

## THE MEDIATING ROLE OF SOCIAL CAPITAL IN THE RELATIONSHIP BETWEEN ENTREPRENEURIAL STRATEGY AND FIRM PERFORMANCE: EVIDENCE FROM DEVELOPING COUNTRY

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### **Abstract**

*In today's era of globalization and intense competition, the survival of recently established companies presents a significant challenge. Numerous studies have attempted to identify the critical factors for these nascent entrepreneurial ventures, yet the findings remain fragmented. This investigation concentrates on assessing the impact of Entrepreneurial Strategy (ES) and Social Capital (SC) on the performance of new entrepreneurial enterprises. Data was collected from 181 registered firms situated in Jordan's burgeoning market through a structured questionnaire. The outcomes validate the proposed hypotheses, revealing a positive correlation between ES, SC, and firm performance (FP). Particularly noteworthy is the robust positive relationship observed between ES and SC with FP via SC. In the Jordanian context, organizations demonstrate a propensity to leverage SC to enhance FP, albeit with relatively less emphasis on the linkage between ES, SC, and FP. It is recommended that Jordanian enterprises integrate interpersonal connections into their strategic frameworks. The research advocates for owners and managers of new ventures to cultivate effective ES and broaden their networks with external entities (such as other firms, governmental bodies, and financial institutions) to access valuable resources, thereby enhancing performance. The study also underscores the importance of policymakers and relevant authorities in fostering and supporting new ventures as contributors to economic development. Additionally, practical implications and suggestions are deliberated upon.*

**Keywords:** Firm Performance, Entrepreneurial Strategy, Social Capital, Resource-Based View (RBV).

### **1. INTRODUCTION**

One of the most extensively studied subjects in management is firm performance (FP). According to Evan (2019), performance is defined as an organization's ability to adjust to each of the four basic processes—inputs, outputs, transformations, and feedback effects—in relation to its goal-oriented behaviour. Over the past 20 years, a fundamental approach known as Entrepreneurial Orientation (EO) has emerged, based on Miller's (1983) perspective and the Covin and Slevin (2016) mechanism. According to Dess and Lumpkin (2005), the three EO dimensions frequently cooperate to raise the FP. A dynamic search for novel concepts, opportunities, and striking boundaries in areas of uncertainty, however, governs decision-making in an entrepreneurial approach (Press, 2013).

To thrive in the cutthroat economic world of today, organisations must adopt strategic and entrepreneurial viewpoints (Hitt et al., 2001). Strategic Entrepreneurship (SE), which emphasises both opportunity-seeking and advantage-seeking behaviours, is the fusion of strategy and entrepreneurship (Ireland & Webb, 2007). This necessitates searching for potential future chances to

generate greater value (Hitt et al., 2011). Due to the increased interconnection of their company operations, modern companies also need to build connections and mutual trust with their business partners, or Social Capital (SC).

As supply business partners increasingly want to attain sustainable competitive advantage at the inter-organizational operations level, it is relevant to consider the function of ES in the context of SC. This is due to the fact that inter-company rivalry is raised to the capacity to get and use all of the existing and potential resources that are anchored in, provided by, and generated from a person's or a group's network of relationships (Nahapiet & Ghoshal, 1998). To fight with rivals, business partners unite and function as a single, cohesive organisation (Tan, 2001). In this regard, SC offers businesses a potential source of competitive advantage (Gold et al., 2010).

The present study aims to investigate the connections between ES and SC and FP by utilising the Resource-Based View (RBV) of the company (Barney, 1991). The RBV emphasises how competencies and resources contribute to the explanation of long-term variations in business performance (Alvarez & Barney, 2002). While capabilities are a group of resources' ability to carry out a job or activity (Grant, 1991), resources are a company's tangible and intangible assets (Barney & Arikan, 2001). By building connections between people and organisations, SC is an intangible asset that makes action easier. It is among the most crucial resources that require strategic management (Sirmon & Hitt, 2003), particularly for organisations that want to participate in SE (Ireland et al., 2003). Capabilities like risk-taking, inventiveness, and proactiveness—all seen as crucial ES dimensions—are produced by combining resources.

The present study uses the RBV lens to examine the links of SE to SC and FP because of the possible impact of resources and capabilities on performance. According to Barney (2012), this method is consistent with taking RBV into account when discussing Byers-Suppliers Relationships (BSR). Since the research variables, including SE and SC, have theoretical foundations in the RBV, the firm's RBV is relevant. Scholars have utilised the RBV to investigate SC (Alghababsheh & Gally, 2021) and SE (Albhirat et al., 2032). Albhirat et al. (2011b) specifically use RBV to offer a theoretical framework for the growth of BSR capabilities. By examining the connections between ES, SC, and FP, the new study adds to the ongoing discussion.

There is little focus on connecting ES to SC in the literature currently in publication. By examining the connection between ES and SC, the current work fills this knowledge gap. There were no studies that specifically examined the connection between ES and SC, according to the literature review. The BSR literature has introduced the idea of strategy, but nothing is known about the specific connection between ES and SC. Paulraj (2011) looks at how FP and ES connect to Entrepreneurial Orientation (EO), which deals with meeting an organization's financial goals (Menon & Menon, 1997). According to Monsen and Boss (2009), EO illustrates the level of innovation (INN), risk-taking (RISK), and proactiveness (PRO) in organisations. One may argue that the idea of EO stands in for ES (Monsen & Boss, 2009). However, only a small number of elements on Paulraj's (2011) EO scale fully account for the three EO qualities of creativity, risk propensity, and proactiveness. One statement, for instance, assesses risk propensity. Furthermore, the EO scale only evaluates those three aspects of ES in relation to organisational methods to product development.

In three key areas, the current study aims to close the gap in the existing literature. First, by using RBV and examining the connections between a firm's resources (SC), capabilities (ES), and FP, the current article adds to the body of knowledge on SC. Second, compared to the extremely little empirical research that has ever been done, the current study uses comparatively more thorough assessments of ES. This study uses the Covin and Slevin (1991) scale, which uses numerous questions for each feature and offers distinct measurements for PRO, RISK, and INN. Third, considering the

significant domestic problems and limitations the Jordanian industry faces, such as power outages, political and macroeconomic instability, and bureaucratic corruption, it is especially crucial to examine the connections between ES and SC and FP in Jordan (Albhirat et al., 2023a). These elements make it difficult for the company to maintain a higher level of performance and obtain a competitive edge.

The remainder of the paper is structured with the existing literature on the possible relationships of SE to SC and FP, which is discussed in an attempt to develop research hypotheses, followed by a detailed methodology that is presented with the measurement of variables. The results are discussed followed by managerial implications, conclusions, and future research directions.

## **2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

### **2.1 Strategic Entrepreneurship**

ES combines the ideas of entrepreneurship and strategy. ES is defined as a “entrepreneurial action with a strategic perspective” by Hitt et al. (2001, p. 480). Organisations that engage in opportunistic behavior—identifying market openings for possible exploitation—are the subject of entrepreneurship. But attaining a durable competitive advantage is a key component of strategic management (Hitt et al., 2011).

The majority of the literature on ES is based on Ireland et al.'s prior research (2003). They have put up a dynamic model of ES that captures several facets of SE. They incorporate viewpoints from organisational learning, creative cognition, human capital, and SC and rely on the firm's RBV. Since the field of ES is still in its early stages (Ireland, 2007), Monsen and Boss (2009) recommend taking into account other metrics and constructs in order to experimentally examine various aspects of the ES model that Ireland et al. (2003) developed.

Using this paradigm as a guide, Monsen and Boss (2009) contend that one of the model's boxes, "applying creativity and developing innovation," may contribute to ES. They argue that the three main components of this box—INN, RISK, and PRO—could be utilised to investigate a significant ES component.

In order to support the integration of strategy and entrepreneurship, they recommend taking into account the ES construct; as a result, the concepts of SE and ES are related to strategic management and highlight a firm's entrepreneurial activities in relation to INN, RISK, and PRO (Ireland et al., 2001). For these dimensions, Lumpkin and Dess (2001, p. 431) offer the following explanation:

INN stands for innovation, technical leadership, R&D to create new processes, and a readiness to encourage creativity and experimentation in launching new goods and services. RISK refers to a propensity for audacious behaviour, like as breaking into uncharted territory, investing a significant amount of money in projects with unpredictable results, and/or taking on a lot of debt.

PRO is a forward-thinking, opportunity-seeking approach that involves launching new goods or services before the competition and taking action to meet demand in order to influence the environment and bring about change.

Covin and Slevin (1990) develop the concept of strategic stance using the degree of INN, RISK, and PRO. EO is the more sophisticated version of strategic position. Covin and Slevin (1990) created the EO measure, which Monsen and Boss (2009) utilise to evaluate ES.

This SE metric evaluates an organization's strategic position in terms of PRO, INN, and RISK. The new study uses the same conceptualisation of ES and takes into consideration RISK, INN, and PRO as capabilities in accordance with the RBV.

## **2.2 Social Capital**

According to Nahapiet and Ghoshal (1998), SC is defined as "the total of the potential and actual resources rooted within, offered through, and derived from the network of relations possessed by an individual or social unit." The RBV idea states that SC is an intangible asset that may give businesses a competitive edge in the marketplace. According to Nahapiet and Ghoshal (1998), there are three primary parts of capital: relational, cognitive, and structural. For example, structural capital includes institutional arrangements and accountabilities that encourage technical and managerial communication among the parties concerned (Lawson et al., 2008). Comparably, relational capital is the relational embeddedness that exemplifies the bonds forged by prior exchanges supported by reciprocity and trust. Additionally, cognitive capital demonstrates how people with similar understandings work together to create common goals and beliefs.

Furthermore, according to RBV, human relationships are crucial for organisations to obtain the resources they need (Koo et al., 2014; Albhirat et al., 2023b). All parties participating in the organisational processes would thus profit from SC's perception as a catalyst for cooperation and alliance (Alghababsheh & Gallear, 2021). According to Tsai and Ghoshal (1998), SC is all of the resources—both present and potential—that are created by the connections within an organization's network and that may be accessed via those connections. They also emphasised how SC helps organisations exchange resources and innovate new products.

## **2.3 Firm Performance**

The evaluation of progress towards reaching preset goals is based on FP. This aids a company in determining its strong and weak points and streamlining its next projects (Tipu & Fantazy, 2018). The research uses both non-financial and financial metrics to evaluate FP (Hoque & James, 2000). According to Maskell (1991), a balanced strategy is more acceptable, wherein organisations use both non-financial and financial measures.

Since using solely traditional metrics of FP is insufficient, this method may help organisations compete successfully in the cutthroat economic world of today (Agami et al., 2012). Growth, market returns, and accounting returns are a few aspects of financial metrics (Combs et al., 2006). According to Tipu and Fantazy (2018), non-financial measurements quantify customer satisfaction by looking at how much the client thinks the product is worth.

## **2.4 Entrepreneurial Strategic and Firm Performance**

The current research uses the idea of EO to emphasise the relationship between ES and FP because there is not much literature on ES. According to Monsen and Boss (2009), it is possible to think of EO as representing ES. There is empirical evidence in the literature that EO has a favourable impact on FP (Fellnhofer et al., 2016; Tipu & Fantazy, 2018). According to Covin and Slevin (1991), there is a substantial body of research demonstrating a favourable correlation between company performance and strategic position. INN, PRO, and RISK are some of the ES aspects that may have a beneficial impact on FP. According to Soininen et al. (2013), INN and PRO have a favourable relationship with a growth-oriented mindset.

According to Tipu and Fantazy's (2018) research, financial success as measured by the net income-to-sales ratio is substantially predicted by the degree of INN, RISK, and futurity. Rauch et al. (2009) did a meta-analysis that essentially resolves the controversy around the ES-FP relationship. They discover a high positive association between ES and both financial and non-financial indicators, and they indicate that ES has somewhat big impacts on FP. Therefore, we put up the following theory:

**H1. ES positively relates to FP.**

## **2.5 Entrepreneurial Strategic and Social Capital**

Frese and Gielnik (2014) have noted that not all entrepreneurs are equally adept at using their networks, and that this competence also depends on their cognitive talents. In this sense, ES is a crucial cognitive component that representatives of entrepreneurial firms must have. This refers to an entrepreneur's capacity to create, preserve, and apply SC.

The tactics used by entrepreneurs have a significant impact on creating long-lasting alliances and advantageous networks (Baron & Tang, 2009; Murnieks et al., 2018). With the help of entrepreneurs' strategies and skills, the entrepreneurial firm's representatives develop an appropriate social perception, impression management, expressiveness, and social adaptability. All these factors play a vital part in the development of effective networks in entrepreneurial firms (Shafi et al., 2019).

Entrepreneurial enterprises may better access their partners' knowledge and increase knowledge exchange through PRO (Alghababsheh & Galleary, 2021). Gaining more information helps businesses become more adaptable in the face of an unpredictable competitive landscape. According to Bau et al. (2018), companies with ES and their partners may work together to develop their capacity to apply ES principles in order to create fruitful alliances, especially through relational bonding in the supply chain, and eventually improve FP.

Notably, a lack of understanding and poor communication can also result from unsuitable collaborations between entrepreneurial enterprises and their partners (Bau et al., 2018). Therefore, even if some of their partners may be at odds with their goals, entrepreneurial enterprises should aim to retain a higher level of connection with them (Bamiatzi et al., 2014).

Therefore, cooperative activities produce suitable performance levels in the absence of sufficient relational connection between entrepreneurial enterprises and their partners. Therefore, we put up the following theory:

**H2. ES positively relates to SC.**

## **2.6 Social Capital and Firm Performance**

According to Nahapiet and Ghoshal (1998), companies with high-level SC seem to exhibit superior FP compared to their competitors, and relational embeddedness of SC is a significant performance antecedent (Bernardes, 2010). Essentially, businesses might create commercial relationships with business partners in order to obtain favourable loan policies (Alghababsheh & Galleary, 2021).

We have used both financial and non-financial variables to analyse the FP of these linkages. According to Stam et al. (2008), there is a strong and positive correlation between SC and FP. Similarly, SC derived from social contacts and networking with local leaders, public workers, and corporate executives enhanced FP results, according to Lin and Dumin (1986).

Additionally, Veskaistri et al. (2007) found that among Thailand's SMEs, personal relationships with managers of other businesses had a beneficial impact on the market share of the company.

In the meanwhile, Krause et al. (2007) found a substantial correlation between the improvement of FP, especially in terms of cost reduction, and the insights of purchasing businesses with similar values and goals with large suppliers.

This demonstrated how SC enhances FP results, particularly in terms of profit, market share, turnover, and employment. Additionally, Omisakin et al. (2016) discovered that SC improves SMEs' financial performance results, particularly when it comes to extending the enterprise's longevity. In light of the aforementioned discussion, we have put up the following theory:

**H3. SC positively relates to FP.**

## **2.7 The Mediation Role of and Social Capital Between Entrepreneurial Strategic and Firm Performance**

Researchers have discovered that greater competitive advantage, accomplishments, and organisational success all depend on ES. SC captures the social elements of well-functioning organisations that foster collaboration and trust.

ES encompasses a collection of constructs (Irwin et al., 2018; Wales, 2016) including management principles, strategy-formulation techniques, and firm-level behaviours that demonstrate entrepreneurship (Wales, 2016).

The three main components of this construct—INN, RISK, and PRO—target premium market sectors and provide significant potential returns (Covin & Slevin, 1989; Miller, 1983).]

It is important to understand that ES is a general term used to describe businesses that display ES in various settings. However, it is equally important to consider the components of EO as they affect other idiosyncratic resources (SC) and performance in various capacities (Irwin et al., 2018; Anderson et al., 2014; Wales, 2016).

According to Stam and Elfring (2008), a corporation achieves the best results when its social configuration and tactical bearing suit one other. According to Baron and Markman (2003), SC may just be a small portion of the overall path to success for entrepreneurial businesses.

Numerous research have empirically examined the SC–performance connection in diverse settings. By examining internal mechanisms or features as mediators such information exchange (Pagell & Wu, 2008) and knowledge acquisition (Yli-Renko et al., 2001), these research have contributed to the advancement of our understanding of the SC–performance relationship. SC's role as a mediator in the relationship between FP and ES is, nonetheless, poorly understood.

We discovered that Gedajlovic et al. (2013)'s SC-entrepreneurship schema is a significant model that clarifies the connection between performance results, entrepreneurship, and one of the key unique entrepreneurial businesses' resources: SC.

Previous research has previously demonstrated the connection between EO and SC. For instance, SC is one of the key elements in the growth of entrepreneurial behaviour, which promotes markets, technologies, and people and financial resources (Rodrigo-Alarcón et al., 2018; Wang & Altinay, 2012).

According to Rodrigo-Alarcón et al. (2018), trust is a crucial element of SC that enables entrepreneurial enterprises to lower monitoring expenses while allocating time and resources to other creative endeavours. In light of the aforementioned discussion, we have put up the following hypothesis:

**H4. SC positively mediates the relationship between ES and FP.**

## **3. BASIC RESEARCH MODEL AND HYPOTHESES**

In Figure 1, the firm's RBV serves as the theoretical foundation for the research model. According to the RBV, a company's resources consist of its assets and capabilities.

According to RISK, INN, and PRO, the model depicts ES as a capacity and SC as an intangible asset or resource.

Other studies similarly call SC a resource (Ireland et al., 2003), but PRO (Lerner & Almor, 2002), RISK (Luo & Park, 2004), and INN (Barrales-Molina et al., 2010) are capabilities.

The model also recognises the critical connection between FP and SC and ES. The model also displays the pertinent hypotheses.

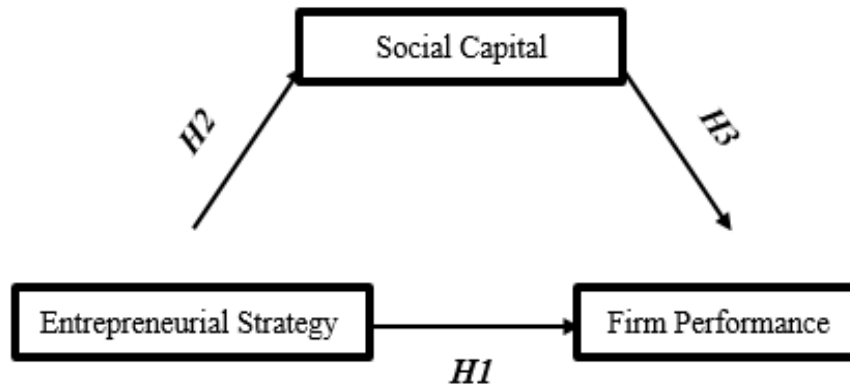


Figure 1: Conceptual Model

#### 4. METHODOLOGY

##### 4.1 Sample Description

This study uses a snowball sampling approach. In impoverished nations like Jordan, researchers have challenges with sampling because of inadequate infrastructure and a lack of trustworthy organisational data (Nasif et al., 1991; Sekaran, 1983). Furthermore, there are frequently no or insufficient reference resources available for creating sample frames (Ryan & Tipu, 2013). The current study uses the contextually appropriate convenience technique of snowball sampling and follows Harzing and 32 country collaborators (2005) in using confederates to support data collection because the selection of subjects is often based on opportunistic availability (Tipu et al., 2012).

Respondents received the survey instrument in Arabic from the study collaborators. 181 SMEs in Amman, the capital of Jordan, make up the sample, and the major informants are SMEs representatives (managers, owners, etc.). The SMEs that were part of the current study were involved in a variety of manufacturing-related businesses. Sectors covered by industry segmentation include computer and electronics (44.0%), plastic and rubber (19.0%), paper (printing & packaging) (14.0%), furniture and kitchens (7.0%), textile and cotton (6.0%), electrical (6.0%), and pharmaceutical (5.0%). Table I shows the overview of sample demographics.

Table I: Sample demographics summary

Demographic	Frequencies	Percentage (%)
<b>Firm Size</b>		
Between 6 to 20 employees (Small)	132	73.0
Between 21 to 100 employees (Medium)	48	27.0
<b>The industry in which your organization belongs</b>		
Food	79	44.0
Pharmaceutical	9	5.0
Plastic & Rubber	35	19.0
Electrical	10	6.0
Textile and Cotton	11	6.0
Paper (Printing & packaging)	24	13.0
Furniture & Kitchens	13	7.0

Note: Each value is rounded up to the integer.

#### 4.2 Questionnaire Design

The questionnaire is divided up into four pieces based on the literature review (pieces 2–4 are displayed in the questionnaire that is included in Appendix A):

- **Section 1** provides details on the companies' profiles, including the name of the company, address, position of the respondent within the company, manufacturing industry type, and number of employees.
- **Section 2** includes questions on the dimensions of ES in terms of 3 items of RISK, 3 items of INN, and 3 items of PRO.
- There are nine topics in **Section 3** that discuss the relational, structural, and cognitive capital aspects of SC.
- Two financial performance items and three non-financial performance items are among the questions on the dimensions of FP in **Section 4**.

#### 4.2 Common method bias

In order to value common method bias, this study first used the entire collinearity evaluation that Kock (2021) suggested. In research pertaining to SEM, the measurement methodology is generally the source of frequent method bias concerns. Specifically, instruments may influence replies, resulting in a degree of common variance across the items. Therefore, a random variable was constructed, and by regressing it on the study's latent variables, complete collinearity was evaluated. Table 2's results show that all entire collinearity Variance Inflation Factors (VIFs) fall below the 3.3 significance level (Hair et al., 2019). Consequently, this indicates that collinearity is not an issue in this research.

**Table 2: Full collinearity test**

	ES	SC	FP
VIF	1.661	1.731	1.569

Note: VIF= Variance Inflation Factors, ES= Entrepreneurial Strategy, SC= Social Capital, FP= Firm Performance.

#### 4.4 Measurement Model

We employed multi-item scales taken from earlier research to assess constructs in order to evaluate the aforementioned hypotheses. Appendix A has an explanation of the constructions. Applying a reflective or formative perspective to measurements is a crucial challenge for social researchers. It is not a given that researchers would operationalise constructs in organisational research projects correctly every time. Depending on this decision, researchers ought to employ multi-item assessments produced using formative (index creation) and reflective (scale development) methodologies (Diamantopoulos & Siguaw, 2006). The research model in Figure 1 displays all three of the study's latent constructs, which are presumed to be reflective in this investigation.

This study tested the suggested model by following Anderson and Gerbing's (1988) advice to employ a two-step procedure. Testing the validity and reliability of the measurement model was the first stage. We tested the validity and reliability of the instrument according to the standards given by Hair et al. (2019). It was necessary to compute loadings, Average Variance Extracted (AVE), and Composite Reliability (CR) in order to evaluate the measurement model. The loading values had to be at least 0.5, the AVE had to be less than 0.5, and the CR had to be less than 0.7. Table 5 shows the results of the measurement model test as follows: One or two loadings were less than 0.708 [87], and loading levels were typically acceptable. All CR values were  $\geq 0.7$ , and all AVEs were  $\geq 0.5$ .



As previously stated, ES, SC, and FP were the three first-order constructions in the model. Table 3 displays the findings of the validity and reliability tests conducted on the first-order constructs. These tests confirmed the first-order measures' validity and reliability. The next stage was to assess discriminant validity using the Heterotrait-Monotrait Ratio of Correlations (HTMT) criteria, which was based on Henseler et al. (2015). When interpreting HTMT numbers, there are two different kinds of HTMT criteria: the tougher one and the more lenient one.

The former suggested a value of at least 0.85, while the latter suggested a value of at least 0.9. Table 4 shows all of the acquired HTMT values, and it is evident that all of them fall below the permissive threshold of 0.9. Therefore, it becomes sense to draw the conclusion that respondents were able to distinguish between the research constructs in most cases. The results shown in Table 3 indicate that the measurement items were both valid and reliable. Lastly, measurement models are computed to assess the validity and reliability of the constructs, whilst structural models are studied to assess the proposed relationships between specific model variables.

**Table 3: Measurement Model Results**

Constructs	Items	Loadings	AVE	CR
<b>ES</b>	ES1	0.731	0.522	0.804
	ES2	0.745		
	ES3	0.775		
	ES4	0.787		
	ES5	0.793		
	ES6	0.723		
	ES7	0.754		
	ES8	0.997		
	ES9	0.723		
<b>SC</b>	SC1	0.758	0.507	0.93
	SC2	0.719		
	SC3	0.719		
	SC4	0.704		
	SC5	0.709		
	SC6	0.714		
	SC7	0.733		
	SC8	0.746		
	SC9	0.709		
<b>FP</b>	FP1	0.712	0.533	0.85
	FP2	0.726		
	FP3	0.709		
	FP4	0.711		
	FP5	0.715		

Note: ES= Entrepreneurial Strategy, SC= Social Capital, FP= Firm Performance.

**Table 4: Discriminant validity (HTMT)**

	ES	SC	FP
ES			
SC	0.671		
FP	0.788	0.501	

Note: ES= Entrepreneurial Strategy, SC= Social Capital, FP= Firm Performance.

#### 4.5 Structural Model

Tables 5 and 6, respectively, present the results of the presented hypotheses (direct and indirect effects) together with the related T-values and beta, which are critically based on the one-tailed T-test. In order to test this study hypothesis, Ramayah et al. (2018) proposed using a bootstrapping approach. Therefore, bootstrapping with 5000 resamples was used to acquire the t-values. At the 1% level of significance, ES and FP have a positive relationship ( $\beta = 0.313$ ,  $p < 0.01$ ), as seen in Table 5. Similarly, at 1% significance, ES and SC have a positive connection ( $\beta = 0.234$ ,  $p < 0.01$ ), confirming H1 and H2.

Then, at the 5% level of significance, the direct association between SC and FP was likewise positive ( $\beta = 0.128$ ,  $p < 0.05$ ), supporting H3. This study, however, also looks into potential mediating links. The direct correlations between FP and ES are noteworthy since they include SC as a mediating variable. Additionally, the use of SmartPLS has a moderating effect by transmitting the effects of mediating and independent factors (Ramayah et al., 2018). The results presented in Table 6 show that SC mediates ES's impact on FP ( $\beta = 0.334$ ,  $p < 0.001$ ). As a result, H4 received backing. Accordingly, the overall results show that both ES and SC significantly and favourably influence the FP outcomes of Jordanian SMEs. Additionally, a number of scholars have expressed disapproval of the P-value requirements and suggested other methods, like effect size. Therefore, in order to account for effect size in the analysis, this study also supplied F-square (F-sq) values. The threshold values suggested by Cohen (1988) for high, medium, and minor impacts were 0.35, 0.15, and 0.02 correspondingly. All three direct associations have a suitable effect size, according to the F-sq values shown in Table 7, which support H1 (F-sq=0.14), H2 (F-sq=0.05), and H3 (F-sq = 0.033).

**Table 5: Hypothesis testing of the direct effects**

Hypothesis	Relationships	Std Beta	Std Error	T-Value	P-Value	BCI LL	BCI UL	F-sq	Decision
H1	ES -> FP	0.313	0.049	6.651	0.000	0.325	0.486	0.14	Supported
H2	ES-> SC	0.234	0.054	3.629	0.000	0.14	0.313	0.05	Supported
H3	SC-> FP	0.128	0.056	2.838	0.002	0.069	0.188	0.033	Supported

**Note:** ES stands for entrepreneurial strategy, SC for social capital, and FP for firm performance. The path coefficients were significant at the 95% confidence level (\*\*) if the t-statistic was greater than 1.645 ( $p < .05$ ), and at the 99% confidence level (\*\*\*) if the t-statistic was greater than 2.33 ( $p < .01$ ), which is considered highly significant ( $p < .01$ ).

**Table 6: Summarised Result for Indirect Effect**

Hypothesis	Relationship	Std. Beta	Std. Error	t-value	p-value	Decision
H4	ES -> SC -> FP	0.334	0.049	6.031	0.001	Supported

**Note:** ES stands for entrepreneurial strategy, SC for social capital, and FP for firm performance. The path coefficients were significant at the 95% confidence level (\*\*) if the t-statistic was greater than 1.645 ( $p < .05$ ), and at the 99% confidence level (\*\*\*) if the t-statistic was greater than 2.33 ( $p < .01$ ), which is considered highly significant ( $p < .01$ ).

## 7. CONCLUSIONS

Through an empirical analysis of the connections between ES, SC, and FP, the current study adds to the body of knowledge on organisational resources and capacities. Because the suggested study model's theoretical linkages are anticipated to hold true in both developed and developing nations, future researchers may use it. Individual constructions' levels, however, could alter depending on the context.

For executives (owners and managers) of entrepreneurial firms, the current study has several useful ramifications. If the external environment changes rapidly, businesses might not be able to adjust (Akghababsheh & Galary, 2021). This is essential as businesses in developing nations like Jordan deal with significant internal problems and limitations, such as macroeconomic volatility, political unrest, and power outages (Albhirat et al., 2023b). This emphasises how adapting, integrating, and reconfiguring organisational resources and functional capabilities—both internal and external—requires more entrepreneurialism (Teece & Pisano, 1994). To build competence to innovate in this setting, it is more crucial to acquire entrepreneurial abilities than administrative skills (Penrose, 1959).

Another practical issue pertains to the function of the senior management. Because of their limited knowledge of the firm's resources and the external environment, managers may be able to limit the firm's growth (Penrose, 1959). According to Harreld et al. (2007), managers must be able to recognise environmental changes with precision and take advantage of possibilities by rearranging both tangible and intangible assets. By integrating a firm's resources and skills, this demonstrates the advantage-seeking and opportunity-seeking behaviours (Tipu & Fantasy, 2018).

In light of the positive correlation (regression coefficients) between ES and SC, commercial partners and strategic partners must coordinate strategic endeavours. Education and training might play a key role in raising awareness among Jordanian entrepreneurs and business partners for this reason. In this regard, senior management plays a pivotal role in ensuring that mutual trust and relationships (SC) are an integral part of an organization's strategy. Coordination across all staff levels, from the lowest-level workers to upper management, is necessary for the effective growth of SC (Govindan et al., 2014).

According to estimates, Asia will account for the bulk of global manufacturing during the next 20 years (Zhu et al., 2008). Therefore, it is essential for Jordanian firms to establish networks to demonstrate their dedication to foreign clients in order to stay competitive. In order to properly collaborate on their strategy, senior management and business partners must establish a strategic stance. This is especially important for companies that are a part of a global value chain that includes industrial clusters.

According to Luken and Stares (2005), a large number of SMEs in developing nations believe that they would lose their competitive edge if they comply with their business partners' social and environmental demands. Nonetheless, they argue that the business networks may present a chance for Jordanian export-focused companies to improve their FP. Therefore, in order to fully benefit from business networks, senior management and business partners must adopt a more strategic approach to collaborative projects and focus on building strategic competence.

By using the RBV to investigate the relationship between FP and ES and SC in a developing country setting, the study aimed to contribute to the body of knowledge on organisational resources and capacities. Organisations in Jordan are more likely to use SC and ES to reach FP. Linking ES to SC and FP is, however, given comparatively little attention. Organisations in Jordan must include SC into their business plans. Additionally, the data described above show that managers also think that ES results in improved SC and FP. Organisations in Jordan use ES and SC to reach a higher degree of FP because of a number of contextual limitations. Jordanian companies must see SC as a major competitive factor and establish a closer connection between ES and FP in order to compete in the global market.

According to Albhirat et al. (2024c), the majority of the research on organisational resources and capacities focusses on developed nations, with just a small number of studies looking at SC in a poor country setting. Additionally, Govindan et al. (2014) argue that little is known about the obstacles to SC in underdeveloped nations. Instead of only looking on financial and non-financial aspects of FP, future research can try to connect ES and SC to FP. It is necessary to do more study with larger samples

from other emerging nations. Since businesses in emerging nations deal with comparable issues, future researchers can duplicate the current study for comparison. Future comparative studies might also look at the linkages between ES and SC and FP in both developed and developing countries, as the developed global and successful network with business partners in poorer countries may differ from that in developed nations (Tipu & Fantasy, 2018). Given that industrialised economies also deal with significant but distinct local problems, such low-cost competition from outside, these comparative studies are relevant.

There may be some restrictions on the current investigation. First, every effort was taken to guarantee that the respondents who were engaged in the businesses' operations received the questionnaires. Additionally, it was expected that respondents knew something about the research variables that were pertinent to their company. However, because of the respondents' limited knowledge, this assumption could not always be true. Second, the evaluation items did not cover all the research factors. Therefore, future studies might take into account other items. Third, because the snowball approach was used, care must be used while evaluating the data' generalisability.

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#### **APPENDIX A. (MEASUREMENT ITEMS)**

##### **Entrepreneurial Strategy (ES) Adapted from Covin and Slevin (1990)**

1. A strong emphasis on the marketing of tried-and-true products or services.
2. Stronger approach encourages creativity and experimentation.
3. New lines or products or services.
4. Changes in product or service lines have been mostly minor.
5. Typically responds to actions that competitors initiate.
6. The first business to introduce a new product/service, administrative techniques, operating technologies, etc.?
7. Typically seeks competitive clashes.
8. Willingness to commit resources to projects where the cost of failure may be low.
9. A strong tendency to be ahead of others in introducing novel ideas or products.

##### **Social Capital (SC) Adapted from Albhirat et al. (2023a)**

10. Similarity of firm culture/values and management styles.
11. Similarity philosophies/approaches to business dealings.
12. Compatible goals and objectives.
13. Sharing relevant and timely information.
14. Solving problems jointly.



15. Trusting each other.
16. Mutual respect.
17. long-term partnership.
18. Reciprocal to each.

**Firm Performance (FP) Adapted from Tipu and Fantazy (2018)**

19. Average net profit.
20. Average sales growth rates.
21. Order lead-time.
22. Response time to customer query time.
23. Level of customer perceived value of the products.