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Competencies and Orientation of Entrepreneurs on Dynamic Capabilities towards Organizational Performance by Considering External Environment: Development of a Conceptual Model

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COMPETENCIES AND ORIENTATION OF ENTREPRENEURS ON DYNAMIC CAPABILITIES TOWARDS ORGANIZATIONAL PERFORMANCE BY CONSIDERING EXTERNAL ENVIRONMENT DEVELOPMENT OF A CONCEPTUAL MODEL

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Competencies and Orientation of Entrepreneurs on Dynamic Capabilities towards Organizational Performance by Considering External Environment: Development of a Conceptual Model

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Abstract- Entrepreneurship is a process of creating a new business to produce and market new, innovative or existing product. Small business is a bridge for entrepreneurs to perform. Even though entrepreneurial competencies and entrepreneurial orientation have been considered separately on small business performance, little research attention has been given to the theoretical mix of entrepreneurial competencies and entrepreneurial orientation in a single research work. Very few studies have been considered dynamic capabilities as a mediator and external environment as a moderator to facilitate the relationships between entrepreneurship and business success.

Each person has unique entrepreneurial competencies and entrepreneurial orientation. Entrepreneurial competencies are known as distinct assembly of competencies that are associated with the exercise of effective entrepreneurship. Strategic, opportunity, relationship, commitment, conceptual and organizing competencies are well documented in literature as main entrepreneurial competencies. Entrepreneurial orientation is one of the most regularly applied organizational constructs in entrepreneurship research. The dimensions of entrepreneurial orientation such as innovativeness, risk-taking, pro-activeness are well documented in literature. The success of entrepreneurship depends upon the entrepreneurial competencies of entrepreneurs. Thus, entrepreneurial competencies are significant contributor to entrepreneur business success. Besides, the entrepreneurial orientation positively relates to the firm performance. Therefore, entrepreneurial orientation also contributes positively to the performance.

Small businesses are essential to adopt the approach of dynamic capabilities. Sensing capability, seizing capability and reconfiguration capability are main dimensions of dynamic capabilities. Those are crucial to enhance the business performance. Dynamic capabilities mediate the relationship between entrepreneurial competencies and small firm performance. Besides, it plays a mediating role on the relationship between entrepreneurial orientation and small firm performance as well. Business performance can differ significantly with changing external environment. PESTEL analysis works best to examine the environment. Business environment significantly moderates the relationship between entrepreneurial competencies and business success. Besides, external environment plays a moderating role to the

relationship between entrepreneurial orientation and performance as well. Entrepreneur performance can be explained by using two main dimensions such as financial and strategic factors.

As per the literature, there is a significant effect of entrepreneurial competencies and entrepreneurial orientation on organizational performance. Dynamic capabilities significantly mediate this relationships and external environment significantly moderates the relationships. Based on this background, a Conceptual Model was introduced. Future researchers can use this conceptual model to investigate the impact of competencies and orientation of entrepreneurs on dynamic capabilities towards organizational performance by considering external environment in small business in deferent contexts.

Keywords: *entrepreneurial competencies, entrepreneurial orientation, dynamic capabilities, external environment, organizational performance.*

I. INTRODUCTION

Entrepreneurship is the process of creating new product or services through the creation of new company or innovation of an existing organizational product (Sajeena, 2020). Small businesses are regarded as the platform for entrepreneurs (Heinicke, 2018). The majority of countries in the world rely heavily on the performance of these firms to boost and growth of their economy (Hallam et al., 2017). Entrepreneurial activities are so important that they can foster the growth-oriented performance of these firms (Sok et al., 2017). An entrepreneur is a person who develops and grows the enterprise over innovative and creative actions, through the introduction of new products or services and through the improvement of existing production or service methods (Tehseen and Ramayah, 2015). Each person has exclusive entrepreneurial orientation and entrepreneurial competencies which are hard to be followed by competitors due to the ambiguity of their origins and embeddedness (Tehseen and Ramayah, 2015). Entrepreneur competencies are recognized as a distinct group of competencies that are related to the

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exercise of effective entrepreneurship. (Carayannopoulos, 2017). Besides, entrepreneurial orientation is characterized by the opportunity to pursue the firm's behavior through innovation, proactiveness and risk taking (Dada and Fogg, 2016; De Clercq et al., 2015; Reijonen et al., 2015).

Small businesses are needed to adopt the dynamic capabilities approach (Hashim, Raza and Minai, 2018). Dynamic capabilities provide an integrative mechanism for organizations to integrate, build and reconfigure internal as well as external competencies to cope with rapidly changing environments (Lagat & Frankwick, 2017; Wang et al., 2015). External environment is also important for small businesses. Small firms' business performance can vary significantly with changing external environment (Khan et al., 2019). Relationship between Entrepreneurship and business performance is dependent on supportive external environmental factors. Business organizations will benefit more for undertaking entrepreneurial activities if the environment is dynamic and competitive (Otache and Mahmood, 2015).

II. PROBLEM STATEMENT

Little research attention has been given to the theoretical blend of entrepreneurial competencies and orientation in a single research work in existing scientific investigations (Ibidunni et al., 2018). Hashim, Raza and Minai (2018) stated that the relationship between entrepreneurial competencies and performance of small business is questionable due to the incompatible results of studies connected to this relationship. Mitchelmore & Rowley (2013) stated that there is a basis for further investigation into entrepreneurial competencies that affect performance of small businesses. Studying the empirical relationship between entrepreneurial competencies, dynamic capability and performance of small business can be seen as a stepping-stone towards a new path in determining this vital link for future researchers (Hashim, Raza & Minai, 2018). As stated by Parida et al. (2016), additional research is required to realize the dynamic capabilities for the purpose of improving the existing body of knowledge. Very little studies have been considered the external environment as a moderator to assist the relationships between entrepreneurial competencies and business success (Ahmad, 2007; Ahmad & Seet, 2009). Khan, et al. (2019) recommended to integrate the external environmental factors into future research. Furthermore, there is a knowledge base gap related to entrepreneurial competencies of entrepreneurs (Yusuff et al., 2016). Hence, there is a necessity for research to explore more on the relationship between entrepreneurial competencies and entrepreneurial performance (Hashim, Raza & Minai, 2018). The performance of small businesses ensures the economic soundness

particularly in developing countries where entrepreneurship research is scarce (Coder et al., 2017; Hyder & Lussier, 2016). For this reason, there is an urgent need for conducting research in small businesses in the field of entrepreneurship (Hashim, Raza and Minai, 2018). Similar studies should be replicated to validate the findings and similar studies should be conducted possibly in developing countries (Ibrahim & Abu, 2020).

III. LITERATURE REVIEW

a) *Entrepreneurial competencies*

Entrepreneurial competencies are the strategically important resources of businesses, and many valuable benefits can be derived from these valuable competencies (Omar et al., 2016; Tehseen & Ramayah, 2015). The success of entrepreneurship depends upon the entrepreneurial competencies of entrepreneurs (Sajeena, 2020). According to Bacigalupo et al. (2016), entrepreneurial competencies denote the ability to turn ideas and opportunities into action by assembling resources.

Entrepreneurial competencies constructs are represented by strategic, conceptual, opportunity, relationship and technical categories (Man et al., 2002). Ahmad (2007) identified twelve competencies i.e., strategy, commitment, opportunities, knowledge, organizing, decision making, relationships, learning, personal, technical, risk taking, and social responsibility. Man (2001) identified ten groups of competencies: opportunity, relationship, analytical, conceptual/innovative, organizing, operational, human, strategic, commitment, learning and personal strength. Ahmad (2007) added four other areas of competency: technical, ethical, social responsibility and familism to ten clusters identified by Man (2001). The conceptual competencies stated by Man (2001) were separated into analytical competency and innovative competency, and after that stated as a one competency cluster by Ahmad (2007).

According to Man, Lau and Chan (2008); Noor, Hasliza and Siti, (2010); Aruni, Akira and Hironori (2014) there are six significant areas of entrepreneurial competencies; they include strategic, commitment, organizing, relationship, conceptual, opportunity competencies. So far, researchers have investigated different kinds of entrepreneurial competencies, namely, conceptual competency, strategic competency, opportunity competency, learning competency, personal competency, networking competency and ethical competency (Man et al., 2002; Osagie et al., 2016; Yusuff et al., 2016; Stephen et al., 2017; Nakhata, 2018; Quagraine, 2018; Suhaimi et al., 2018).

b) *Entrepreneurial Orientation*

Entrepreneurial orientation is one of the most frequently applied firm-level constructs in entrepreneurship research (Anderson et al., 2015).

Entrepreneurial orientation is a key factor which is one integrating, building and reconfiguring the external and internal competencies to deal with rapidly changing environments among the small and medium firms (Darwis, 2017).

Entrepreneurial orientation is known as a strategic posture of the organization that exhibits innovative attitude, proactive and risk-takers (Wales, 2016). It characterizes the opportunity seeking behavior of the firm distinguished by innovativeness, proactiveness and risk-taking (Dada and Fogg, 2016; De Clercq et al., 2015; Reijonen, et al., 2015). Besides, Haider et al. (2017) point out that entrepreneurial orientation is represented by three dimensions. These are innovativeness, proactiveness and risk taking. The dimensions of entrepreneurial orientation such as innovativeness, risk-taking, proactiveness, autonomy and competitive aggressiveness are well documented in literature (Nwachukwu, Chladkova and Zufan, 2017). In the same way, adopting entrepreneurial orientation as a means of a strategic approach through which business managers can act as more proactive, creative and risk-taker that would certainly differentiate them from the market rivals (Hossain & Asheq, 2019).

Entrepreneurial orientation can be considered as a prominent concept in the literature (Wales, 2016; Zahra, Wright and Abdelgawad, 2014). It has received considerable attention in the literature as many studies from various countries have sought to make conceptual and empirical progress in this area (Gupta and Batra, 2015). Covin and Miller (2014) also stated that entrepreneurial orientation has become one of the most frequently mentioned topics which have been investigated by scholars and practitioners.

c) *Entrepreneurial Competencies and Performance*

Entrepreneurial competencies have been viewed as essential for entrepreneurs to perform successfully and transform businesses (Mohsin et al., 2017). Omar et al. (2016); Tehseen & Ramayah (2015) claim that the success of any firm depends on several important resources that make entrepreneurial competencies more critical and intangible. These competencies are perceived as the capability to complete a task using the resources that enhance enterprise performance (Al-Mamun et al., 2016). Entrepreneurial competencies were valuable and intangible ability for firms to accomplish exceptional performance (Al-Mamun et al., 2016; Tehseen and Ramayah, 2015).

Grimmer et al. (2017) stated that the performance of a small business is influenced by several strategic factors, but the most important thing is entrepreneurial competencies. According to Peric et al. (2017) entrepreneurial competencies can enhance business success. Effective entrepreneurs develop their businesses through competencies of them.

Entrepreneurial competencies are associated with the growing and sustainability of firms (Sajilan et al., 2016; Sajilan and Tehseen, 2015; Owusu-Acheampong, 2014).

In entrepreneurial endeavours, competencies reflect in the extent to which entrepreneurs are willing to take risks so as to enable the enterprise succeeds (Oyeku et al., 2014). Rahman et al., (2015) stated that entrepreneurial competencies are significant contributors to entrepreneur business success. Entrepreneurship competencies play a key role in the survival and expansion of enterprises (Khan et al., 2018). On the other side, inadequate entrepreneurial competencies in SMEs could constitute a major problem and barrier toward achieving a better performance in SMEs (Pulka, Ramli & Mohamad, 2018).

In general, the results of conceptual studies on entrepreneurial competencies and organizational performance literature show a significant positive correlation (Yusuff et al., 2016; Tehseen and Ramayah, 2015). Many studies have argued that a lack of entrepreneurial competencies impedes success of SMEs (Tehseen and Ramayah, 2015). Entrepreneurial competencies are very critical for the firms' success. Previous studies on the association between entrepreneurial competencies and firm performance propose a positive linkage (Nwachukwu, Chladkova and Zufan, 2017). A review of relevant entrepreneurial competency literature has identified that the most of empirical studies that consider entrepreneurial competencies as a holistic approach have confirmed its significant effect on performance of firms (Kabir et al., 2017). To be a successful entrepreneur, development of entrepreneurial competencies is important as they are central to the success of small and medium size organization (Sajeena, 2020).

d) *Entrepreneurial Orientation and Performance*

A number of studies have been conducted on the relationship between entrepreneurial orientation and organizational performance (Jia et al., 2014). Most scholars have found a positive impact of entrepreneurial orientation on firm performance (Covin & Miller, 2014; Lomberg et al., 2016). Similarly, Lisboa, Skarmeas, and Saridakis, (2016), pointed out that most prior research on entrepreneurial orientation aggregates its features into a gestalt construct to investigate its influence on firm performance. Recently, Ahmad, et al., (2019) stated that previous scholarly studies have concluded the entrepreneurial orientation positively relate to firm performance.

Radulovich et al. (2018) explored that entrepreneurial orientation directly influences the performance of SMEs. Entrepreneurial orientation often related to organizational performance (Musthofa et al., 2017). Similarly, Tingko and Wenyi, (2017) also found in their study that entrepreneurial orientation has a significantly positive influence on performance.

Matchaba-Hove et al. (2015) found that a direct association between entrepreneurial orientation and firm performance. The significance of entrepreneurial orientation in achieving performance of SMEs is extensively acknowledged in the literature (Brouthers, Nakos & Dimitratos, 2015; Covin & Miller, 2014; Gupta & Batra, 2015). In the same way, the findings facilitated entrepreneurial orientation construct empirically, related to business performance of SMEs (Haider Asad and Fatima, 2017). Entrepreneurial orientation has an overall positive effect on firm performance (Gupta and Batra, 2015). According to recent research, entrepreneurial orientation contributes positively to the performance (Alalawi, 2020). Similarly, entrepreneurial orientation affects small and medium scale business performance (Igweh & Stephen, 2019). Furthermore, positive relationship exists between the overall entrepreneurial orientation and the performance of small business (Oni, Agbobli and Iwu, 2019). The entrepreneurial orientation is a predecessor of small firm's business performance (Khan et al., 2019). There is a significant influence between entrepreneurial orientation and performance capabilities (Sulistyo & Ayuni, 2020).

e) *Dynamic Capabilities*

Dynamic capabilities are the integrated mechanism by which organizations can integrate, build and reconfigure internal and external competencies (resources) to be adopted in the rapidly changing environment to achieve better performance compared to competitors (Lagat & Frankwick, 2017; Wang et al., 2015). For the inclusion of dynamic capabilities, it is proposed that dynamic capabilities are deliberated as the higher level capabilities (Dangol & Kos, 2014). Small businesses generally thrive in highly competitive, volatile and unpredictable markets. In addition, it is imperative that small business adopt the dynamic capability approach since small business cannot make any influence or control over the markets to grab the economic shocks (Hashim, Raza and Minai, 2018). According to Khan et al. (2019), dynamic capabilities involve adaptation and change, because these capabilities can be regarded as a transformer for converting resources into improved performance while creating competitive advantage. As such, having resources is not sufficient for superior performance, businesses must have dynamic capabilities to combine, grow and exploit these resources (Ferreira & Fernandes, 2017). According to Tutueanu & Serban, (2013), there is an influence of dynamic capabilities in the entrepreneurial enterprises. This makes it possible to transform resources into competitiveness (Lin & Wu, 2014).

SMEs should be able to reformulate capabilities in order to become more objective and effective, becoming more dynamic (Dias, et al., 2020). Business owners must have agility in facing market dynamics and

respond as soon as possible so that they become always the first movers. Without the ability of rapid innovation, it is very difficult for SMEs to gain business performance and competitive advantage (Sulistyo & Ayuni, 2020).

f) *Entrepreneurial Competencies, Dynamic Capabilities and Performance*

The literature shows that dynamic capabilities can serve as a relation between resources and firm performance (Hashim, Raza and Minai, 2018). The small firm performance can be determined by variety of strategic factors, but entrepreneurial competencies are highly significant (Grimmer et al., 2017) and the dynamic capabilities that are essential to enhance the business performance (Agyapong & Acquah, 2016; Wang et al, 2015). Since the entrepreneurial competencies as the contributing factor to business performance, another significant factor for dynamic capabilities needs to be explored as it is also vital in predicting firm performance (Rice et al., 2015; Wang et al., 2015).

Entrepreneurial competencies need to be exhibited with dynamic capabilities. Although firm resources can be used as an originator of dynamic capabilities and this path association can also lead to firm performance (Aminu & Mahmood, 2015). In line with the above argument, Wang et al. (2015); Eriksson (2014) recommended that individual competencies determine, guide and support the firm's dynamic capabilities and further dynamic capabilities are essential for the performance of businesses. Consequently, to improve the performance of small businesses, entrepreneurial competencies and dynamic capabilities are considered as forward-looking solutions. Moreover, the economic fluctuations with the volatile and unpredictable markets, the dynamic capabilities are seen as a necessary factor in influencing the small businesses performance (Hashim, Raza and Minai, 2018). They suggested a conceptual framework for examining the performance of small firms that are influenced by entrepreneurial competencies and mediated by dynamic competencies. Due to Lin & Wu (2014), dynamic capabilities can be considered as a linkage between firm resources and firm performance. The link signifies the mediating effect of the dynamic capabilities. The research study by Hashim, Raza and Minai (2018) also attested the mediating part of dynamic capabilities to improve the business performance. Accordingly, it demonstrates the significance of dynamic capabilities in mediating the relationship between entrepreneurial competencies and small business performance. Nasuredin et al. (2016) conducted a research on the mediating role of dynamic capabilities in the association between entrepreneurial competencies and performance of SMEs. The results show that dynamic capabilities are one of the key analysts for improving the connection between entrepreneurial competencies and SME performance.

However, according to Hashim, Raza & Minai, (2018), there is a platform for doing a study to investigate the dynamic capabilities as the missing link in the association between entrepreneurial competencies and performance of small business.

g) *Entrepreneurial Orientation, Dynamic Capabilities and Performance*

Implementation of entrepreneurial orientation and dynamic capabilities is critical for firm survival in a competitive environment (Kim, 2019). Dynamic capabilities and entrepreneurial orientation directly impact on performance (Monteiro, Soares & Rua, 2019). Both Entrepreneurial orientation and dynamic capabilities enhance the performance in dynamic markets (Kim, 2019). Similarly, entrepreneurial orientation and dynamic capabilities are very important to SMEs survival (Hongyun et al., 2019). Entrepreneurial orientation and dynamic capabilities investigate their interaction effects on firm performance. Interaction effects of Entrepreneurial orientation and dynamic capabilities on firm performance demonstrate a positive relationship (Kim, 2019). Entrepreneurial orientation and dynamic capabilities positively affect (directly and indirectly) on performance (Monteiro, Soares and Rua, 2017).

Monteiro, Soares and Rua (2017), confirmed the mediating effect of dynamic capabilities on performance. They proposed and tested a model in which entrepreneurial orientation has a positive direct or indirect influence on organizational resources and enhances the development of dynamic capabilities, which mediate the effect of entrepreneurial orientation on performance. However, despite many studies regarding this title the contribution of dynamic capabilities to competitive advantage and firm performance remains unclear (Pezeshkan et al., 2016).

h) *External Environment (Business Environment)*

The SME's competitiveness depends on the environment. The external environment which is complex and unstable, is influencing the small and medium sized business competitiveness (Nicolae and Diana, 2019). Business organizations will benefit more from entrepreneurial activities if there is a dynamic and competitive environment (Otache and Mahmood, 2015). The ability to analyze the environment and its decisions is strengthening the courage to take risks (Sulistyo & Ayuni, 2020).

External environment affects both entrepreneurship and business performance (Otache and Mahmood, 2015). Existing literature (Gathungu, Aiko & Machuki, 2014) claims that rapid changes within the external environment enhance uncertainty and decrease the capability of firms to anticipate the changes. Managers have to be well-skilled and competent in determining the influence of environmental challenges to their organization (Kara, 2018). Small

firms' business performance can vary significantly with changing external environmental circumstances. Therefore, it recommends integrating external environmental factors into future research (Khan, et al., 2019).

According to Sammut-Bonnici, Galea and Cooper (2015), PEST analysis works best when it studies the environmental factors from the perspective of the firm's resources, capabilities and core competencies. External environment is sometimes analysed in the literature as PESTEL, where the environment and legal factors as independent. It also takes other variant forms such as SLEPT, which adds legal elements, STEEPLE and STEEPLED, which add ethics and demographic factors, DESTEP, which adds demographic and ecological factors, PEST-GD, which adds demographic and global factors (Nandonde, 2019; Saracoglu et al., 2018; Song, Sun & Jin, 2017; Zikos, Zaires & Karadimas, 2017).

i) *Entrepreneurial Competencies, Performance and External Environment*

Entrepreneurial competency is proven to be positively and significantly influenced business success. Meanwhile, perceived business environment is extremely subjective, yet it is important and influential (Permana and Apriyanto, 2015). The competencies allow an entrepreneur to well align with external business environment to achieve business growth in the long run (Aquilani et al., 2017; Goldman and Scott, 2016; Hu et al., 2016; Sandada, 2015; Tafti et al., 2017). According to Sajilan and Tehseen (2015), in a competitive and rapidly changing business environment, SMEs need entrepreneurial competencies to succeed. The results indicated that entrepreneurs who possessed a higher level of the measured competencies performed better than entrepreneurs with a lower level of these competencies in situations where the environment was perceived as being hostile and dynamic (Ahmad, Ramayah, Wilson & Kummerow, 2010). In other words, entrepreneurs with strong entrepreneurial competencies appear to be in a better position than their less competent counterparts to face a turbulent and uncertain business environment (Ahmad, Ramayah, Wilson & Kummerow, 2010). There is an inconsistency in views of scholars, some of whom emphasize that the influence of internal factors on the success of a business (Smigielska, 2016), while others support the external environment for business success (Mole, North & Baldock, 2017).

The existing literature has also exposed the vital role of the business environment as a moderator to expand the association between entrepreneurial competencies and firm success in various contexts (Sajilan and Tehseen, 2015). Ahmad, Ramayah, Wilson & Kummerow (2010) found that business environment significantly moderated the relationship between



entrepreneurial competencies and business success. The role of environmental turbulence will be revealed as moderating variables between the entrepreneurial competencies and SMEs business success (Khan et al., 2018).

Sajilan and Tehseen, (2015) explained that the empirical testing of their suggested model would provide a valuable insight about the significance of environmental turbulence as a moderator to enable the link between entrepreneurial competencies and businesses performance of SMEs. Ahmad et al (2010) and Tehseen (2017) also examined the relationship between entrepreneurial competencies and business performance by using external business environment as a moderator. Likewise, Sajilan and Tehseen (2015) explored a strong relationship between entrepreneurial competencies and venture success with the moderating effect of the turbulent environment.\

External integration moderates the effect of entrepreneurial competencies on the performance of enterprises (Tehseen and Ramayah, 2015). Ha, Lo and Ramayah (2016) explored a negative moderating effect of environmental turbulence. Entrepreneurs in SMEs may have the ability to minimize the negative impact of a turbulent and hostile environment on business success via the display of appropriate competencies (Ahmad, Ramayah, Wilson and Kummerow, 2010). It suggests that future empirical studies need be conducted to investigate the effect of external integration as a moderator between entrepreneurial competencies and firm performance (Tehseen, Ramayah, 2015).

j) *Entrepreneurial Orientation, Performance and External Environment*

Recent studies have analyzed the influence of external environment on the relationship between entrepreneurial orientation and firm performance. These studies revealed that the external environment plays a both direct and indirect role in this linkage. Moreover, the studies proposed further to explore on the indirect influence of the environment on the performance (Okeyo, Gathungu & Kobonyo, 2014).

External environment significantly moderates the relationship between entrepreneurial orientation and performance (Okeyo, Gathungu and K'Obonyo, 2016). This finding contributes in literature (Goll & Rasheed, 2004; Okeyo, Gathungu & Kobonyo, 2014) which report that external environment tends to moderate the firm performance. Similarly, competitive environment moderated the association between entrepreneurial orientation and innovation performance of SMEs (Musawa and Ahmad, 2019). In this study, the role of competitive environment and entrepreneurial orientation on innovation performance was investigated. The results indicated that competitive environment has a full moderating role between entrepreneurial orientation and innovation performance.

However, Shehu and Mahmood (2015) stated that it is not supported the moderating effect of the business environment on the association between entrepreneurial orientation and enterprise performance. Milovanovic and Wittine (2014) also revealed that the external environment does not affect the relationship. This result is consistent with earlier research by Aziz and Yasin (2010), the external environment is not a moderator for the association between entrepreneurial orientation and business performance. Similarly, Abd Aziz & Mahmood (2010) investigated the influence of external environment on entrepreneurial orientation and performance linkage with the dimension of external environment. The study's findings showed that dimensions of external environmental were not important as a moderator on the connection between entrepreneurial orientation and business performance

Previous studies have observed the moderating effect of external business environment on the firm performance. The findings vary and showing a lack of convergence (Okeyo, Gathungu and K'Obonyo, 2016). In the literature, there are many studies have investigated the relationship between entrepreneurial orientation and performance, but the research area examining the moderating effect of environment on the relationship between entrepreneurial orientation and performance is nearly empty and has not been studied deeply (Musawa and Ahmad, 2019).

Entrepreneurial competencies help to sustain internal operations of the firm. However, external environmental challenges are also required with internal operations for firms' managers to adopt the appropriate entrepreneurial orientation. The mix of entrepreneurial competencies and orientation is strategic to the firm's performance (Ibidunni et al., 2018).

IV. DEVELOPMENT OF A CONCEPTUAL MODEL

To be a successful entrepreneur, development of entrepreneurial competencies is important as they are central to the success of small and medium size organization (Sajeena, 2020). Moreover, entrepreneurial orientation also contributes positively to the performance (Alalawi, 2020). It is important for small businesses to pursue the approach of dynamic capability. There is a statistically significant influence of dynamic capabilities on organizational performance (Al-Qahtani, 2020). The intervening part of dynamic capabilities will enhance the firm performance. The importance of dynamic capabilities is to mediate the relationship between entrepreneurial competencies and small firm performance (Hashim, Raza & Minai, 2018). And, a high level of dynamic capabilities mediates between a high level of entrepreneurial orientation and firm performance (Pukkinen, 2018). Business environment is also important for small businesses. Small firms' business performance can vary significantly with changing

external environment (Khan, et al., 2019). Ahmad, Ramayah, Wilson & Kummerow (2010) found that business environment significantly moderates the relationship between entrepreneurial competencies and business success. As per the Okeyo, Gathungu and K'Obonyo (2016), external environment plays a moderating role to the relationship between entrepreneurial orientation and performance.

Based on the review of literature on competencies and orientation of entrepreneurs on dynamic capabilities towards entrepreneur performance by considering external environment, following conceptual framework was developed.

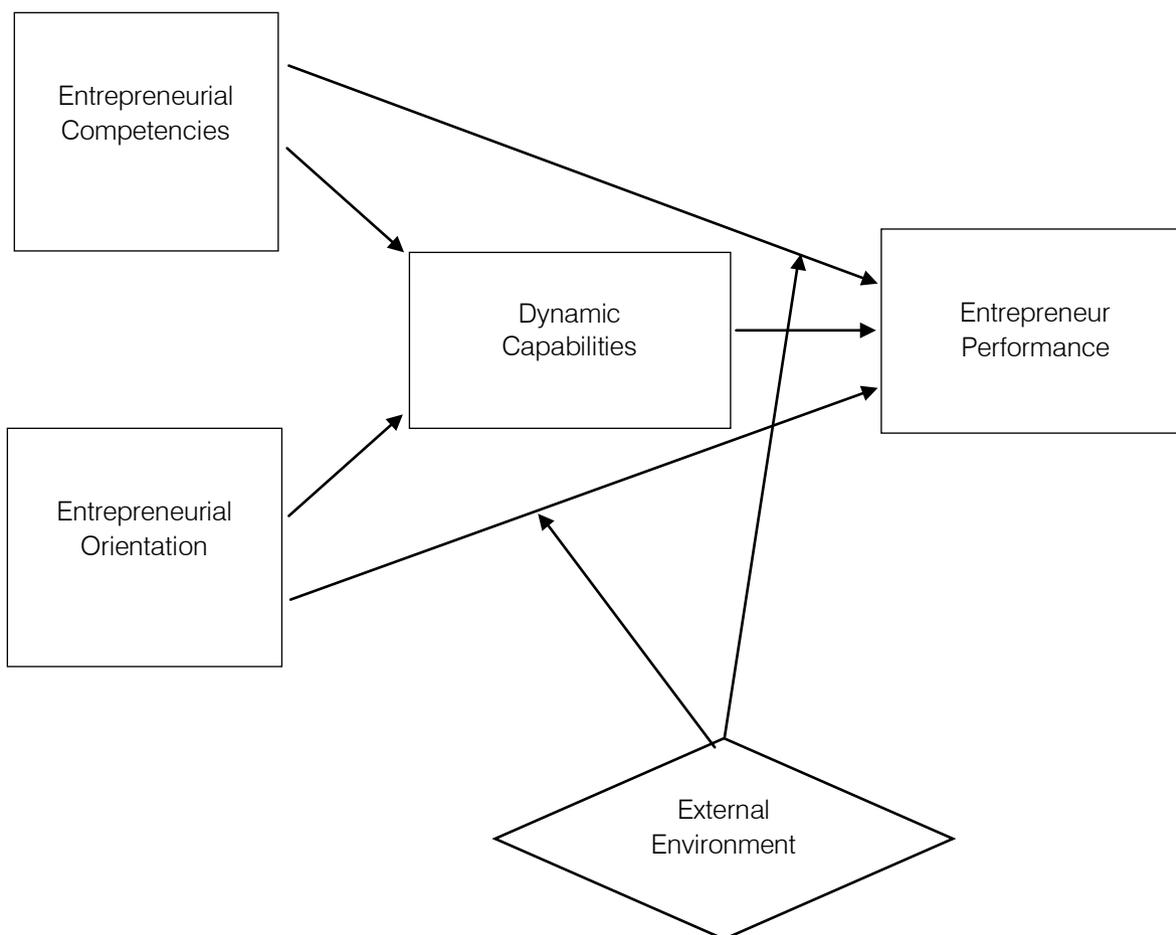


Figure 1: Conceptual Model

a) *Extended Conceptual Model*

According to above conceptual model, entrepreneurial competencies and entrepreneurial orientation are two independent variables and entrepreneur performance is the dependent variable. Dynamic capability is the mediating variable and moderating variable is external environment.

As per the literature, strategic competency, opportunity competency, relationship competency, commitment competency, conceptual competency and organizing competency are main dimension of entrepreneurial competency. Innovativeness, proactiveness and risk taking are main dimensions of entrepreneurial orientation. External environment can be

explained by using PESTEL model and political, economic, social-cultural, technological, environmental and legal are the main dimensions of the external environment. Sensing capability, seizing capability and reconfiguration capability are main dimensions of dynamic capabilities. Entrepreneur performance can be explained by using two main dimensions such as financial and strategic factors. Basic financial factors are profitability, growth and market value etc. and basic strategic factors are customer satisfaction, employee satisfaction, social performance and environmental performance etc. based on this background, following Extended Conceptual Model was introduced.

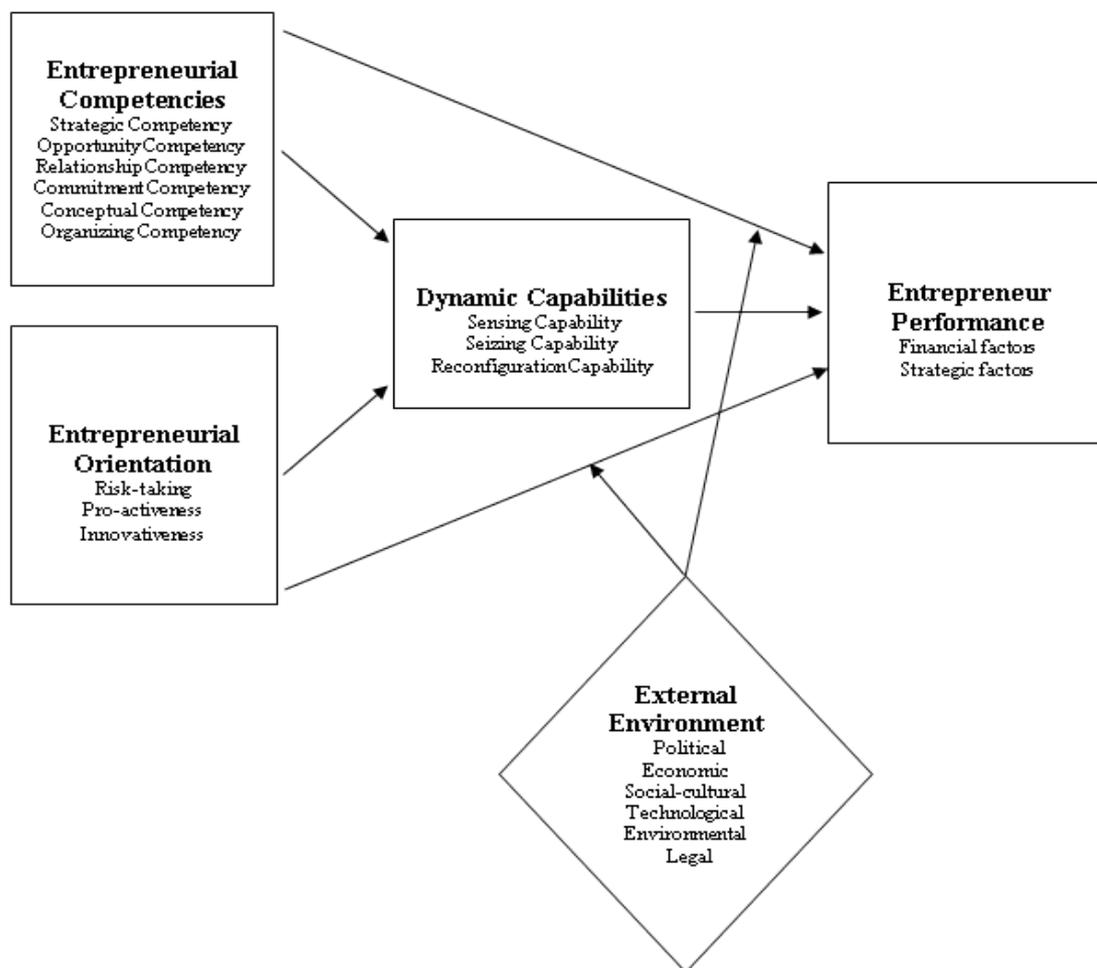


Figure 2: Extended Conceptual Model

V. CONCLUSION

There is a rapid expanding of entrepreneurship worldwide. Small businesses are viewed as a platform for entrepreneurs. Although the entrepreneurial competencies and entrepreneurial orientation have been considered separately towards small business performance, little research has been focused the theoretical merge of entrepreneurial competencies and orientation in a single research work in existing scientific studies. Very few studies have been considered the dynamic capabilities as a mediator and external environment as a moderator to investigate the relationship between entrepreneurship and business success.

Entrepreneurial competencies enable the execution of ideas and opportunities by gathering relevant resources. Strategic, opportunity, relationship, commitment, conceptual and organizing competencies are well documented in the literature as main entrepreneurial competencies. Entrepreneurial orientation is regarded as the opportunity to track the organizational behaviour through innovation, pro-

activeness and risk-taking. Entrepreneurial competencies are vital for entrepreneurs to perform effectively. Development of entrepreneurial competencies is critical to be a successful entrepreneur as they effect to the performance of small enterprises. Besides, lack of entrepreneurial orientation in small businesses can be a big challenge to achieving better performance. Thus, entrepreneurial orientation is a predictor of small firm's business performance.

Small businesses are necessary to adopt the dynamic capabilities approach. Sensing capability, seizing capability and reconfiguration capability are main dimensions of dynamic capabilities. They are important to enhance the business performance. Significance of dynamic capabilities mediates the relationship between entrepreneurial competencies and small business performance. Dynamic capabilities mediate the entrepreneurial orientation towards firm performance relationship as well. If the environment is dynamic, business firms can get more benefits from entrepreneurial activities. The business environment is important for small businesses and the competitiveness of small businesses depends on the environment.

PESTEL analysis works best to investigate the environmental factors such as political, economic, social-cultural, technological, environmental and legal as main dimensions in the external environment. Business environment significantly moderates the relationship between entrepreneurial competencies and business success. External environment has a moderating role between entrepreneurial orientation and performance as well. Entrepreneur performance can be explained by using two main dimensions such as financial and strategic factors. Basic financial factors are profitability, growth and market value etc. and basic strategic factors are customer satisfaction, employee satisfaction, social performance and environmental performance etc.

Based on this background, a conceptual model was introduced. Future researchers can use this conceptual model to investigate the impact of competencies and orientation of entrepreneurs on dynamic capabilities towards entrepreneur performance in small business by considering external environment in deferent contexts.

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