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How does strategic orientation influence the business performance of small and medium-sized enterprises during the COVID-19 pandemic?

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ABSTRACT

Objective: The article aims to investigate the influence of strategic orientation (specifically market orientation, entrepreneurial orientation, and digital orientation) on small and medium-sized enterprises' performance during the COVID-19 pandemic.

Research Design & Methods: We surveyed 265 small and medium-sized enterprises and employed structural equation modelling (SEM) to test the hypotheses developed.

Findings: Research results show that during the COVID-19 pandemic, while market orientation and digital orientation had a direct positive impact on business performance (ß= 0.230, $p < 0.05$ and ß= 0.236, $p < 0.05$, respectively), entrepreneurial orientation did not (ß= -0.038 and $p > 0.05$). Moreover, competitive advantage mediated the relationship between entrepreneurial orientation (indirect effect = 0.102) as well as market orientation and business performance (indirect effect = 0.046). However, this did not apply to the indirect relationship between digital orientation and performance. Finally, competitive intensity positively moderated the influences of market orientation and digital orientation on business performance.

Implications & Recommendations: Based on the research findings, the study has provided SMEs with some implications to assist them in improving business performance. These consisted of the concentration on customers, competitors, and the development of an internal management information system. Moreover, during the COVID-19 pandemic, the understanding and application of digital orientation were essential. The competitive advantage of SMEs maximises when the enterprise orients toward entrepreneurial activities.

Contribution & Value Added: Our study contributes to the strategic management of SMEs by investigating the influences of strategic orientation on business performance. The study also expands its scope by examining the mediating and moderating role of competitive advantage and competitive intensity, respectively.

Article type: research article
Keywords: Strategic orientation; business performance; small and medium-sized enterprises; crisis
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INTRODUCTION

Small and medium-sized enterprises (SMEs) play a critical role in the economies of Southeast Asian countries, as this type of enterprise accounts for between 89% to 99% of total businesses and between 52-97% of the total workforce (Aucky, 2019). For example, in Vietnam, SMEs represent up to 97.38% of the total number of businesses nationwide (The Ministry of Planning and Investment in Vietnam, 2022). This indicates that SMEs are the backbone of socio-economic development and job creation in many Southeast Asian countries, contributing significantly to the establishment of economic balance and structural transformation, as well as the optimization of economic resources.

However, the COVID-19 pandemic has had a strong and comprehensive impact not only on the economy in general but also on SMEs in particular. During the COVID-19 epidemic, the business models and methods of operation of enterprises have undergone significant changes. For some businesses, this is an opportunity to generate large profits, but for others, the COVID-19 pandemic has posed many prolonged difficulties and challenges. Even now, when the health of many businesses has not fully recovered, the aftermath and effects of COVID-19 continue to weigh heavily, particularly on SMEs' performance (The Ministry of Planning and Investment in Vietnam, 2022; Karas & Režňáková, 2021; Nathan *et al*., 2022). Moreover, SMEs face new challenges, such as higher operating costs, increasing debt, and management instability, requiring specific strategic directions to improve business operations. Although SMEs have flat, flexible, and agile structures, they are still limited in terms of access to capital, technology, human resources, and professional management expertise (Mahmood & Hanafi, 2013). Therefore, we aimed to help SME owners gain an overview of the impact of strategic orientation on business performance in the context of a crisis, the COVID-19 pandemic.

Over the past few decades, scholars have explored strategic orientation from various perspectives. Several studies have analysed the influence of entrepreneurial orientation (EO), market orientation (MO), or digital orientation (DO) on business performance. Some studies have also developed the topic by exploring the correlation between these orientations in different economies or industries. The results remain open-ended and have yet to reach a final conclusion because, in different cases worldwide, research findings lead to different conclusions (Van Egeren & O'Connor, 1998; Hakala, 2011; Lettice & Forstenlechne, 2014; Beliaeva *et al*., 2020; Alonso-Almeida *et al*., 2015; Selase *et al*., 2019; Papadopoulos *et al*., 2020; Pu *et al*., 2021). For instance, Van Egeren and O'Connor (1998) discovered that there is a strong positive relationship between MO and firm performance. Another research group identifies that a firm with higher MO scores can perform better than other peers with lower scores during an economic crisis (Lettice & Forstenlechne, 2014). However, Beliaeva *et al*. (2020) found that in the case of an economic crisis in Russia between 2015 and 2016, although EO had a positive effect on firm performance, MO did not. Thus, in the context of the COVID-19 pandemic, when economic crises occur due to a specific reason, whether any type of strategic orientation applied by SMEs has a consistent impact on business performance remains a question that many studies have yet to address. This gap motivates the authors to conduct this research to examine and measure the impact of various types of strategic orientation on business performance under the framework of the COVID-19 outbreak.

Moreover, to provide more specific managerial implications for business strategies in SMEs, we further expanded by considering the influence of competitive advantage (CA) on the relationship between strategic orientations and the performance of SMEs. Previous studies have emphasized that CA plays an important role in helping businesses to create more value not only for their customers but also for themselves. By having more value, businesses have more chances to win on the market and improve their performance. Moreover, we included competitive intensity (CI) in the model as a moderating variable to examine how competitive intensity affects the relationship between strategic orientation and the business performance of enterprises in the context of the COVID-19 pandemic. Although a number of studies have explored the moderating effect of CI, the effect of this factor on the correlation between MO, EO, or DO and business performance is still limited.

In the next part, we will present a literature review, in which we will not only explain the dimensions of each orientation but also the analysis of previous studies to develop our hypotheses. The next sections will demonstrate the research methodology, results, and discussion. Finally, we will summarise our findings in the conclusion, together with the limitations and future research suggestions.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

When discussing strategic orientation, studies have explored various dimensions, including market orientation, entrepreneurial orientation, digital orientation, learning orientation, technological orientation, environmental orientation, or strategy flexibility to adapt to different circumstances. We may explain the utilization and development of resources by businesses to formulate appropriate strategic orientation, aiming to enhance competitive advantage, innovation, and business outcomes with the resource-based

view (RBV) theory (Wadood *et al*., 2022). For each economy, each industry, or in different contexts, strategic orientation has varying degrees of impact or influence (Lee *et al*., 2014; Lumpkin & Des, 2001; Beliaeva *et al*., 2020). The relationship between dimensions of orientations has also been explored in various studies to demonstrate the impact of EO on MO (*e.g.,* Beliaeva *et al*., 2020; Seet *et al*., 2021) or EO on DO (*e.g.,* Kindermann *et al*., 2021). However, in this research, we delve deeper into the direct effects of three types of strategic orientation: MO, EO, and DO on business performance. These orientations are well-established strategies employed by SMEs in times of crisis, especially DO, during the social distancing context of the COVID-19 pandemic (Rupeika-Apoga *et al.*, 2022). Hence, we focused our resources on examining the role of these three orientations instead of all other strategies.

Entrepreneurial orientation (EO) was first mentioned in the research work of Peterson and Berger (1971). By the early 1980s, Burgelman (1983) and Miller (1983) defined EO as a strategy that businesses apply to survive and thrive in highly competitive markets. Entrepreneurial orientation is a tendency to identify new business opportunities, where businesses strive to be creative, take proactive decisions, and accept risks (Wach, 2015). When deciding to develop and introduce new products to the market, a business with EO tends to be willing to take risks and venture into the unknown (Lee *et al*., 2014). Proactiveness means anticipating in introducing of new products or services in the market (Beliaeva *et al*., 2020). Meanwhile, Covin and Slevin (1991) emphasized the role of innovativeness in the formation of EO, where innovation in products or services is always the business focus. In this case, managers particularly focus on R&D and are willing to adopt new approaches if they present great opportunities for the business. Lastly, the risk-taking factor involves active participation in new markets, investing in uncertainties with the possibility of uncertain outcomes (Lumpkin & Dess, 2001). In addition to these three factors, Lumpkin and Dess (1996) also consider autonomy and competitive aggressiveness, but competitive aggressiveness overlaps with the competitor orientation dimension that belongs to MO. Therefore, EO, with a scale consisting of the three main dimensions: proactiveness, innovativeness, and risk-taking, is more commonly applied (Keh *et al*., 2007; Rauch *et al*., 2009).

Entrepreneurial orientation positively impacts the company's operational efficiency (Morris *et al*., 1993; Lee *et al*., 2001). It also helps businesses identify resource allocation opportunities and adapt to changes in customer preferences more quickly than their competitors (Wale *et al*., 2013). Particularly for SMEs, scholars consider EO to play a crucial role and is closely related to the survival and growth of businesses in highly competitive markets (Shirokova *et al*., 2013; Wale *et al*., 2013). Therefore, in the context of the COVID-19 pandemic in developing countries, EO may have a positive impact on SMEs' business performance.

H1a: Entrepreneurial orientation positively influenced business performance in small and medium-sized enterprises during the COVID-19 pandemic.

Meanwhile, MO requires businesses to focus more on customers and meet their needs. Businesses tend to continuously change their resources to optimize customer value (Lee *et al.,* 2014; Narver & Slater, 1990). A business has a market orientation when it utilises all market information, identifies market gaps (Morgan & Berthon, 2008), and changes its products or services to satisfy or meet customer needs (Grewal & Patriya, 2001; Beliaeva *et al*., 2020).

Moreover, MO emphasises three factors: customers, competitors, and coordination between functional departments, and MO positively impacts business performance (Van Egeren & O'Connor, 1998; Hakala, 2011; Lettice & Forstenlechne, 2014). However, MO does not always have a positive impact on the existence and development of businesses. Depending on the context, when the impact of external factors varies, the influence of MO can lead to different results, which is why researchers continue to delve into this issue. For SMEs in emerging markets, in a study of 374 SMEs in South Korea, MO had no influence on innovation and operational efficiency (Lee *et al*., 2014). Or in the context of an economic downturn, SMEs with MO did not have a positive impact on business efficiency (Beliaeva *et al*., 2020), or only had a significant impact when the market experienced fluctuations in demand and high technology (Grewal & Patriya, 2001). Therefore, the influence of MO on the business performance will differ in distinct situations. During the COVID-19 pandemic, customer psychology and needs have undergone significant changes. This forces businesses to quickly adapt to meet customer demands. It

is also the way businesses apply to survive and overcome the crisis. Thus, this study aims to investigate whether MO positively affect the SME's performance, especially in the case of the COVID-19 pandemic.

H1b: Market orientation positively influences business performance in small and medium-sized enterprises during the COVID-19 pandemic.

Based on the theoretical frameworks of Henderson and Venkatraman (1999), Nambisan *et al*. (2019), and Kindermann *et al*. (2021), Rupeika-Apoga *et al.* (2022) indicates that digital orientation is associated with businesses focusing more on the digital marketplace, including the use of digital technologies. Digital technologies in this context specifically refer to social media, mobile applications, and digitalisation processes (Kindermann *et al*., 2021). To date, the application of digital technologies in the production process or the commercialization of products and services is essential (Gatinon & Xuereb, 1997). Especially, in the context of the COVID-19 pandemic strongly affecting traditional production and trade, digital orientation plays a vital role (Rupeika-Apoga *et al*., 2022). According to the OECD, digitisation opens up many opportunities for start-ups, and small and medium-sized enterprises (SMEs) in innovation and development. Applying digital orientation helps simplify organisation and communication within businesses, supports innovative capacity, and enhances labour productivity (Ardito *et al*., 2021; Akpan *et al*., 2020; Klein & Todesco, 2021; Rupeika-Apoga *et al*., 2022). In developed countries, we cannot deny the benefits that digitisation can bring to businesses. However, in newly emerging or developing countries, there is a lack of ability to apply advanced technology, especially leading technologies like cloud computing, AI, and VR, which have not yet reached their maximum potential. Furthermore, SMEs in developing countries acknowledge the importance of digital transformation during the COVID-19 pandemic. Therefore, the adoption of technology platforms in the business model has surged strongly in just a few months (Rupeika-Apoga *et al*., 2022). However, the digital transformation capabilities of SMEs remain limited (Akpan *et al*., 2020; Priyono *et al*., 2020). Based on these findings, the research proposes the following hypothesis:

H1c: Digital orientation had a positive impact on business performance in small and medium-sized enterprises during the COVID-19 pandemic.

Next, CA enables businesses to create value for customers that exceeds the costs incurred by the business. The value created by the business is what customers are willing to pay for, which can be in terms of price advantage or differentiation that other businesses cannot provide to customers. Therefore, a firm's CA can take two forms: cost leadership or differentiation. It helps businesses operate with superior efficiency, creating superior value for customers, and thereby enhancing the business's performance. In another study, Christiansen (2001) argued that a firm's resources and production processes contribute to creating a competitive advantage. Businesses will use their unique resources to create products and services of superior value for customers. Specific resources include product differentiation, market sensing, and responsiveness.

The goal of product differentiation is to create a competitive advantage for businesses based on the uniqueness and distinctiveness of their products. This differentiation strategy makes it difficult for competitors to replicate the business's unique products or ideas (Ma, 2022). With this advantage, businesses can achieve better profit margins, reduce price competition, build customer loyalty, and avoid substitute products. On the other hand, market sensing is the active process of gathering and distributing information about market needs and responses, such as market segmentation, competitor capabilities and intentions (Ramaswami *et al*., 2004). If a business has good market sensing, it will be able to identify market trends, thus better meet customer desires. Ultimately, market responsiveness is reflected in how well the business meets customer needs and responds to competitor actions. The businesses' ability to quickly respond and adapt to customer demands, along with the proactive development of timely strategies, helps retain customers and enhance their competitive position in the market.

Several studies have considered CA as a mediator affecting the relationships related to business activities worldwide. The research results from Mahmood and Hanafi (2022) on 165 women-owned small and medium enterprises (WSMEs) in Malaysia showed that CA plays an intermediary role between EO and business performance. These findings contribute to helping female owners/managers of SMEs to have better business orientation and develop competitive advantages so that they can survive in a

fiercely competitive market environment. Consistent with these findings, Sihite (2018) also explored CA as an intermediary variable to measure the impact of diversification strategy on the sustainable business activities of enterprises. The results from 43 enterprises showed that CA positively affects sustainable business activities, but the diversification strategy does not indirectly impact sustainable business activities through the intermediary variable of CA. Cahyono *et al*. (2023) also discovered that in SMEs within the halal agriculture sector, CA helps businesses improve their business outcomes and simultaneously serves as a mediator between supply chain management practices and business performance. Thus, we may note that CA has a positive impact on the enterprises' performance, but whether it acts as an intermediary or not depends on specific cases. At the same time, considering this factor as a mediator with other orientations, such as MO or DO, with business performance is still very limited, especially for SMEs. In this study, further exploration of the mediating relationship between market orientations and business performance of enterprises is proposed. Thus, we hypothesised:

H2a: Competitive advantage mediates the influence of entrepreneurial orientation on SMEs' business performance.

H2b: Competitive advantage mediates the influence of market orientation on SMEs' business performance.

H2c: Competitive advantage mediates the influence of digital orientation on SMEs' business performance.

Competitive intensity (CI), as identified by Porter (1980, 2008) is one of the five factors determining the attractiveness of an industry and reflects the competitive dynamics expressing the exchange of competitive movements. It signifies the fierceness of a market, wherein the number of competitors increases, and market opportunities shrink (Auh & Menguc, 2005). Assala *et al*. (2021) argue that CI is the degree to which rivals struggle to improve their market share. This is manifested through competitors attempting to position themselves strategically in the market through policies supporting efficient supply.

The consideration of CI as a moderating variable in the relationship between strategic orientation and business performance is a result inherited from previous theories (Auh & Menguc, 2005; Cadogan *et al*., 2003; Handoyo *et al*., 2023; Charles & Ochieng, 2023), where these authors argue that the environment regulates the effectiveness of organizational activities and businesses. In highly competitive environments, markets require firms to innovate, be proactive, and engage in risk-taking activities to adapt appropriately (Cui *et al*., 2005). Building on this foundation, Martin and Javalgi (2016) conducted a study to measure the moderation effect of CI on the relationship between EO and marketing capabilities as well as EO and firm performance, evidenced by Latin American International New Ventures. The results showed that while CI moderated the relationship between EO and marketing capabilities positively, it did not moderate the path from EO to firm performance. Therefore, in highly competitive markets, firms will need the necessary entrepreneurial orientation to leverage marketing capabilities, thereby achieving superior performance. However, CI is not useful in determining the level of EO needed to achieve superior performance when marketing capabilities are not present as an intermediate value for the EO-performance relationship. In the study by Tsai and Yang (2013), market turbulence and competitive intensity positively moderated the influence of firm innovativeness on firm performance. Furthermore, CI is also a factor that Handoyo *et al*. (2023) used to measure the moderating effect on the relationship between operational efficiency and businesses' outcomes. In other words, the study found that under conditions of intense competition, the impact of operational efficiency on production outcomes is enhanced. Intense competition is indeed a factor that drives operational efficiency and improves production in businesses. In a fiercely competitive environment, if businesses do not respond quickly in the competitive race, they may face many disadvantages that lead to unfavourable business results (Manalu *et al.,* 2023). During the COVID-19 pandemic, when resources become scarce and face numerous impacts, firms must confront many challenges and require change to survive. Consequently, we aimed to explore how CI transforms in an environment of heightened CI, such as the COVID-19 pandemic. We hypothesised:

H3a: Competitive intensity positively moderates the influence of entrepreneurial orientation on the business performance of SMEs.

H3b: Competitive Intensity positively moderates the influence of market orientation on the business performance of SMEs.

H3c: Competitive Intensity positively moderates the influence of digital orientation on the business performance of SMEs.

Figure 1 illustrates the conceptual model, depicting direct, indirect, and moderating relationships. Moreover, following prior studies (*e.g.*, Beliaeva *et al*., 2020; Seet *et al*., 2021), we added control variables, including firm age and firm size. Specifically, we determined firm age based on the number of years since the company was established. Furthermore, we based firm size was based on the number of employees at the company who participated in social insurance.

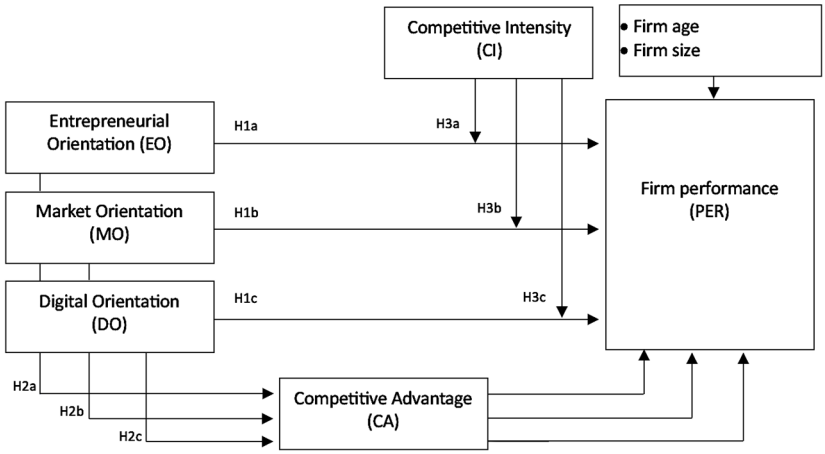

Figure 1. Conceptual model
Source: own elaboration.

RESEARCH METHODOLOGY

We selected Thua Thien Hue province in Vietnam as a research context for this research due to several reasons. The gross domestic product of this province in 2022 increased by 8.56% over the previous year, higher than its growth rate of 4.40 in 2021, in which the service sector made up for 47.56%, followed by industry and construction 33.12%, agriculture, forestry and fishery sector 10.77%, others 8.55%. The number of registered enterprises in this province was around 4.382 enterprises and increased 8.98% compared to 2020 of which non-state enterprises comprising for 98.47% (Thua Thien Hue Statistic Yearbook, 2022).

Before conducting the survey, we conducted a pilot test with 10 managers and enterprise owners to ensure the questionnaires' content. The questions in the interview focused on the main difficulties SMEs suffered during the COVID-19 pandemic and how these business owners overcame the challenges in this crisis period. Through their answers, this research can recognise which kinds of strategic orientation SMEs emphasised and applied in their strategy to improve the business performance in recent years. Moreover, these feedback and opinions helped in revising and developing the questionnaires.

The scales utilised followed a 5-point Likert scale, starting from 1 (strongly disagree) to 5 (strongly agree). Thus far, 5-point Likert scales have been widely used in previous studies such as Keh *et al.* (2007), Seet *et al.* (2021) and Wadood *et al.* (2022). Furthermore, reaching businesses can be quite challenging. A concise 5-point Likert scale instead of other ranges like 7-point or 10-point will help maintain respondents' interest to finish the questionnaire. Table 1 will demonstrate in details about the constructs used in this study.

In this study, we adapted the entrepreneurial orientation (EO) from Beliaeva *et al*. (2020), consisting of nine items divided into three dimensions: innovativeness, proactiveness, and risk-taking. Wales *et al*. (2013) also confirmed that these are the three primary dimensions widely used.

We adapted the measurement for market orientation (MO) used in this study from Beliaeva *et al*. (2020) with three dimensions. However, based on the characteristics of SMEs in Vietnam and the pilot tests, the study employed nine items instead of the original 15 to make the scale more concise. Other studies, such as Zhou *et al*. (2008) and Seet *et al*. (2021), have also adjusted the MO scale in their research. Thus, we explored MO with a primary focus on customer orientation, which includes a (1) commitment to meeting customers' needs, (2) developing business strategies to provide greater value for customers, customers' needs and concentrating on after-sale services, as well as (3) systematically measuring customer satisfaction on a regular basis. Next, we established competitor orientation with three items: (4) regularly discussing competitors' strengths and strategies, (5) focusing on existing customer groups to build competitive advantages, and (6) quickly responding to competitive actions that affect business development. Finally, we used three main items to define inter-functional coordination: (7) coordination among departments to meet the needs of the target market, (8) understanding the value of each employee, and (9) effective collaboration to share resources and information. We omitted the item 'sharing customer-related experiences between departments' due to its overlap with item number 9.

Regarding digital orientation (DO), we adapted the measurement scale based on the studies by Kindermann *et al.* (2021) and Rupeika-Apoga *et al.* (2022), recognizing that DO is a strategy where businesses focus more on the digital marketplace, including the use of digital technologies. Digital technologies encompass the use of the Internet, mobile applications, AI software, robots, big data, and blockchains. In addition to the five items used by Rupeika-Apoga *et al.* (2022) and considering the context of COVID-19 as well as the digital technology capabilities of local SMEs, we added an item related to the transition from traditional business models to online platforms. Furthermore, we also included the commitment to actively seek opportunities for applying digital technologies in the innovation process as the seventh item in the development of this DO scale (Khin & Ho, 2019).

This study measures competitive advantage (CA) using a twelve-item scale adopted from Mahmood and Hanafi (2022). However, since 'customer satisfaction towards products' and 'quick response to customer complaints' share the same interest with other items of the market orientation (MO) scale, we have deducted these two items. Therefore, we used the measurement for CA with 10 items across three dimensions: differentiation (3 items,) market sensing (3 items), and market responsiveness (4 items).

We measured the moderating variable competitive intensity (CI) with a five-item scale, adapted from Jaworski and Kohli (1993) and Tsai and Hsu (2014). We retained four items, which included general competition, promotional wars, readiness to compete with rivals, and price competition. Moreover, during the pilot test with 10 managers and owners of the enterprises, we observed that the intensity of competition in the market was also reflected in companies' efforts to attract top talent through various policies. Therefore, we included the fifth item 'compete to attract top talent' in the scale.

Revenue growth, profit, costs, and market share are four items used to measure the financial performance of businesses (Chen *et al.,* 2007). Financial ratios such as ROA, ROI, and ROE have not been formally measured by local SMEs, so this study did not utilize them. In addition to financial performance, Sihite (2018) states that a company's business outcomes also relate to non-financial performance, such as employee satisfaction. Therefore, in the context of the COVID-19 pandemic, the policies that businesses implement for their employees are essential.

Given time constraints and challenges in obtaining responses from business owners, we utilised a convenience sampling approach. The survey participants were business owners, founders or co-founders, or managers who had an influence on strategic decision-making for the company. The selected businesses must have fewer than 200 employees, as per regulations in Vietnam, where small and medium-sized enterprises (SMEs) are defined as those with fewer than 200 employees. Moreover, to ensure that the sample selection is relevant in the context of the COVID-19 pandemic, we chose businesses that were established before 2022. The sample size was determined according to Hair's recommendation, with a minimum observation-to-variable ratio of 5:1. With 45 variables, the minimum sample of this research is 45 * 5 = 225. 282 responses were collected, and 265 valid responses were used for data analysis. This sample size was sufficient for further analysis.

Table 1. Construct and observable variables

Construct	Number of items	Source
Entrepreneurial orientation (EO)	9	(Beliaeva *et al*., 2020; Wadood *et al*., 2022)
Market orientation (MO)	9	(Zhou *et al.,* 2008; Beliaeva *et al*., 2020)
Digital orientation (DO)	7	(Kindermann *et al*., 2021; Rupeika-Apoga *et al.,* 2022; Khin & Ho, 2019)
Competitive advantage (CA)	10	(Mahmood & Hanafi, 2022)
Competitive intensity (CI)	5	(Jaworski & Kohli, 1993; Tsai & Hsu, 2014)
Business performance (PER)	5	(Chen *et al*., 2007; Sihite, 2018)

Source: own study.

For the purpose of data analysis, as the scales used in this study were adopted from previous studies, this study employed a confirmatory factor analysis (CFA) to check the measurement models, and a structural equation model (SEM) with AMOS 26 to check the influence of strategic orientation on SME's business performance. Firstly, we analysed the issues of reliability and validity before employing a confirmatory analysis (CFA). We used the composite reliability (CR) coefficient and Cronbach's alpha (CA) are used. It should be ensured that CR should be 0.7 or higher and CA should reach at least 0.6 for the scale to be considered reliable (Hair, 2019). We tested the convergence validity by using the average variance extracted (AVE), which has to be greater than or equal to 0.5 (Fornell & Larcker, 1981). Moreover, we ensured the discriminant validity via confirmatory factor analysis. Secondly, based on random 1.000 bootstrapping sampling with a 95% confidence interval, we tested partial and full mediation effects using AMOS. Finally, with the help of the interaction technique, we also tested the moderating effects.

To minimize the possible bias caused by collecting data from a single source and improve reliability, we performed the common method bias (CMB) through the Harman single-factor test (Beliaeva *et al.,* 2020). Accordingly, if the extracted factor explains more than 50% of the variance, the CMB exists. In this study, the first factor explains 37% of the total variance; therefore, CMB is not a significant issue.

RESULTS AND DISCUSSION

Measurement Model

The analysis reveals that the index CMIN/df = 1.951, below the threshold of 3; CFI = 0.926, exceeding 0.9; RMSEA = 0.060, below 0.08. Consequently, the model fits well with the data (Hair, 2019).

We evaluated the reliability of the scale through three indices: composite reliability (CR), average variance extracted (AVE), and Cronbach's alpha coefficient (CA). As depicted in Table 2, all CR values exceeded 0.7, and all AVE values surpassed 0.5. Coupled with CA exceeding 0.6, it confirms that the scales met the requisite standards (Hair, 2019).

We assigned each observed variable a weight exceeding 0.5, with *** denoting statistical significance in the estimation table. Moreover, referring to the data in Table 2, the AVE extracted variance of all scales fell within the range of 0.646 to 0.816, all exceeding 0.5. Hence, we can infer that the scale attains convergent validity (Hair, 2019).

All correlation coefficients between pairs of concepts are less than 1 and statistically significant ($p < 0.05$), indicating their deviation from unity. Furthermore, the square root values of AVE (diagonal and bold lines in Table 6) are higher than the correlation coefficients between constructs (values within the same row and column). Hence, we can deduce that all constructs achieve discriminant validity (Hair, 2019).

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Table 2. Results of estimating the composite reliability coefficient and average extracted variance

Variables	CR	AVE	CA	EO	MO	DO	CA	CI	PER
EO	0.945	0.684	0.944	**0.827**					
MO	0.948	0.669	0.948	0.414***	**0.818**				
DO	0.948	0.722	0.947	0.369***	0.545***	**0.849**			
CA	0.942	0.646	0.941	0.589***	0.429***	0.318***	**0.804**		
CI	0.917	0.689	0.917	0.360***	0.692***	0.540***	0.376***	**0.830**	
PER	0.957	0.816	0.956	0.284***	0.446***	0.425***	0.393***	0.744***	**0.903**

Note. * p < 0.050; ** p < 0.010; *** p < 0.001.
Source: own study.

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Hypothesis Testing

This study aimed to test three groups of hypotheses: testing direct effects of EO, MO, and DO on PER (H1a-H1c), testing mediation effects of CA (H2a-H2c) and testing moderating effects of CI (H3a-H3c) on those relationships. The Chi-square/df = 1.544 < 2, CFI = 0.966 > 0.9, and the RMSEA = 0.045 < 0.08 were considered good. Figure 2 shows the results of the test.

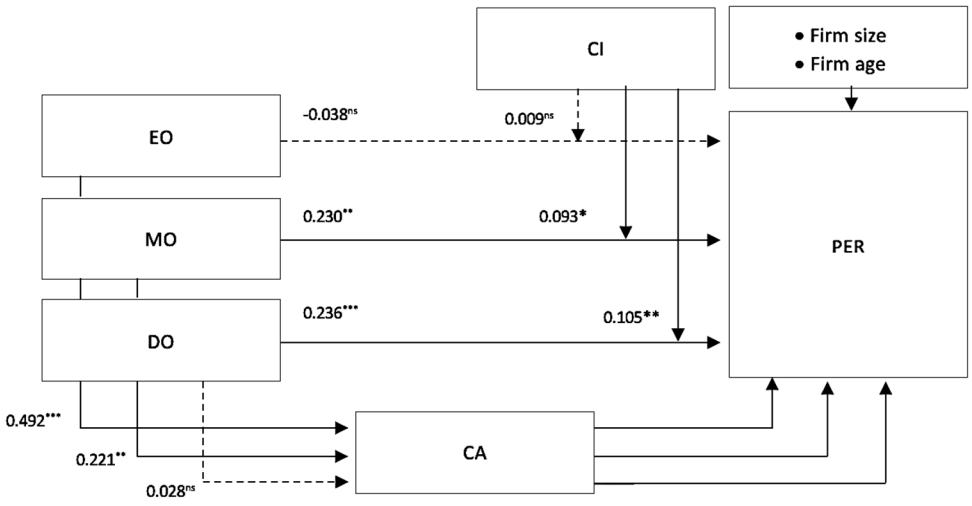

Figure 2. Structural equation modelling results
Source: own elaboration.

The results in the Figure 2 show that EO did not influence PER (ß= -0.038 and p= 0.598 > 0.05), which means that we rejected hypothesis H1a. However, MO and DO significantly influenced PER (ß= 0.230, p= 0.001 < 0.05 and ß= 0.236, p= 0.000 < 0.05 respectively). Therefore, we confirmed H1b and H1c.

In this study, firm age and firm size act as control variables. Based on the results of Table 3, while firm size had no impact on business performance, firm age had a negative impact. This means that in the context of the COVID-19 pandemic, the older the firm, the more its performance tends to decline. This result can probably be explained by the context of the COVID-19 pandemic, which

forced many firms to adapt and change quickly. However, older firms often have less innovative thinking, making it more difficult for them to adapt to the changes.

Next, this research examined the mediating role of CA in these relationships. Results from Tables 3 and 4 show that CA did not mediate the relationship between DO and PER, as its indirect effect was not significant (p= 0.677 > 0.05). On the contrary, CA had an indirect effect on the relationships between EO and PER (indirect effect = 0.102, p= 0.002 < 0.05) and MO and PER (indirect effect = 0.046, p= 0.001 < 0.05). Specifically, EO was fully mediated since its direct effect with PER was not statistically significant (p= 0.502 > 0.05), while MO was partially mediated because its direct effect with PER was statistically significant (p= 0.003 < 0.05).

Table 3. Structural equation modelling results of the model

Structural path	Co-efficient
EO -> PER	-0.038^{ns}
MO -> PER	0.230^{**}
DO -> PER	0.236^{***}
EO -> CA	0.492^{***}
MO -> CA	0.221^{**}
DO -> CA	0.028^{ns}
CA -> PER	0.207^{**}
Control variables	
Firm size -> PER	-0.175^{**}
Firm age -> PER	0.050^{ns}
Model fit indices	
$\chi 2/df$	1.544
RMSEA	0.045
CFI	0.958

Source: own study.

Table 4. Results of mediating impacts

Relationship	Direct effect	Indirect effect	Lower bound and upper bound of the indirect effect	Result	Mediation type
EO -> CA -> PER	-0.038^{ns}	0.102^{**}	(0.026; 0.182)	H2a: Supported	Full mediation
MO -> CA -> PER	0.230^{**}	0.046^{**}	(0.006; 0.105)	H2b: Supported	Partial mediation
DO -> CA -> PER	0.236^{***}	0.006^{ns}	(-0.026; 0.043)	H2c: Rejected	No mediation

Source: own study.

In the context of the COVID-19 pandemic, the economy experienced significant fluctuations, and businesses faced numerous challenges. Although opportunities existed, business had to possess a suitable strategic orientation, dedicated increased effort, engage in further innovation to align with customer and market demands, and adapt to ongoing market fluctuations. Based on an empirical investigation involving a sample size of 265 SMEs and using suitable research methods, the study quantified the impact of strategic orientation components on SMEs' business performance.

Coherent with some previous studies (Van Egeren & O'Connor, 1998; Lettice & Forstenlechne, 2014; Ardito *et al*., 2021), the results of this study indicate that MO and DO have a positive impact on the business performance. In other words, when SMEs focus on the market, specifically on customers, competitors, and inter-functional coordination, or when they consider digital orientation, business outcomes will be better. However, in this case, EO had no direct relationship with SMEs' performance. This finding is consistent with the research of Alegre and Chiva (2013) and Ngo (2021) who revealed that EO was a form of organizational capability, valuable but rare in the market and difficult to imitate. The COVID-19 pandemic has posed significant challenges for businesses, particularly in terms of a lack of resources, both human and financial. As a result, innovativeness, proactiveness, and risk-taking have faced many limitations. Moreover, the market is changing too quickly and is difficult to predict, leading businesses to focus more on safety and asset preservation rather than taking the necessary risks to

innovate, which prevents them from leveraging the advantages of EO. Meanwhile, EO is a type of orientation related to innovation and the willingness to face risks. Therefore, in the changing economic and social environment, SMEs do not perceive the direct positive impact of the EO.

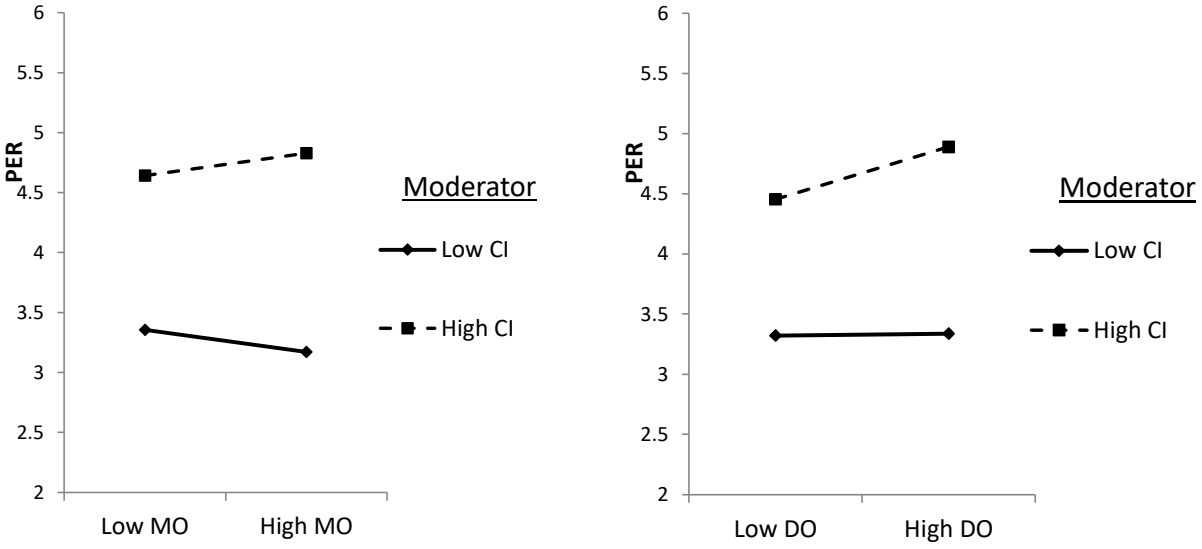

Figure 3. Moderation effects of CI on the relationship of MO, DO, and PER
Source: own elaboration.

Next, the research results also showed that CA mediated the relationship between EO and business performance, as well as MO and business performance. Moreover, SMEs perceive that EO and MO help them strengthen their company's market position compared to rivals in the same industry, thereby enhancing business outcomes. This result is in line with other previous studies such as (Talaja *et al*., 2017; Mahmood & Hanafi, 2013). In terms of theoretical concept, this is consistent with what the resource-based view (RBV) theory has developed, suggesting that a company's market position partly depends on the ownership of rare, difficult-to-imitate resources in the market (Barney, 1995). Meanwhile, EO provides businesses with the ability to innovate and create, thereby gaining a competitive advantage and increasing business efficiency. However, in this study, although DO directly impacted the business outcomes as presented above, CA did not play as a mediator in the relationship between DO and business performance. We could explain this by the current situation of SMEs in Thua Thien Hue Province, where the digital transformation capabilities of SMEs in this area are still very limited and not fully developed. Only when the COVID-19 pandemic emerged did SMEs realize the necessity of digital transformation. Specifically, there is still a lack of big data/AI applications, software application in inventory management/finance, or automation in the production and service supply process. Therefore, they have not fully utilised the advantages provided by DO, thereby enhancing competitive capabilities and business outcomes.

Finally, regarding the moderating role of CI on the relationship between the three types of strategic orientation and the business outcomes, the research results show that CI positively moderates the relationship between MO and DO on the business performance. This means that in an environment where CI becomes more severe, MO and DO have a more positive impact on SMEs' performance. Thus, these results partly demonstrate that during the COVID-19 pandemic, in the situation of increasing market competition intensity, if SMEs focus more on MO, meaning they concentrate more on meeting the needs of customers and the market, as well as adopting DO, then the business outcomes will improve. Meanwhile, CI does not moderate the relationship between EO and the business outcomes of enterprises. We may explain this by the fact that during the COVID-19 pandemic period, when the market experienced many fluctuations and it as difficult to predict what would happen, current businesses would choose safety over increasing capital to invest in risky projects. Martin and Javalgi's study (2016) on the impact of CI on the relationship between EO and PER supports this finding.

CONCLUSIONS

Drawing insights from survey responses from 265 SMEs in Thua Thien Hue Province, this study addressed inquiries regarding the impact of strategic orientation on business performance amid the COVID-19 pandemic. Utilising prior research as a foundation and integrating detailed interviews with local SMEs, the study identified three key orientations, *i.e.*, market orientation (MO), entrepreneurial orientation (EO), and digital orientation (DO), which are deemed significant in influencing business outcomes and commonly embraced by SMEs. Among these, MO and DO directly affected the business performance, while EO did not. However, when examining the relationship between these three types of orientations through the mediator CA, the results indicated that competitive advantage served as a mediator between EO and PER, MO and PER, but not for DO. In a highly competitive environment, the impact of MO and DO on PER became stronger in a positive way. However, CI did not moderate the relationship between EO and PER. The results of this study also contribute to clarifying the resource-based theory, as it becomes evident that SMEs possessing typical resources can leverage existing potentials, thereby enhancing the business outcomes (Monday *et al.,* 2015).

Based on the research findings, we propose SMEs to enhance and improve activities relating market orientation including: (1) establish key performance indicators (KPIs*)* to regularly monitor and track customer satisfaction; (2) discuss the strengths and weaknesses of competitors frequently; and (3) SMEs need to establish an internal management information system to tighten the management of each stage within each department. In today's era of technological development, there are numerous software programs and tools available to help SMEs' owners easily manage and share information internally accurately and quickly. Building an effective information management system also facilitates interdepartmental collaboration among employees, allowing them to address issues by understanding their root causes and finding solutions. Next, SMEs should continue implementing digital transformation activities and view digitial orientation as essential: (1) Employ advanced technologies such as accounting software or ERP system to improve labour efficiency (2) SMEs need to further understand the concept and application of big data as well as AI technology in the production process. Finally, the competitive advantage of SMEs will maximise when the enterprise orients towards entrepreneurial activities: (1) Enterprises need to be proactive and pioneering in introducing new business ideas and products to the market. (2) Enterprises need to maintain a calm attitude in facing risks and solving problems once they have accepted high profit business projects. (3) Consider investing more capital and put more effort into research and development (R&D).

Although the research results are consistent with earlier studies, this study still has some limitations. (1) Due to limited opportunities to meet SMEs' managers in Thua Thien Hue Province and low response rate, the study selected non-probability sampling, resulting in relatively low representativeness; (2) Despite considering the study in the context of the COVID-19 pandemic, each region and country faced different circumstances, environments, and business conditions. Therefore, the research results here require explanation and cautious comparison as they may vary depending on the context of different countries. (3) Measurement on business performance was subjective because most SMEs in Thua Thien Hue province did not consider about some financial indicators such as ROA, ROE, ROI. Regarding financial performance, they only take into consideration of revenue, profit and market share. Therefore, future studies should consider surveying with probability sampling methods, if possible, to enhance the representativeness. Scholars can evaluate the observable variables in the business performance measurement based on specific indicators such as ROA (Return on Assets), ROE (Return on Equity), and ROI (Return on Investment).

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Conflict of Interest

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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