed organizations in India. The findings indicate that OT moderates team performance and knowledge-sharing behavior.

The evolution and execution of OT practices in Algeria are still in the early stages because of the limited number of relevant studies. Therefore, this study proposes that OT plays a dynamic factor in moderating the relationship between KM and Algerian SMEs' performance. In light of the aforementioned discourse, the subsequent hypothesis is as follows:

H4: Organizational trust has a moderating influence on the relationship between knowledge management and SMEs' performance.

3. RESEARCH METHODOLOGY

3.1. Measures

The quantitative method has been chosen for this research because it allows for the gathering of numerical data that can be analyzed statistically, providing objective and generalizable findings across a larger sample. This approach is ideal for identifying trends, relationships, and patterns among variables, which aligns with the study's focus on obtaining broad, replicable results. EO is a predictor in the study and it is defined as the firm's propensity to engage in innovative, proactive, and risk-seeking behaviors in order to achieve strategic and performance objectives (Knight, 1997). EO has three dimensions (innovativeness, proactiveness and risk-taking) and 12 items adapted from the work of Eggers et al. (2013). This study adopted four items to measure proactiveness, innovativeness, and risk-taking. KM is the second predictor and it is defined as the employment and development of a knowledge asset of organizations to accomplish its goals (Davenport & Prasak, 1998). However, OT, on the other hand, is the moderator of the study and is defined as the "it is confidence feeling of employee that the firm will do actions that are useful, or at least not harmful, to him or her" (Tan & Tan, 2000, p. 243). We adopted the nine items from the work of Olander et al. (2015). Firm performance is operationalized as a non-financial and financial criterion to measure firm performance (Wang et al., 2009).

The subjective performance measurement used in this study included six items adopted from the study of Keskin (2006), which reflect the operational definition of firm performance. The reason behind choosing non-financial data is that collecting financial data is quite difficult, because owners are not ready to give the confidential information of their firms to outsiders (Sapienza et al., 1988). In addition, they may deliver a biased valuation of their company's performance (Dahinine et al., 2023). The study's constructs were also collected using items on a 5-point Likert scale.

The following Table 1 displays the construct measurements of EO, which includes three dimensions, and each dimension has four items. Table 2 shows KM with three dimensions. Table 3 shows the moderator of this study with nine items. Table 4 shows the measurement items of firm performance with six items.

Table 1. Measurement items of entrepreneurial orientation

Statement	*Strongly disagree*	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
Innovativeness					
We consider ourselves as an innovative company.	1	2	3	4	5
Our business is often the first to market with new products.	1	2	3	4	5
Competitors in the market recognize us as a leader in innovation.	1	2	3	4	5
We highly value the new product line.	1	2	3	4	5
Proactiveness					
We consistently look for new business opportunities.	1	2	3	4	5
Marketing efforts try to lead customers, rather than respond to them.	1	2	3	4	5
We incorporate solutions to unarticulated customer needs.	1	2	3	4	5
We work to find new business.	1	2	3	4	5
Risk-taking					
We value new plans even if it is not certain that they will work.	1	2	3	4	5
To make effective changes to our offering, we are willing to accept at least a moderate level of risk of significant losses.	1	2	3	4	5
We encourage people in our company to take risks with new ideas.	1	2	3	4	5
We engage in risky investments.	1	2	3	4	5

Table 2. Measurement items of knowledge management (Part 1)

Statement	*Strongly disagree*	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
Knowledge acquisition					
We regularly meet with our customers in order to find out what their needs will be in the future.	1	2	3	4	5
Our firm has processes for acquiring knowledge about our suppliers.	1	2	3	4	5
We have a method that allows us to learn successful practices from other firms.	1	2	3	4	5
We have processes for generating new knowledge from the existing knowledge.	1	2	3	4	5
New ideas and approaches to work performance are experimented continuously.	1	2	3	4	5
Knowledge sharing					
We organize periodic meetings to inform all the employees about the latest information in the company.	1	2	3	4	5
Our company has formal mechanisms to guarantee the sharing of best practices among employees.	1	2	3	4	5
In our firm, there are individuals who act as links among employees and teams.	1	2	3	4	5
In our firm, there are individuals responsible for disseminating employees' suggestions.	1	2	3	4	5

Table 2. Measurement items of knowledge management (Part 2)

Statement	*Strongly disagree*	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
Knowledge application					
The firm's procedures are flexible enough to allow immediate modifications to be made on how to apply new knowledge.	1	2	3	4	5
Our firm emphasizes the importance of utilizing new knowledge.	1	2	3	4	5
Our firm is able to locate and apply the knowledge needed to enhance its competitiveness.	1	2	3	4	5
The firm's procedures are flexible enough to allow immediate modifications to be made on how to apply new knowledge.	1	2	3	4	5

Table 3. Measurement items of organizational trust

Statement	*Strongly disagree*	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
If our company promises something, we trust that the promise will be kept.	1	2	3	4	5
Our company knows its strengths and where it is aiming.	1	2	3	4	5
The top management has made it clear that our organization does not tolerate unethical behavior.	1	2	3	4	5
Our company strongly emphasizes informing the staff of things important to them.	1	2	3	4	5
In our company, we try to kill inaccurate rumors at once.	1	2	3	4	5
In our company, problems are not hidden but handled openly.	1	2	3	4	5
Our company emphasizes fair and just practices.	1	2	3	4	5
We do much work to make our staff trust our company.	1	2	3	4	5
Our employees have trust in our company.	1	2	3	4	5

Table 4. Measurement items of firm performance

Statement	*Strongly disagree*	*Disagree*	*Neutral*	*Agree*	*Strongly agree*
Our products reached a wider market.	1	2	3	4	5
Our company has increased product sales.	1	2	3	4	5
Our corporate profits have increased.	1	2	3	4	5
The level of complaints from customers decreased.	1	2	3	4	5
The number of employees has increased.	1	2	3	4	5
The number of our customers has increased.	1	2	3	4	5

Table 5 presents the reliability test. The Cronbach's alpha values for EO, KM, OT, and SME were 0.73, 0.83, 0.80, and 0.72, respectively. Hence, all Cronbach's alpha values passed the cutoff value of 0.70, establishing the constructs' reliability.

Table 5. Reliability test

Constructs	*Cronbach's alpha coefficient*
EO	0.73
KM	0.83
OT	0.80
SME	0.72

3.2. Population and sampling

Two significant SME sectors (F&B industry) were selected as the study population. This industry was chosen because the authority is still unable to achieve food security and meet the food needs of citizens (Dahinine et al., 2023). This latter stated that Algeria is one of the top 10 countries in the globe for nutrition importation, the 1st in Africa, and the 3rd in milk and dairy products import. Moreover, the sector has been chosen because it becomes the primary task of the authority to achieve independence from other countries (Chouayb et al., 2020). The unit of analysis is an F&B firm, and the sample size included 210 firms. A self-administered questionnaire was distributed, and a 5-point Likert scale for evaluation at a single point in time. The study was cross-sectional, and 210 questionnaires were disseminated between July 2022 and December 2022.

4. RESULTS

Scholars have agreed that common method bias is a major issue that is associated with self-report surveys (Lindell & Whitney, 2001; Spector, 2006) as such bias could inflate the value of the relationship that exists among the measured constructs (Conway & Lance, 2010). Given the above, this study used some practical solutions to decrease the impact of common method variance (Podsakoff et al., 2012). First, to lessen hesitation among the participants, their responses were treated privately while there was no wrong or right answer to the items. Secondly, to decrease the method bias, it has equally certified that ambiguous conceptions have been eluded in the survey as all the items were written in precise, specific, and simple language, and by doing so the face and content validity were assured.

The assessment of non-response bias was performed by t-test technique where early respondents were compared to the late ones. This process is in accordance with Armstrong and Overton (1977), as they indicated that if the answer difference between early and late respondents was substantial; non-response bias may occur and hence may invalidate the findings. It can be concluded that the respondents from these two groups were free from data bias.

The current study analyzed the outer model and the inner models using partial least squares structural equation modeling (PLS-SEM). The measurement model was tested by using PLS-SEM. Two types of validity were used to obtain construct validity. First, construct validity includes

composite reliability (CR), factor loading (item reliability), Cronbach's alpha, and average variance extracted (AVE). Discriminant validity was employed using the method proposed by Fornell and Larcker (1981). The following Figure 1 illustrates the model with its structural dimensions.

Figure 1. The research model

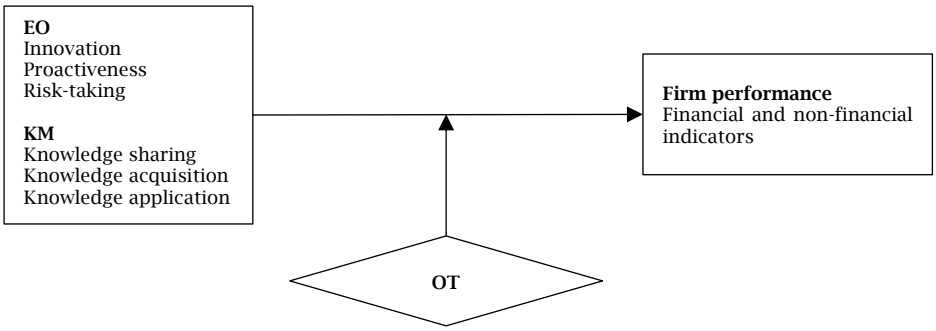

Table 6 indicates that CR ranges from 0.927 to 0.937, suggesting adequate internal consistency and reliability. Moreover, Hair et al. (2021) suggested that the three assessors of convergence validity are factor loadings, CR, and AVE. The following Table 7 shows the descriptive statistics of the constructs.

Table 6. Measurements items of entrepreneurial orientation

Constructs	*Items*	*Loadings*	*Cronbach's alpha*	*CR*	*AVE*
EO	Item 1	0.835	0.920	0.933	0.557
	Item 2	0.797			
	Item 3	0.862			
	Item 4	0.842			
	Item 5	0.727			
	Item 6	0.836			
	Item 7	0.830			
	Item 8	0.805			
	Item 9	0.826			
	Item 10	0.815			
	Item 11	0.838			
	Item 12	0.814			
KM	Item 1	0.783	0.937	0.937	0.937
	Item 2	0.797			
	Item 3	0.793			
	Item 4	0.747			
	Item 5	0.739			
	Item 6	0.885			
	Item 7	0.858			
	Item 8	0.852			
	Item 9	0.862			
	Item 10	0.858			
	Item 11	0.884			
	Item 12	0.807			
OT	Item 1	0.650	0.917	0.932	0.604
	Item 2	0.832			
	Item 3	0.772			
	Item 4	0.851			
	Item 5	0.842			
	Item 6	0.740			
	Item 7	0.796			
	Item 8	0.753			
	Item 9	0.738			
SME	Item 1	0.861	0.906	0.927	0.681
	Item 2	0.852			
	Item 3	0.769			
	Item 4	0.842			
	Item 5	0.794			
	Item 6	0.830			

Note: CR = (S factor loading)² / [(S factor loading)²) + S (variance of error)]; AVE = S (factor loading)² / [(S (factor loading)² + S (variance of error)].

Table 7. Descriptive statistics of the constructs (n = 205)

Constructs	*N*	*Mean*	*Std. deviation*	*Minimum*	*Maximum*
SME	205	4.093	0.777	1	5
EO	205	3.786	0.699	1	5
KM	205	3.713	0.789	1	5
OT	205	3.901	0.739	1	5

The following Table 8 shows the discriminant validity of all study constructs.

Table 8. Discriminant validity — Fornell and Larcker

Constructs	*EO*	*KM*	*OT*	*SME*
EO	0.747			
KM	0.601	0.770		
OT	0.732	0.647	0.777	
SME	0.719	0.659	0.741	0.825

However, Hair et al. (2017) indicated that the coefficient of determination (R-squared — R^2) is the most commonly used measure to evaluate the structural model. Cohen (1988) considered the R^2 value for the endogenous latent variable to be substantial when it is 0.26, moderate when it is 0.13, and weak if it is lower than 0.02. However, according to Falk and Miller (1992), an R^2 value of 0.10 is acceptable. Consequently, Chin (1998) suggested that in PLS-SEM, the R^2 value is 0.19 as weak, 0.33 as moderate, and 0.60 can be considered substantial. Table 9 reports The R^2 value for the present study.

Table 9. Variance explained in the endogenous latent variable (R^2)

Variable	R^2	*Result*
SME	0.835	Substantial

Table 10 illustrates that the effect sizes for *EO* and *KM* are 0.028 and 0.097, respectively. Therefore, the guidance of the F^2 assessment of the exogenous latent constructs of the present study on *SME* performance can be considered small for both *EO* and *KM*.

Table 10. Assessment of effect size (F^2)

Exogenous latent variables	F^2	*Effect size*
EO	0.028	Small
KM	0.097	Small

Q^2 is a criterion for measuring how well a model predicts (Hair et al., 2021; Chin 1998). The Q^2 value was obtained by using the blindfolding procedure for a specified omission distance. In other words, Q^2 is a criterion to measure how well a model predicts the data of omitted cases. Henseler et al. (2009) stated that in a research model where the Q^2 value is larger than zero, the model has predictive relevance, as shown in Table 11.

Table 11. Variance explained in the endogenous latent variable

Total	*SSO*	*SSE*	*1 – SSE / SSO*
SME	1230.000	582.163	0.527

Note: SSO — sum of squares of observations, SSE — sum of squared errors.

The study also tested the direct path by applying a bootstrapping procedure with 5000 re-samples to test the significance of the regression coefficients (see Table 11). *EO* has a significant effect on *SME* performance ($\beta = 0.114$, $t = 2.360$, $p < 0.009$). Therefore, *H1* is accepted. *KM* has a significant effect on *SME* performance ($\beta = 0.173$, $t = 3.685$, $p < 0.000$). Thus, *H2* is supported. Similarly, this study illustrated the moderating influence of *OT* on the relationship between *EO* and firm performance ($\beta = 0.135$, $t = 3.894$, $p < 0.000$), *KM*, and firm performance (*SME*) ($\beta = 0.103$, $t = 2.833$, $p < 0.002$). Therefore, *H3* and *H4* are both accepted. Table 12 shows the structural model assessment with moderation.

Table 12. Structural model assessment with moderator variable

Hypotheses		*Beta value*	*T-statistics*	*p-values*	*Decision*
H1	*EO → SME*	0.114	2.360	0.009	Accepted
H2	*KM → SME*	0.173	3.685	0.000	Accepted
H3	*OT-EO → SME*	0.135	3.894	0.000	Accepted
H4	*OT-KM → SME*	0.103	2.833	0.002	Accepted

5. DISCUSSION

This study addressed a positive relationship between EO and performance. It is deemed that innovativeness is an essential factor that helps firms survive, especially in fluctuating markets. Among unexpected markets and fierce competition, launching innovative products allows firms to face competition and market instability successfully.

Risk-taking and proactiveness, on the other hand, allow firms to be the first mover in the market, and as a result, their performance can be enhanced by increasing market share. The ability of SME owners/managers to take calculated and bold risks, develop innovative thinking, and proactiveness in competition guarantees their success and consequently improves their performance. Possessing entrepreneurial qualities such as hard work, critical thinking, skill development, employee consultation, ability to assess their immediate environment, and many more, should give SME owners/managers a better opportunity to remain at the forefront and improve their firm performance.

In line with prior studies, the current study is consistent with Ringo et al. (2023). Their findings reveal a significant positive impact of EO on export performance. Owners/managers of SMEs should practice EO to enhance their firms' performance. Thus, *H1* about the impact of EO on SMEs' performance is accepted.

H2 states that KM has a positive influence on SMEs' performance. The analysis revealed the importance of KM on performance. In fact, acquiring knowledge from reliable resources, sharing important and effective knowledge, and applying knowledge efficiently will definitely enhance a firm's performance and competitive advantage.

The results are consistent with the results obtained by Lehyani et al. (2023) and Aliyu et al. (2015).

H3 indicates that OT has a moderation role in the relationship between EO on firm performance. Indeed, OT can augment innovative practices in the enterprise because it diminishes the level of control and makes the structure of the organization and hierarchy less inflexible (Block, 2013). In addition, OT reduces fear of criticism and enhances the security and expression of new ideas. Thus, the findings confirm the moderation factor of OT in the relation between EO and performance. This result is supported by De Clercq et al. (2010), who found out that OT moderates EO and firm performance. Trust is, therefore, enabling employees to cope with changes, enhancing the readiness of directors to execute risky actions, creating

innovative ideas, and solving problems quickly. *H3* and *H4* state that OT moderates the relation between KM and SMEs' performance. As people are unwilling to share knowledge, OT is considered a good facilitator of increasing confidence and, as a result, managing and sharing knowledge within the firm. In fact, people are reluctant and suspicious to share their knowledge, especially sensitive information. Thus, the results confirmed the moderating role of OT in the relationship between KM and SMEs' performance. This result is in coherence with the studies of Verma and Sinha (2016) and Afzal and Afzal (2014), who found that trust moderates the link between knowledge sharing and firm performance.

6. CONCLUSION

One of the contributions of this study is that very limited research has examined OT as a moderator of these links. In other words, few studies have investigated the moderating influence of trust in EO and KM relationships. Moreover, this study responds to scholars' recommendations to investigate OT with other strategic intangible factors, such as entrepreneurship and KM.

Another critical contribution is that most of the EO review has been addressed in Western countries. A survey of the past literature shows that most studies on EO were undertaken in Western countries (Kowalik et al., 2017). For instance, in Arab countries, only a few related studies have been conducted in the United Arab Emirates (Al-Dhaafri & Al-Swidi, 2016). Thus, this study is among the first to focus on emerging and developing economies. Moreover, numerous studies have been performed in sectors such as metal/wood enterprises, telecommunications, manufacturing, textiles, software, and banking sectors (Tang et al., 2017). The present study is one of the few to contribute to the F&B body of knowledge and respond to the contextual gap and the lack of studies that introduce OT as a moderator.

The findings of this study provide useful guidance to owners, practitioners, and policymakers. Policymakers can enhance the F&B industry by establishing laws and policies that advance the performance forward. Workshops, training, and seminars based on the findings of this study can lead to better performance. One of the main issues that confront the Algerian government is helping youth to launch startups and acquire the spirit of entrepreneurship. Moreover, adopting KM, organizational climate, and trust are essential for F&B firms to reinforce communication, spread a healthy culture, encourage initiatives, share knowledge, and innovate ideas to upgrade their firm performance. Furthermore, the findings of this research will stimulate academics and researchers to conduct additional studies in this area. This study is deemed to be a milestone that enlightens the path for future research. Therefore, all stakeholders should consider the outcomes and recommendations to pursue future studies to enrich the library.

The study has a few limitations that need to be considered. The present study is limited to perceptions of EO, KM, OT, and SMEs operating in F&B. This study used only three dimensions to measure EO. Future research could use more dimensions (e.g., five dimensions to include aggressiveness and autonomy) to enrich the literature, as most past studies have adopted only three dimensions to measure EO. This study focuses only on internal intangible resources: EO, OT and KM. To obtain a more comprehensive result, future research can add other types of internal or external strategic constructs, such as market orientation, to further understand the problem of low performance. The scope of this study was circumscribed to the F&B industry. Therefore, it is recommended to employ a consistent model across varied contexts to acquire a nuanced comprehension of the influence exerted by EO, KM, and OT on the performance of SMEs.

REFERENCES

Abdelwahed, N. A. A., & Alshaikhmubarak, A. (2023). Managerial competence and innovation performance: The mediating role of willingness to change, entrepreneurial orientation and culture. *Journal of Governance & Regulation, 12*(4), 101–112. https://doi.org/10.22495/jgrv12i4art10

Abdi, S. N. A., Awan, H. M., & Bhatty, M. I. (2008). Is quality management a prime requisite for globalization? Some facts from the sports industry. *Quality & Quantity, 42*, 821–833. https://doi.org/10.1007/s11135-007-9135-x

Afzal, M., & Afzal, U. (2014). Effect of knowledge management practices (KMPs) and the moderating role of interpersonal trust (IPT) on firm's performance (FP): A study in software industry of Pakistan. *African Journal of Business Management, 8*(19), 864–872. https://shorturl.at/b7dGf

Alavi, M., & Leidner, D. E. (2001). Review: Knowledge management and knowledge management systems: Conceptual foundations and research issues. *MIS Quarterly, 25*(1), 107–136. https://doi.org/10.2307/3250961

Al-Dhaafri, H. S., & Al-Swidi, A. (2016). The impact of total quality management and entrepreneurial orientation on organizational performance. *International Journal of Quality & Reliability Management, 33*(5), 597–614. https://doi.org/10.1108/IJQRM-03-2014-0034

Al-Hakim, L. A., & Hassan, S. (2016). Core requirements of knowledge management implementation, innovation and organizational performance. *Journal of Business Economics and Management, 17*(1), 109–124. https://doi.org/10.3846/16111699.2012.720597

Aliyu, M. S., Rogo, H. B., & Mahmood, R. (2015). Knowledge management, entrepreneurial orientation and firm performance: The role of organizational culture. *Asian Social Science, 11*(23). https://doi.org/10.5539/ass.v11n23p140

Al-Sa'di, A. F., Abdallah, A. B., & Dahiyat, S. E. (2017). The mediating role of product and process innovations on the relationship between knowledge management and operational performance in manufacturing companies in Jordan. *Business Process Management Journal, 23*(2), 349–376. https://doi.org/10.1108/BPMJ-03-2016-0047

Altinay, L., Madanoglu, M., De Vita, G., Arasli, H., & Ekinci, Y. (2016). The interface between organizational learning capability, entrepreneurial orientation, and SME growth. *Journal of Small Business Management, 53*(3), 871–891. https://doi.org/10.1111/jsbm.12219

Armstrong, J. S., & Overton, T. S. (1977). Estimating nonresponse bias in mail surveys. *Journal of Marketing Research, 14*(3), 396–402. https://doi.org/10.2307/3150783

Atuahene-Gima, K., & Murray, J. Y. (2007). Exploratory and exploitative learning in new product development: A social capital perspective on new technology ventures in China. *Journal of International Marketing, 15*(2), 1–29. https://doi.org/10.1509/jimk.15.2.1

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management, 17*(1), 99–120. https://doi.org/10.1177/014920639101700108

Block, M. (2013). *Intra-organisational knowledge sharing: A holistic approach to the management of knowledge*. Europaeischer Hochschulverlag.

Bouazza, A. B., Ardjouman, D., & Abada, O. (2015). Establishing the factors affecting the growth of small and medium-sized enterprises in Algeria. *American International Journal of Social Science, 4*(2), 101–115. https://www.aijssnet.com/journals/Vol_4_No_2_April_2015/11.pdf

Carree, M. A., & Thurik, A. R. (2003). The impact of entrepreneurship on economic growth. In Z. J. Acs & D. B. Audretsch (Eds.), *Handbook of entrepreneurship research: An interdisciplinary survey and introduction* (pp. 437–471). Springer. https://doi.org/10.1007/0-387-24519-7_17

Chin, W. W. (1998). Commentary: Issues and opinion on structural equation modeling. *MIS Quarterly, 22*(1), 7–16. https://www.jstor.org/stable/249674

Chou, A. Y. (2008). The role of knowledge sharing and trust in new product development outsourcing. *International Journal of Information Systems and Change Management, 3*(4), 301–313. https://doi.org/10.1504/IJISCM.2008.026707

Chouayb, L., Elhachemi, T., & Elkheloufi, A. (2020). The determinants of SMEs performance operating in food and beverage industry in Algeria. *International Journal of Advanced Science and Technology, 29*(4), 453–471. https://sersc.org/journals/index.php/IJAST/article/view/6330

Chow, I. H.-S. (2006). The relationship between entrepreneurial orientation and firm performance in China. *S.A.M. Advanced Management Journal, 71*(3), 11–20. https://shorturl.at/MkqUF

Cohen, J. (1988). *Statistical power analysis for the behavioral* sciences (2nd ed.). Routledge.

Conway, J. M., & Lance, C. E. (2010). What reviewers should expect from authors regarding common method bias in organizational research. *Journal of Business and Psychology, 25*, 325–334. https://doi.org/10.1007/s10869-010-9181-6

Dahinine, B., Chouayb, L., & Bensahel, W. (2023). Knowledge management and firm performance in Algerian F&B SMEs: The role of trust as a moderating variable. *Sustainability, 15*(13), Article 10074. https://doi.org/10.3390/su151310074

Davenport, T. H., & Prusak, L. (1998). *Working knowledge: How organizations manage what they know*. Harvard Business Press.

De Clercq, D., & Sapienza, H. J. (2006). Effects of relational capital and commitment on venture capitalists' perception of portfolio company performance. *Journal of Business Venturing*, *21*(3), 326–347. https://doi.org/10.1016/j.jbusvent.2005.04.007

De Clercq, D., Dimov, D., & Thongpapanl, N. T. (2010). The moderating impact of internal social exchange processes on the entrepreneurial orientation-performance relationship. *Journal of Business Venturing, 25*(1), 87–103. https://doi.org/10.1016/j.jbusvent.2009.01.004

Dess, G. G., Lumpkin, G. T., & Covin, J. G. (1997). Entrepreneurial strategy making and firm performance: Tests of contingency and configurational models. *Strategic Management Journal, 18*(9), 677–695. https://doi.org/10.1002/(SICI)1097-0266(199710)18:9<677::AID-SMJ905>3.0.CO;2-Q

Eggers, F., Kraus, S., Hughes, M., Laraway, S., & Snycerski, S. (2013). Implications of customer and entrepreneurial orientations for SME growth. *Management Decision*, *51*(3), 524–546. https://doi.org/10.1108/00251741311309643

Falk, R. F., & Miller, N. B. (1992). *A primer for soft modeling*. University of Akron Press.

Fornell, C., & Larcker, D. F. (1981). Structural equation models with unobservable variables and measurement error: Algebra and statistics. *Journal of Marketing Research, 18*(3), 382–388. https://doi.org/10.2307/3150980

Gholami, M. H., Asli, M. N., Nazari-Shirkouhi, S., & Noruzy, A. (2013). Investigating the influence of knowledge management practices on organizational performance: An empirical study. *Acta Polytechnica Hungarica, 10*(2), 205–216. https://doi.org/10.12700/APH.10.02.2013.2.14

Giampaoli, D., Ciambotti, M., & Bontis, N. (2017). Knowledge management, problem solving and performance in top Italian firms. *Journal of Knowledge Management, 21*(2), 355–375. https://doi.org/10.1108/JKM-03-2016-0113

Govori, A., & Sejdija, T. F. (2023). Future prospects and challenges of integrating artificial intelligence within the business practices of small and medium enterprises. *Journal of Governance & Regulation, 12*(2), 176–183. https://doi.org/10.22495/jgrv12i2art16

Grande, J., Madsen, E. L., & Borch, O. J. (2011). The relationship between resources, entrepreneurial orientation and performance in farm-based ventures. *Entrepreneurship & Regional Development, 23*(3–4), 89–111. https://doi.org/10.1080/08985620903183710

Hair, J. F., Jr., Hult, G. T. M., Ringle, C. M., & Sarstedt, M. (2017). *A primer on partial least squares structural equation modeling (PLS-SEM)* (2nd ed.). SAGE Publications. https://shorturl.at/1D5Yl

Hair, J. F., Jr., Hult, G. T. M., Ringle, C. M., Sarstedt, M., Danks, N. P., & Ray, S. (2021). *Partial least squares structural equation modeling (PLS-SEM) using R: A workbook*. Springer. https://doi.org/10.1007/978-3-030-80519-7

Henseler, J., Ringle, C. M., & Sinkovics, R. R. (2009). The use of partial least squares path modeling in international marketing. In R. R. Sinkovics & P. N. Ghauri (Eds.), *New challenges to international marketing* (Vol 20: Advances in international marketing, pp. 277–319). Emerald Group Publishing Limited. https://doi.org/10.1108/S1474-7979(2009)0000020014

Imran, M. K. (2014). Impact of knowledge management infrastructure on organizational performance with moderating role of KM performance: An empirical study on banking sector of Pakistan. *Information and Knowledge Management, 4*(8), 85–98. https://iiste.org/Journals/index.php/IKM/article/view/15111

Ismail, M. D. (2011). Role of trust in SMEs export performance. In *Proceedings of the International Conference on Management, Economics and Social Sciences (ICMESS 2011)* (pp. 499–503). https://shorturl.at/o4aE8

Jdidi, (2016). Suq aleamal fi Aljazayir wamutatalabat daem almuasasat alsaghirat walmutawasita [Algeria's labor market and SME support requirements]. *The Algerian Journal of Economics and Finance, 9*(1). https://asjp.cerist.dz/en/article/22930

Keskin, H. (2006). Market orientation, learning orientation and innovation capability in SMES: An extended model. *European Journal of Innovation Management, 9*(4), 396–417. https://doi.org/10.1108/14601060610707849
Kim, H., & Gong, Y. (2009). The roles of tacit knowledge and OCB in the relationship between group-based pay and firm performance. *Human Resource Management Journal, 19*(2), 120–139. https://doi.org/10.1111/j.1748-8583.2009.00093.x
Knight, G. A. (1997). Cross-cultural reliability and validity of a scale to measure firm entrepreneurial orientation. *Journal of Business Venturing, 12*(3), 213–225. https://doi.org/10.1016/S0883-9026(96)00065-1
Kowalik, I., Danik, L., & Sikora, T. (2017). Entrepreneurial orientation elements in the Polish international new ventures. *Baltic Journal of Management, 12*(2), 194–213. https://doi.org/10.1108/BJM-03-2016-0070
Kraus, S. (2013). The role of entrepreneurial orientation in service firms: Empirical evidence from Austria. *The Service Industries Journal, 33*(5), 427–444. https://doi.org/10.1080/02642069.2011.622373
Lehyani, F., Zouari, A., Ghorbel, A., Tollenaere, M., & Sá, J. C. (2023). Knowledge management and total quality management impact on employee effectiveness in emerging industries: Case of Tunisian small and medium enterprises. *Sustainability*, *15*(5), Article 3872. https://doi.org/10.3390/su15053872
Liao, S.-H., & Wu, C.-C. (2009). The relationship among knowledge management, organizational learning, and organizational performance. *International Journal of Business and Management, 4*(4), 64–76. https://doi.org/10.5539/ijbm.v4n4p64
Lindell, M. K., & Whitney, D. J. (2001). Accounting for common method variance in cross-sectional research designs. *Journal of Applied Psychology, 86*(1), 114–121. https://doi.org/10.1037/0021-9010.86.1.114
Liu, C.-L. E. (2012). An investigation of relationship learning in cross-border buyer-supplier relationships: The role of trust. *International Business Review, 21*(3), 311–327. https://doi.org/10.1016/j.ibusrev.2011.05.005
Lonial, S. C., & Carter, R. E. (2015). The impact of organizational orientations on medium and small firm performance: a resource-based perspective. *Journal of Small Business Management, 53*(1), 94–113. https://doi.org/10.1111/jsbm.12054
Lumpkin, G. T., & Dess, G. G. (1996). Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review, 21*(1), 135–172. https://doi.org/10.2307/258632
Mahrous, A. A., & Genedy, M. A. (2019). Connecting the dots: The relationship among intra-organizational environment, entrepreneurial orientation, market orientation and organizational performance. *Journal of Entrepreneurship in Emerging Economies, 11*(1), 2–21. https://doi.org/10.1108/JEEE-09-2016-0036
Mantok, S., Sekhon, H., Sahi, G. K., & Jones, P. (2019). Entrepreneurial orientation and the mediating role of organisational learning amongst Indian S-SMEs. *Journal of Small Business and Enterprise Development, 26*(5), 641–660. https://doi.org/10.1108/JSBED-07-2018-0215
Martin, S. L., & Javalgi, R. G. (2016). Entrepreneurial orientation, marketing capabilities and performance: The moderating role of competitive intensity on Latin American International new ventures. *Journal of Business Research, 69*(6), 2040–2051. https://doi.org/10.1016/j.jbusres.2015.10.149
Masa'deh, R., Shannak, R., Maqableh, M., & Tarhini, A. (2017). The impact of knowledge management on job performance in higher education: The case of the University of Jordan. *Journal of Enterprise Information Management, 30*(2), 244–262. https://doi.org/10.1108/JEIM-09-2015-0087
Matin, E. K., & Sabagh, P. (2015). Effects of knowledge management capabilities on organizational performance in Iranian export companies. *Mediterranean Journal of Social Sciences*, *6*(2). https://doi.org/10.5901/mjss.2015.v6n2p240
Micheels, E. T., & Gow, H. R. (2011). The moderating effects of trust and commitment on market orientation, value discipline clarity, and firm performance. *Agribusiness, 27*(3), 360–378. https://doi.org/10.1002/agr.20266
Miller, D. (1983). The correlates of entrepreneurship in three types of firms. *Management Science, 29*(7), 770–791. https://doi.org/10.1287/mnsc.29.7.770
Mustapa, A. N., & Mahmood, R. (2016). Knowledge management and job performance in the public sector: The moderating role of organizational commitment. *International Journal of Research in Business Studies and Management, 3*(7), 28–36. https://shorturl.at/8SE8Z
Naradda Gamage, S. K., Ekanayake, E. M. S., Abeyrathne, G. A. K. N. J., Prasanna, R. P. I. R., Jayasundara, J. M. S. B., & Rajapakshe, P. S. K. (2020). A review of global challenges and survival strategies of small and medium enterprises (SMEs). *Economies, 8*(4), Article 79. https://doi.org/10.3390/economies8040079
Olander, H., Vanhala, M., Hurmelinna-Laukkanen, P., & Blomqvist, K. (2015). HR-related knowledge protection and innovation performance: The moderating effect of trust. *Knowledge and Process Management*, *22*(3), 220–233. https://doi.org/10.1002/kpm.1476
Penrose, E. T. (1959). *The theory of the growth of the firm*. John Wiley & Sons.
Podsakoff, P. M., MacKenzie, S. B., & Podsakoff, N. P. (2012). Sources of method bias in social science research and recommendations on how to control it. *Annual Review of Psychology, 63*, 539–569. https://doi.org/10.1146/annurev-psych-120710-100452
Ringo, D. S., Tegambwage, A. G., & Kazungu, I. (2023). Innovation capabilities and export performance of SMEs: Does managers' risk-taking propensity matter? *Journal of Money and Business, 3*(1), 74–88. https://doi.org/10.1108/JMB-10-2022-0053
Rivera-Vazquez, J. C., Ortiz-Fournier, L. V., & Rogelio Flores, F. (2009). Overcoming cultural barriers for innovation and knowledge sharing. *Journal of Knowledge Management, 13*(5), 257–270. https://doi.org/10.1108/13673270910988097
Sapienza, H. J., Smith, K. G., & Gannon, M. J. (1988). Using subjective evaluations of organizational performance in small business research. *American Journal of Small Business, 12*(3), 45–54. https://doi.org/10.1177/104225878801200304
Schulz, M., & Jobe, L. A. (2001). Codification and tacitness as knowledge management strategies: An empirical exploration. *The Journal of High Technology Management Research*, *12*(1), 139–165. https://doi.org/10.1016/S1047-8310(00)00043-2
Sok, P., Snell, L., Lee, W. J., & Sok, K. M. (2017). Linking entrepreneurial orientation and small service firm performance through marketing resources and marketing capability: A moderated mediation model. *Journal of Service Theory and Practice, 27*(1), 231–249. https://doi.org/10.1108/JSTP-01-2016-0001
Spector, P. E. (2006). Method variance in organizational research: Truth or urban legend? *Organizational Research Methods, 9*(2), 221–232. https://doi.org/10.1177/1094428105284955

Tan, H. H., & Tan, C. S. (2000). Toward the differentiation of trust in supervisor and trust in organization. *Genetic, Social, and General Psychology Monographs, 126*(2), 241–260. https://pubmed.ncbi.nlm.nih.gov/10846623/

Tang, J., Tang, Z., & Cowden, B. J. (2017). Exploring the relationship between entrepreneurial orientation, CEO dual values, and SME performance in state-owned vs. Nonstate-owned enterprises in China. *Entrepreneurship Theory and Practice, 41*(6), 883–908. https://doi.org/10.1111/etap.12235

Verma, J., & Sinha, A. (2016). Knowledge sharing in cross-functional teams and its antecedents: Role of mutual trust as a moderator. *Journal of Information & Knowledge Management, 15*(3), Article 1650033. https://doi.org/10.1142/S0219649216500337

Wales, W. J. (2016). Entrepreneurial orientation: A review and synthesis of promising research directions. *International Small Business Journal, 34*(1), 3–15. https://doi.org/10.1177/0266242615613840

Wang, K., Lee, Y., Wang, S., & Chu, C. (2009). Performance evaluation of resource allocation strategies for new product development under different workload scenarios. *Journal of Modelling in Management, 4*(2), 91–113. https://doi.org/10.1108/17465660910973934

Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal, 5*(2), 171–180. https://doi.org/10.1002/smj.4250050207

Wiklund, J., & Shepherd, D. A. (2011). Where to from here? EO-as-experimentation, failure, and distribution of outcomes. *Entrepreneurship Theory and Practice, 35*(5), 925–946. https://doi.org/10.1111/j.1540-6520.2011.00454.x

Yli-Renko, H., Autio, E., & Sapienza, H. J. (2001). Social capital, knowledge acquisition and knowledge exploitation in young technology-based firms. *Strategic Management Journal, 22*(6–7), 587–614. https://doi.org/10.1002/smj.183