

Entrepreneurial Networks, Entrepreneurial Orientation, and Performance of Small and Medium Enterprises: Are Dynamic Capabilities the Missing Link?

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Abstract

Performance of small and medium enterprises (SMEs) has been addressed widely in the literature. Developed and developing both the countries are highly concerned about the growth and performance of small and medium enterprises. The literature over the performance is abundant, however, has certain controversies. To identify the reasons behind those controversies, this study has been conducted. The aim of the study was to identify the mediating role of dynamic capabilities which are developed by the entrepreneurial networks and entrepreneurial orientation. The study collected the data from those small and medium enterprises which were connected through a closed network and were the part of groups. The data was collected with the help of adopted questionnaire. 100 small and medium enterprises were contacted for the collection of data. The sample firms were chosen on purposive sampling basis. Structural equation modelling was applied to identify the direct impacts and the mediating impact. The findings identified that among the chosen firms, entrepreneurial networking has an insignificant impact, however, entrepreneurial orientation has shown a significant positive impact. Furthermore, the mediating role of dynamic capabilities was significant in both the relationships. The findings suggested that the sector should develop strong networks and should consider strategic alliances to gain competitive edge. Future researchers are guided to implement the same framework along with the dimensions of the variable.

Introduction

Since the arrival of social media and online networking, the importance of entrepreneurial networking has significantly increased. Entrepreneurial networks have received significant importance in the management research (Barroso-Méndez, Galera-Casquet, & Valero-Amaro, 2015). For getting better performance, entrepreneurial orientation (Cho & Lee, 2018) and entrepreneurial networks, both are considered to have a significant impact. However, in literature several authors have tried to focus on understanding whether the advantages of entrepreneurial networks outweigh disadvantages from theoretical perspective (Barringer & Harrison, 2000) yet the results are not very clear.

The literature over entrepreneurial networks from the perspective of resource dependency theory has received increasing attention (Abu-Rumman, 2018). The literature over entrepreneurial network and consequences of entrepreneurial networks is vague and diversified because of lack of identification of the role of entrepreneurial networks. When it comes to firm performance the findings are divergent and have certain inconsistencies (Watson, 2007; Li, Zubielqui, & O'Connor, 2015; Jiang, Liub, Fey, & Jiang, 2018).

When it comes to closed entrepreneurial network then the literature shows more diversified results. Closed entrepreneurial network commonly known as closed interorganizational relationships, means the whole social interaction within the firm's network and includes diversity and strength of the network (Zaheer, Gözübüyük, & Milanov, 2017). Therefore, a closed network is one where every member SMEs of the group are connected to others in the network. Such kind of entrepreneurial network is very controversial, because of having capability of provision of tacit knowledge, creative ideas, and new opportunities (Li,

Zubielqui, & O'Connor, 2015), while containing restrictions in identifying and accessing new ideas due to myopia, inertia, and lock-in` (Håkansson & Ford, 2002), which cause significant effect over firm performance. Therefore, the literature identifies pros and cons about closed entrepreneurial networks, however, the gap is there to resolve the divergent effects.

Entrepreneurial orientation can be observed in the processes of the organizations and the organizational environment. Entrepreneurial orientation is considered as key to obtain better performance. Entrepreneurial orientation helps firms to develop better solution through differentiation for enhancing adoption to the environmental complexities (Shah & Ahmad, 2019). This, as a result weakens the ability to compete the firm in the turbulent market environment.

Past literature over entrepreneurial network, entrepreneurial orientation, and firm performance is very confusing as it shows positive, negative, insignificant, and U-inverted results (Vega-Vázquez, Cossío-Silva, & Revilla-Camacho, 2016; Yoon & Solomon, 2017; Cho & Lee, 2018; Masa'deh, Al-Henzab, Tarhini, & Obeidat, 2018; Hernández-Linares, Kellermanns, López-Fernández, & Sarkar, 2019; Shah & Ahmad, 2019; Taheri, Bititci, Gannon, & Cordina, 2019). Several scholars have suggested conducting further research on the issue for identification of the factors that cause these controversies in the findings.

It is argued that organizations require mechanisms to utilize the acquired knowledge through the closed network by utilizing entrepreneurial orientation for gaining high performance. Since last two decades the importance of dynamic capabilities is continuously increasing (Bitencourt, Santini, Ladeira, Santos, & Teixeira, 2020). Dynamic capabilities include the ability of the firm to integrate, build, and reconfigure internal and external competencies to meet the challenges associated with the dynamic environment (Wu, Chen, & Jiao, 2016). Therefore, it would be right to say that dynamic capabilities help firms to gain strategic objectives which lead to achievement of competitive advantage. Thus, it is suggested that dynamic capabilities play a key role in bridging the link between entrepreneurial orientation and firm performance as well as closed entrepreneurial network and firm performance.

Past literature claims that strategic orientation is dependent on the developed capabilities, however, at the same time prior studies also claim that closed entrepreneurial networks link the firm with the environment and help them in the development of socially constructed capabilities. Therefore, entrepreneurial networks help in gaining external knowledge and transforming it into internal capabilities, which is mandatory for the development of new products and services (Al-Abbadi et al., 2019).

Thus, the argument that is built here is that entrepreneurial networks can become helpful in gaining high profits, if they can support the development of dynamic capabilities.

Secondly, considering the suggestion of Jiang, Liub, Fey, and Jiang (2018) to reconsider entrepreneurial orientation along with network resources, in this study dynamic capabilities have been incorporated, considering a missing link which causes ambiguities in the relationships (Mikalef, Boura, Lekakos, & Krogstie, 2019). Therefore, the main contribution of the current study is to fill the gap in the literature by exploring the mediating role of dynamic capabilities between entrepreneurial orientation and

performance. Furthermore, the research will also explore the mediating role of dynamic capabilities between entrepreneurial network and performance. This paper is theoretically significant by combining the three theories: social capital, resource-based view, and dynamic capabilities. All the theories have been aggressively addressed in the literature separately. However, this study is going to combine the theories for analysing the combined effect over firm performance.

Literature Review

In the current literature review, initially performance of SMEs has been analysed. The dependence of SMEs has been observed from several dimensions and those variables have been gauged which are the most controversial and unexplored areas where there is room for further research. After identifying the initial core issues the issues have been researched and identified that how they effect the performance of SMEs.

Performance of SMEs

Performance of SMEs is a widely researched area. Yet there is no consensus on the way that how the performance should be measured because the major issue with SMEs is informality (Shah & Ahmad, 2019). The financial records are not properly maintained, and even if the accounts are maintained, they are not audited, therefore, the question of reliability of the accounts can never be resolved. Secondly, the other measures that are commonly used are informal and are based on perception of the respondents who are mostly entrepreneurs or the employees. Usually, performance is measured in terms of perception of the owners regarding increase in the sales, increase in profits, increase in assets, increase in customer base, etc. Therefore, mostly questionnaires are used to measure the performance based on the perception of the entrepreneur.

The performance of SMEs is dependent over several factors including; access to finance, entrepreneurial orientation, market orientation, quality management, supply chain, training of employees (Helfat & Martin, 2015; Almomani et al., 2019) entrepreneurial networking (Li, Zubielqui, & O'Connor, 2015), and many more. There research over all the factors have been conducted abruptly, however, the findings of different studies are not consistent and there are certain controversies. Majority of the studies support the argument that entrepreneurial orientation and entrepreneurial networking are very important for gaining performance (Jiang, Liub, Fey, & Jiang, 2018).

Studies on entrepreneurial orientation have shown inconsistencies. Majority of the studies conducted on the relationship between entrepreneurial orientation and performance have shown positive impact (Alkhazali et al., 2020). But on the other hand, few researchers contradicted the findings and highlighted that the relationship between entrepreneurial orientation and performance have insignificant (Cho & Lee, 2018; Shah & Ahmad, 2019; Hernández-Linares, Kellermanns, López-Fernández, & Sarkar, 2019), or least influence (Vega-Vázquez, Cossío-Silva, & Revilla-Camacho, 2016; Masa'deh, Al-Henzab, Tarhini, & Obeidat, 2018) or negative (Taheri, Bititci, Gannon, & Cordina, 2019) or curvilinear (Yoon & Solomon, 2017), or inverse U shaped (Luu & Ngo, 2019) relationship. This shows that the findings cannot be considered as

conclusive, which provide justification for analysing the construct again. Furthermore, it is argued that if the relationship has inconsistencies this indicate the presence of some other variable between the relationship whose presence or absence causes inconsistencies (Baron & Kenny, 1986).

Likewise, the findings about entrepreneurial network are not linear. Few researchers identified that entrepreneurial networking has a direct impact over performance, whereas others identified the role of entrepreneurial networking as moderator. Thus, the literature on entrepreneurial networking also need further research. Considering the inconsistencies in the literature of entrepreneurial orientation and ambiguous impact of entrepreneurial networking, based on the recommendations of Bitencourt, Santini, Ladeira, Santos, and Teixeira (2020) it is argued that dynamic capabilities have a significant mediating role which causes inconsistencies. Furthermore, many studies have identified that dynamic capabilities have a significant impact or mediating impact over firm performance (Li-Ying, Wang, & Ning, 2016; Wu, Chen, & Jiao, 2016; Mikalef, Boura, Lekakos, & Krogstie, 2019; Mikalef, Pateli, & Wetering, 2020).

Entrepreneurial orientation

Research on entrepreneurial orientation is not new, however, several authors have identified the need for several moderating and mediating variables to be added along with entrepreneurial orientation to gain the optimal and positive impact. Entrepreneurial orientation is considered as a basis for gaining competitive advantage as it clarifies that how firms can renovate their operations for new growth trajectories. Entrepreneurial orientation is the process through which owners take the decisions for disseminating the mission of the organization.

The term entrepreneurial orientation continues to grow with the passage of time and new dimensions have continuously been added sequentially (Covin & Lumpkin, 2011; Covin & Wales, 2012; Luu & Ngo, 2019). Starting from innovativeness which is creative capability of the firm resulting new product development followed by proactiveness in anticipating and planning to those anticipations in advance. Later, risk taking was added along with competitive aggressiveness which means challenging the competitor rather than following them which involves high risk (Luu & Ngo, 2019). Another dimension autonomy, which means giving independence to employees to take decision depending upon the situational factors, is not very common in the developing countries.

The variable entrepreneurial orientation has been taken uni-dimensionally as well as multidimensionally by several researchers (Cho & Lee, 2018). Some researchers used all the dimensions and even added two more dimensions, whereas, some used only three dimensions, the determination of the dimensions is purely based on the country and the state of SMEs in the country. Therefore, considering the situations and state of the SMEs in Jordan and following Asad, Chethiyar, and Ali (2020) in the current study entrepreneurial orientation is taken as a uni-dimensional variable (Abu-Rumman, 2019).

The prior literature in the domain of entrepreneurial orientation, identified positive relationship between entrepreneurial orientation and firm performance (Jiang, Liub, Fey, & Jiang, 2018). However, few authors also detected negative impact or a curvilinear impact or even U inverted and contingent impact of

entrepreneurial orientation over performance (Yoon & Solomon, 2017; Cho & Lee, 2018; Taheri, Bititci, Gannon, & Cordina, 2019). Thus, to overcome the confusion of controversial relationship between entrepreneurial orientation and firm performance, this study identified the mediating role of dynamic capabilities between entrepreneurial orientation and firm performance.

Closed Entrepreneurial Network

In the last few years, the research on resource dependency theory has enriched. The performance of the SME is dependent on the position of firm in the closed entrepreneurial network. The SMEs in the network benefit the firms in the closed network because of the advantages of resources established in their network (Barringer & Harrison, 2000). Entrepreneurial network is developed in years because of the cooperation of the entrepreneurs among them through their collective efforts (Zaheer, Gözübüyük, & Milanov, 2017). The purpose of every firm in the network is to get maximum benefit through the collective efforts. Resource dependency theory support this argument for developing competitive advantage through the closed network (Zaheer, Gözübüyük, & Milanov, 2017). Therefore, in the current study resource dependency theory is embedded with resource based view to understand the potential available through the closed network of the SMEs.

The main issue in its understanding is that closed entrepreneurial network assists firms to achieve certain competitive advantages because of the shared resources, however, such networks restricts the SMEs to consider the latest technologies and practices, which are compulsory for survival, and are utilized by the competing firms. The major issue of closed entrepreneurial networks is redundancy in information sharing (Zaheer, Gözübüyük, & Milanov, 2017). This redundancy and ignorance may lead to blindness or myopia, as firms are paying least attention to the competing firm that are out of the network (Inkpen & Tsang, 2005).

Mediating Effect of Dynamic Capabilities

The ambiguous findings and controversial results of prior research studies calls for further research over the relationship between entrepreneurial orientation and firm performance and entrepreneurial network and firm performance. Therefore, there is a need to incorporate other variables in the relationship that might have mediating or moderating effects. From the literature it is obvious that majority of the studies have identified positive impact of entrepreneurial orientation over the firm performance, however, the other controversial findings cannot be ignored. In response to those controversial findings, it is necessary to consider the intermediate variables that may help to better understand the true effect of entrepreneurial orientation and closed entrepreneurial network. For gaining high level of performance it is important to utilize maximum benefit from the network and the dimensions of entrepreneurial orientation. Dynamic capabilities, as per the reviewed literature, can have a key mediating role in the relationship.

Recently, dynamic capabilities have gained attention by the researchers (Mikalef, Pateli, & Wetering, 2020). It is also lined with the resource-based view because of having capable of developing competitive advantage (Helfat & Martin, 2015). Therefore, in dynamic environment, capability of firms is to sustain

the competitive advantage by the utilization of valuable resources that the firm possess (Li-Ying, Wang, & Ning, 2016). Initially, the major challenge was to measure the dynamic capabilities. Dynamic capabilities are mainly composed of three dimensions; integration, learning, and reconfiguration (Wu, Chen, & Jiao, 2016). Despite being different in nature the three capabilities are highly correlated, therefore, in this study the variable dynamic capabilities are taken as a uni-dimensional variable. The main argument in the current study is that when SMEs orient their closed entrepreneurial networks for getting dynamic capabilities, they overcome the disadvantages of closed entrepreneurial network.

Closed networks provide that hidden knowledge which is not readily available to the SMEs. Thus, provision of latest and new information improves possibility of SMEs to identify the challenges in the business environment and develop their ability to adapt accordingly (Wu, Chen, & Jiao, 2016). Furthermore, learning capability and reconfiguration capability, along with integration capability is developed and polished due to closed entrepreneurial network because of provision of tacit knowledge by the closed network. Further, proactiveness and risk-taking ability of the entrepreneurial SMEs help them further develop dynamic capabilities which lead to high performance.

Based on the above literature, it is argued that dynamic capabilities pay a significant mediating role, when the firms succeed in developing dynamic capabilities because of their entrepreneurial nature and closed network, they enhance their performance. Precisely, dynamic capabilities explain the impact of closed entrepreneurial network and lead to high performance. So, SMEs that develop strong dynamic capabilities through their closed entrepreneurial network to develop competitive advantage because of being entrepreneurially oriented performs better.

Methodology

The study aimed to understand the mediating role of dynamic capabilities between entrepreneurial orientation, closed entrepreneurial network, and performance of SMEs. In this regard, empirical analysis has been conducted on the data collected from the SMEs that are operating in Jordan and are the part of some closed loop. SMEs have been chosen because of their significant contribution in the employment, GDP, and private ownership of the country. Considering appropriate sample is necessary, according to (Cavana, Delahaye, & Sekeran, 2001) a minimum sample size of 30 is enough, however, following the recommendations of Lei and Lomax (2005) a sample size of 100 was taken as it is considered appropriate for structural equation modelling.

The questionnaire was designed according to the guidelines provided by (Dillman, 2007) to get better response rate. The questionnaires were sent to the owners and managers of SMEs to get the appropriate response. To identify that the sample was the true representative of population, mean difference test was also conducted. The questionnaires were adopted from prior studies. Nine items for entrepreneurial orientation and eight items for entrepreneurial networking were also chosen from Li, Zubielqui, and O'Connor (2015), seven items for the variable dynamic capabilities were chosen from Lin and Wu (2014), however, the eight items for performance of SMEs were taken from Jiang, Liub, Fey, and Jiang (2018). To

precisely measure the answers 7-point Likert scale has been used. For testing the direct and mediation effects of independent and mediating variables, PLS-SEM was used.

Analysis

In the study structural equation modelling technique has been conducted using SMART PLS, as it is considered as best for theory building and predictive purposes. For getting reliable results from the inner model, it is compulsory to analyse the outer model first, also known as measurement model. The figure of the measurement model is mentioned below:

The above-mentioned figure 1 shows the measurement model, which is first step towards structural equation modelling. Figure 1 shows that only one of the eight items of entrepreneurial networking has been removed, all other items showed factor loading above the threshold level of 0.7 (Hair, Ringle, & Sarstedt, 2013). The item loadings of all the variables are mentioned in the table 1 below.

Table 1 Item Loadings

Items	Dynamic capabilities	Entrepreneurial Networking	Entrepreneurial Orientation	PSMEs
DC10	0.880			
DC11	0.965			
DC12	0.911			
DC13	0.897			
DC14	0.899			
DC7	0.915			
DC9	0.950			
EN1		0.657		
EN10		0.898		
EN4		0.839		
EN5		0.903		
EN6		0.883		
EN7		0.887		
EN8		0.795		
EN9		0.866		
E01			0.937	
E010			0.92	
E02			0.728	
E03			0.909	
E04			0.872	
E05			0.953	
E06			0.925	
E08			0.942	
E09			0.892	
PSMEs1				0.808
PSMEs10				0.721
PSMEs2				0.899
PSMEs3				0.864

PSMEs4	0.938
PSMEs5	0.826
PSMEs7	0.892
PSMEs8	0.749

Through the measurement model construct reliability and validity is also measured and the results are mentioned in table 2 below. The next step is to analyse the reliability and validity of the constructs. The threshold level for the measures of reliability and validity are 0.6, 0.7, and 2.5 for Cronbach's alpha, composite reliability, and average variance extracted respectively (Henseler, Ringle, & Sarstedt, 2015). The results of reliability and validity are mentioned below in table 2:

Table 2 Construct Reliability and Validity

Variables	Cronbach's Alpha	Composite Reliability	Average Variance Extracted (AVE)
Dynamic Capabilities	0.968	0.974	0.841
Entrepreneurial Networking	0.945	0.955	0.753
Entrepreneurial Orientation	0.970	0.974	0.810
PSMEs	0.939	0.950	0.706

The calculated values of all the measures of reliability and validity are above the threshold level. After ensuring the construct reliability and validity, it was necessary to measure the discriminant validity which shows that items of the variable, measure the variable more than measuring any other variable. The results are mentioned in table3 below and are as per the criteria set by Henseler, Ringle, and Sarstedt (2015).

Table 3 Discriminant Validity

Variables	Dynamic Capabilities	Entrepreneurial Networking	Entrepreneurial Orientation	PSMEs
Dynamic capabilities	0.917			
Entrepreneurial Networking	0.581	0.868		
Entrepreneurial Orientation	0.578	0.772	0.900	
PSMEs	0.600	0.546	0.630	0.840

From table 3, the discriminant validity is established. After ensuring the outer model, the next step was to ensure the structural model or the inner model. The figure 2 mentioned below shows direct impact of entrepreneurial networking and entrepreneurial orientation over the performance of SMEs.

Direct Path Coefficients impact analyse the direct relationship between the independent and dependent variables. The findings are mentioned in table 4 below:

Table 4 Direct Path Coefficients

Paths	Original Sample(O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Entrepreneurial Networking->PSMEs	0.191	0.225	0.187	1.020	0.308
Entrepreneurial Orientation->PSMEs	0.486	0.447	0.196	2.483	0.013
R ² =.415					

In the above mentioned table the direct impact of entrepreneurial orientation and entrepreneurial networking over the performance of SMEs have been analysed which shows that entrepreneurial orientation has a significant impact ($\beta=0.522$, $t=2.833$, $P=0.002$) however, entrepreneurial networking has an insignificant impact ($\beta=0.144$, $t=0.820$, $P=0.206$). After identifying the direct impact, the next step was to check the mediating effect. Figure three mentioned below shows the algorithms of mediating effect.

Mediating effect in this study is being analysed on the method provided by (Baron & Kenny, 1986). From the abovementioned figure it is obvious that effect on performance of SMEs has increased, as, the indirect effect has increased from 40% to 48%. Which shows the significance of the mediating effect because of mediation by dynamic capabilities. The bootstrapping results of the mediation tests have been mentioned in the figures 4 below.

In this study following Hays and Preacher (2010) and Hair, et all (2013) the product of the two significant path coefficients have been divided with the product of standard error to analyse the significance of mediation through t values. The t values of both shows significant mediating impact as shown in table 5 below:

Table 5 Mediation Effect Bootstrapping

Paths	Original Sample(O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Entrepreneurial Networking ->Dynamic Capabilities->PSMEs	0.116		0.036	3.219	0.000
Entrepreneurial Networking ->Dynamic Capabilities->PSMEs	0.111		0.039	2.841	0.000

After ensuring that the mediation holds another important thing was to establish the predictive relevance of the model the predictive relevance has been established using blindfolding. The results of the analysis have been mentioned in the table 6 below:

Table 6 Construct Cross Validated Redundancy

	SSO	SSE	Q^(=1-SSE/SSO)
Dynamic capabilities	693.0	486.265	0.298
PSMEs	792.0	552.998	0.302

The results of predictive relevance which has been measured through blindfolding showed that the model has significant predictive relevance. In the rest part of the paper the discussions and conclusions have been mentioned.

Discussion

In this research the main contribution was to enrich resource-based view along with resource dependency theory and dynamic capability theory for getting better performance. The study was helpful in getting the appropriate use of closed networks and entrepreneurial orientation. The study conducted one tailed analysis and identified the positive impact of all the variables over performance including the dynamic capabilities. The study was conducted in an economy that is considered as heaven for SMEs. Thus, the researchers identified the mediating role of dynamic capabilities between entrepreneurial orientation, entrepreneurial networking, and performance of SMEs. Dynamic capabilities have shown a positive and significant mediating impact between the relationships which is consistent with prior studies where the mediating impact of dynamic capabilities was analysed (Helfat & Martin, 2015; Li-Ying, Wang, & Ning, 2016).

The main issue under discussion was identification of the influence of closed networks, for the said purpose, the selection of SMEs was particularly based on the criteria that SMEs which were the part of closed network were chosen, because such SMEs develop a lock in inertia, along with surfing from information redundancy, which may act as a hurdle in getting high performance in competitive and

dynamic environment. It is obvious from the study that SMEs drive their closed networks to enhance dynamic capabilities and hence gain performance.

The findings of the study also identified that in the firms' entrepreneurial network was not significant, however, the mediation of dynamic capabilities was significant. Secondly, the entrepreneurial orientation has a direct positive impact (Asad, Chethiyar, & Ali, 2020) as well as the mediation was also significant. Furthermore, the value of explained variation has also increased and showed that dynamic capabilities play a significant mediating role and enhances the performance of the firms (Wu, Chen, & Jiao, 2016). All the findings are consistent with the prior literature except the one that shows that entrepreneurial networking does not hold any direct impact. Finally, the predictive relevance is also significant which shows the strength of the model, which further support the argument that if the firms succeed in developing dynamic capabilities through their closed networks, they can gain high performance.

Conclusions

The findings and discussions in the light of current data suggest that the study is relevant for both managers as well as the academicians. Primarily, the development of closed entrepreneurial networks is compulsory for the entrepreneurial mind grooming which enhances performance. The findings provided new arguments over the controversial relationship between entrepreneurial networking and performance. The findings further clarifies that entrepreneurial orientation has a direct positive impact over performance of SMEs because of risk taking and proactivity, but it also highlights that the positive impact is because of the dynamic capabilities because the firms that are entrepreneurially oriented develop dynamic capabilities which are necessary to gain high performance.

The study also confirms that uni-dimensionality of the construct dynamic capability is also possible, especially for the SMEs which are not very formal and are operating in the developing economies. The findings further identified that dynamic capabilities is the missing link between entrepreneurial networking and performance, the presence and absence of dynamic capabilities causes controversial results. Furthermore, the findings also confirmed that dynamic capabilities are the major bridge between entrepreneurial orientation and SME performance. Those SMEs that operate entrepreneurially and fail to develop dynamic capabilities mostly end up in decline in performance.

The study identified that capability construction become stronger when augmented with social network of the entrepreneurs, because of social learning. The learning of the entrepreneurs from their social network helps the SMEs to get affected from the negativities of the complex environment. Finally, the study linked three theoretical approaches together, i.e. dynamic capability theory, resources-based view, and resource dependency theory which is the major theoretical contribution of the research.

The practitioners should get the benefits from the findings of the study in assessing the propensity to maintain imitating reactive and risk averse behaviour of the closed loop of the SMEs. Firms in the closed network prefer to enhance intensity of their closed links which are characterized by great level of interaction. Therefore, SME sector should concentrate on developing larger networks and should get the

mutual benefits rather than entering fierce competition which may ultimately cause closure of the firms. They should believe in shared knowledge for identifying new opportunities for catering the opportunities collectively.

Limitations of the Study

While conducting this research, dynamic capabilities showed correlation with entrepreneurial orientation, which further confirms that entrepreneurial SMEs in the closed network develop dynamic capabilities. Likewise, the correlation between the items of dynamic capabilities was also high. The limitation of cross-sectional data was also observed and a need for longitudinal study has been observed over the same group of respondents.

Furthermore, while reviewing the literature it was also observed that dynamic capabilities is a vast field and a study by taking all the dimensions of dynamic capabilities can give significant addition to the body of knowledge. Furthermore, the biasness that need to be controlled cannot be eliminated as we did not used any controlling effect of any controlled variable. Small sample size was another limitation of the study which was ignored because of use of a nonparametric test.

Future Directions

The future researchers in the field of SMEs are suggested to identify the impact of strategic alliances rather than only focusing on the closed networks or interorganizational relationships. Furthermore, it is also suggested that dynamic capabilities need to be researched in organized economies with all the dimensions to identify the most influential dimensions of dynamic capabilities. Finally, a longitudinal study over a panel of SMEs is also recommended.

Abbreviations

SME: small and medium enterprises ;**SMEs:** small and medium enterprises

Declarations

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The third and the forth methodology, software, validation, investigation, data curation

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Figures

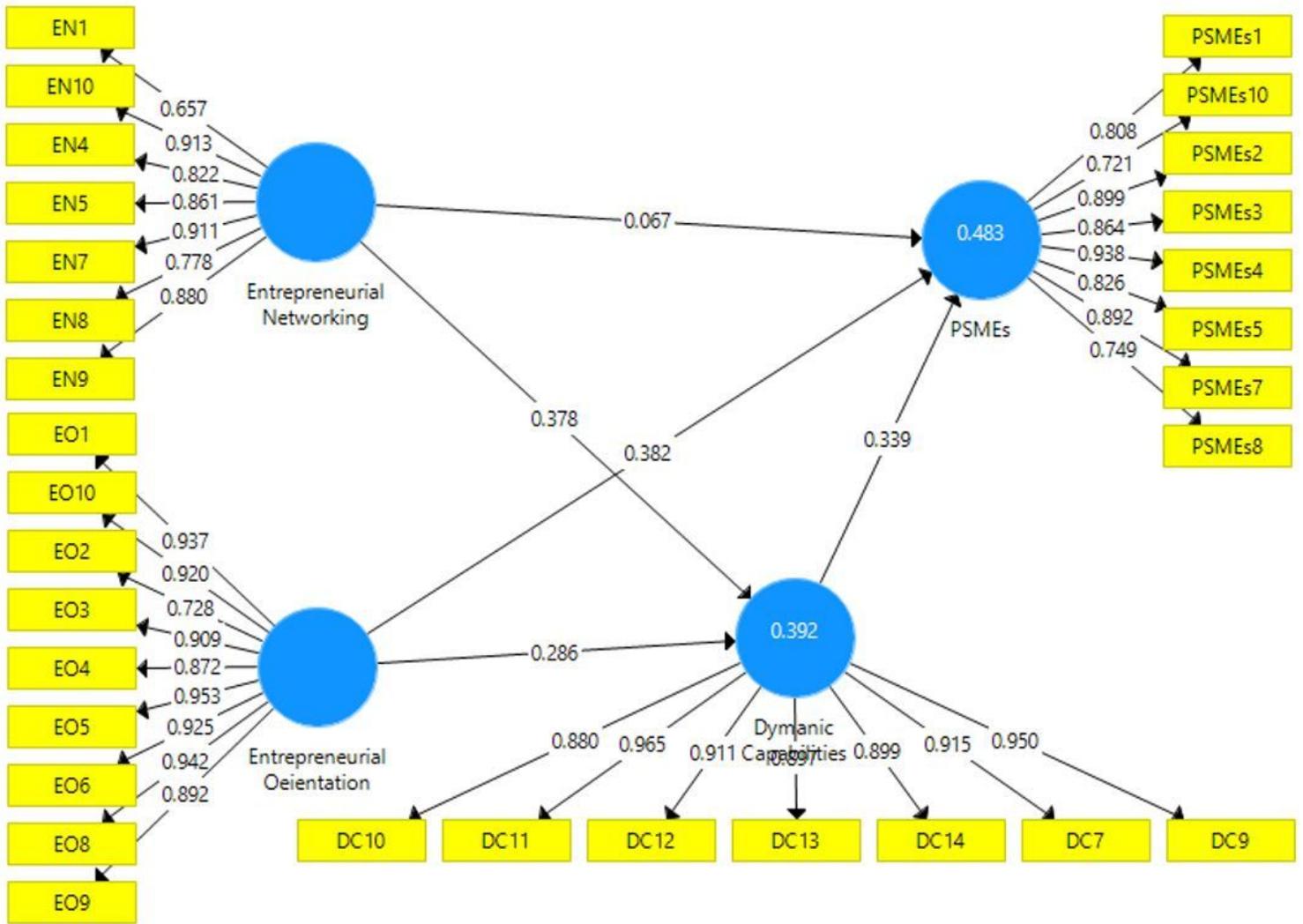


Figure 1

PLS Algorithms Mediation Effect

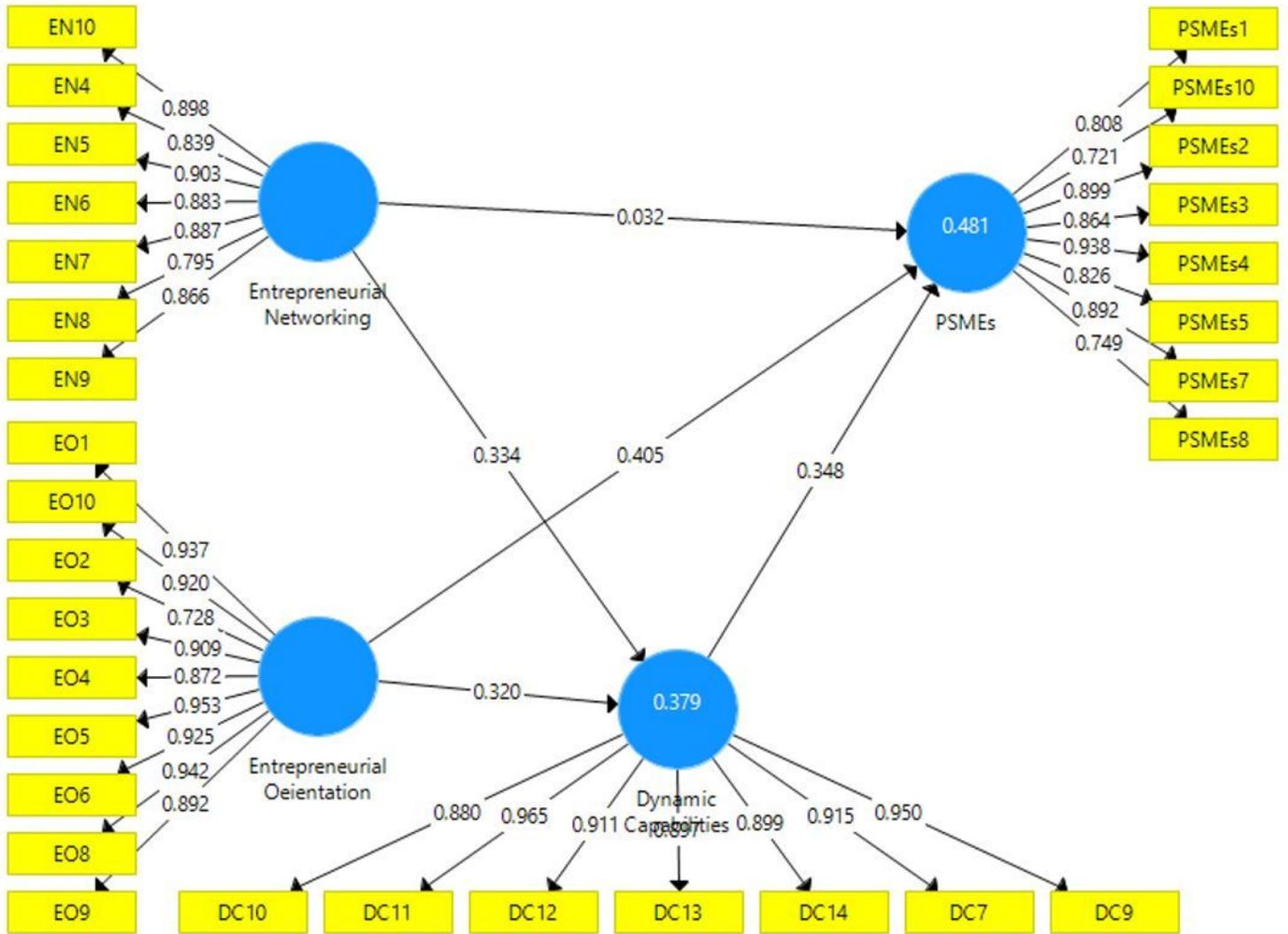


Figure 1

Measurement Model

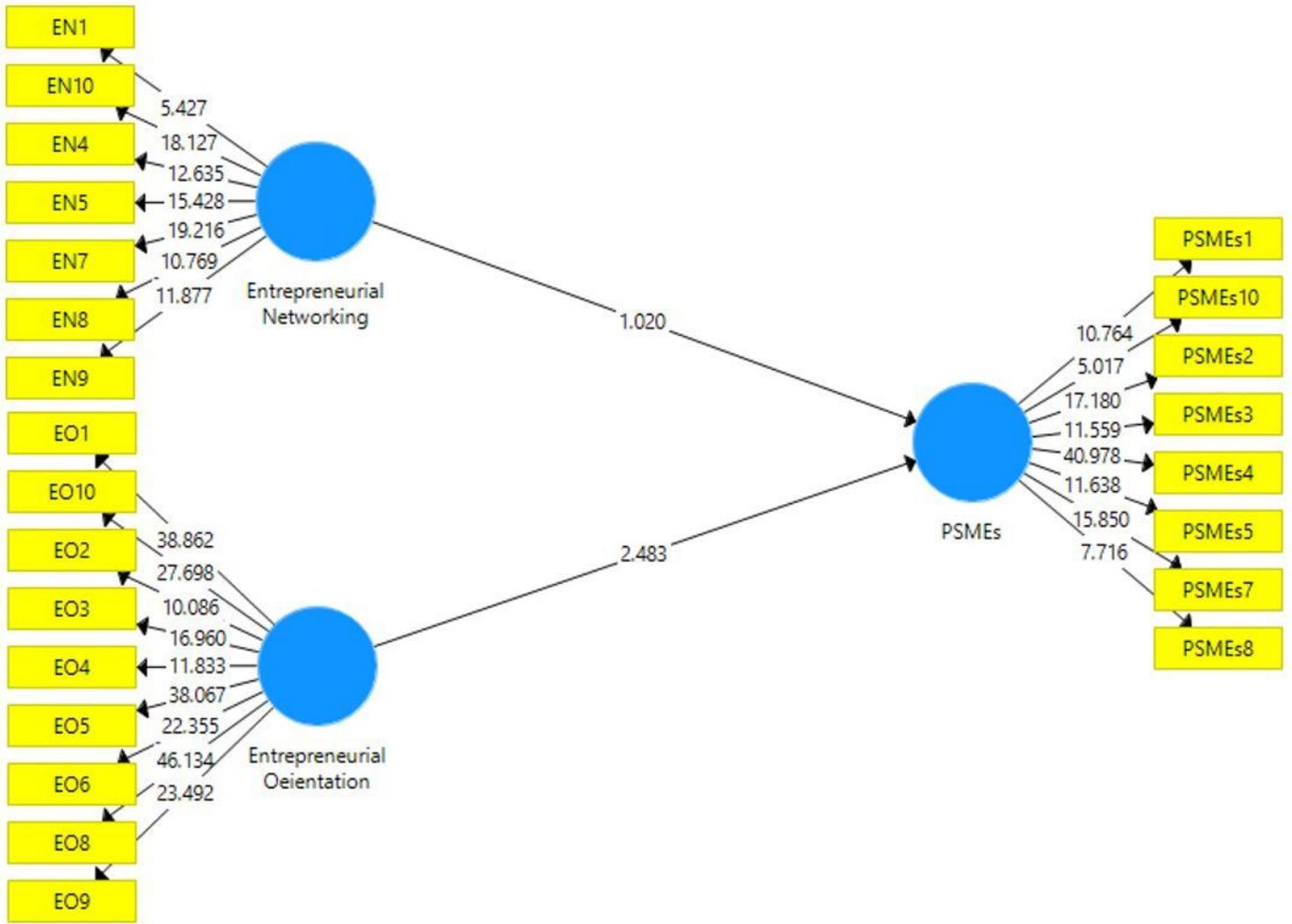


Figure 1

Direct Relationships Bootstrapping

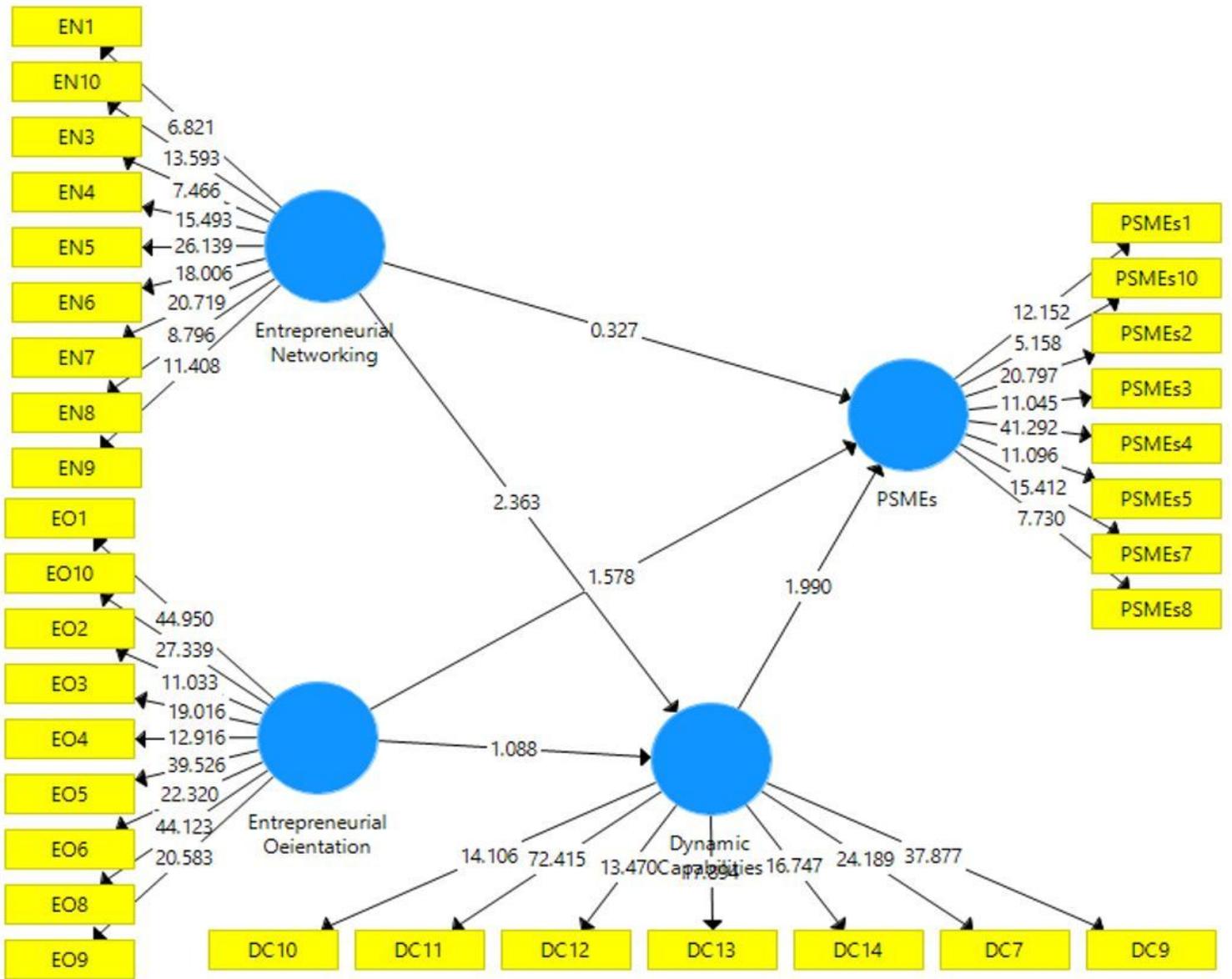


Figure 1

PLS Mediation Effect Bootstrapping