EVALUATING THE IMPACT OF ENTREPRENEURIAL ORIENTATION ON ORGANIZATIONAL RESILIENCE IN MALAYSIAN SMES AND THE MEDIATING ROLE OF ORGANIZATIONAL AMBIDEXTERTY AND ABSORPTIVE CAPABILITY

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Abstract:
The ability to adapt and demonstrate resilience is critical when navigating competitive and turbulent business environments. In recent years, businesses have been confronted with significant disruptions and unprecedented challenges. The challenges posed by the COVID-19 pandemic for instance have significantly impacted various sectors of employment and business. This had such a substantial impact that it resulted in a negative effect on the country's economic growth. The present study aims to examine the impact of organizational orientation on the organizational resilience of small and medium-sized enterprises (SMEs) in Malaysia and the mediating role of organizational ambidexterity and absorptive capability. This study employed the dynamic capability theory as this theory and organizational resilience are closely related concepts, in which both are concerned with a firm’s ability to adapt and respond to changing environmental conditions. Dynamic capability can enhance a firm’s resilience by enabling it to rapidly respond to new environmental opportunities or threats and to develop new resources and capabilities to address future challenges. Similarly, resilience can support dynamic capability development by enabling a firm to recover from disruptions or failures and learn from these experiences to improve its capabilities and processes. Therefore, this study can provide new directions on how dynamic...
capability theory is generated and integrated with the resource-based view (RBV) theory as the dynamic capability framework is based on the RBV.

Keywords:
Organizational Orientation, Resilience, Organizational Ambidexterity, Absorptive Capability, Dynamic Capability Theory

Introduction

Over the years, Small and Medium-sized Enterprises (SMEs) organizational in Malaysia have played a substantial role in driving economic growth. They have not only nurtured successful entrepreneurs but have also contributed to boosting the competitiveness and efficiency of the business market. However, small, and medium-sized businesses are the most vulnerable because they lack the resources to survive the current economic crisis (Dayour et al., 2020). Furthermore, considering the escalating forces of volatility, unpredictability, complexity, and ambiguity (VUCA), these organizations are currently navigating progressively chaotic business environments (Liu et al., 2019). For instance, changes in the business environment, such as technological developments associated with Industry 4.0 and the post-COVID context, have drastically changed operating mechanisms and business recovery (Trieu et al., 2023). As a result, businesses are more likely to adopt strategies and processes that promote resilience and deal with crises (Dhoopar et al., 2021; Conz & Magnani, 2020). Resilience can be defined as the capacity individuals develop to endure difficult situations and recover effectively from adversity, as highlighted in prior studies (Conz & Magnani, 2020; Van Der Vegt et al., 2015; Kantur & Iseri-Say, 2012). In a firm setting, organizational resilience refers to a company's capacity to avert discontinuation by adapting to changes and major events (Beech et al., 2020; Clement & Rivera, 2017), consistently revitalizing their business processes (Stewart & O'Donnell, 2007; Scott, 2007; Mafabi et al., 2015), and sustaining performance levels above average returns (Van der Vegt et al., 2015; Lampel et al., 2014; de Oliveira Teixeira & Werther, 2013). For organizations to be resilient, they must use their resources and capabilities in a way that would allow them to adapt to the changing environment (Duchek, 2020; Kantur & Iseri-Say, 2012; Lengnick-Hall & Beck, 2005) and hence attain competitive advantage (Lee & Rha, 2016; Teece, 2007).

Additionally, there are two important areas of research in the field of management and organizational studies which are entrepreneurship and organizational resilience. Organizational resilience focuses on an organization's capacity to adapt to and recover from disruptive events, whereas entrepreneurship is concerned with the development and growth of new and existing ventures (Kraus et al., 2021). Although these fields may seem distinct, they both share a shared objective of improving organizational performance, success, and survival. Recent research has indicated that entrepreneurial orientation (EO), which encompasses organizational traits and characteristics reflecting a firm's entrepreneurial mindset and behaviour, can be pivotal in strengthening organizational resilience (Asare-Kyiire et al. 2023). Similarly, Miller (2011) found that having an entrepreneurial orientation can help organizations be more resilient because it gives them the adaptability to deal with changing circumstances. However, the mechanisms through which EO contributes to organizational resilience remain underexplored. (Asare-Kyiire et al. 2023). One possible rationale for this is that entrepreneurial orientation (EO) fosters the development of organizational absorptive capability, which is one facet of resilience. Absorptive capability pertains to an organization's capacity to recognize, assimilate, and make use of new knowledge derived from its external environment.
Several studies have provided evidence that absorptive capability has been identified as a key driver of organizational resilience. According to research, firms with high levels of absorptive capability are better able to adapt to changes in their external environment by finding and utilizing new information and knowledge (Cohen & Levinthal, 1990; Zahra & George, 2002). In addition, research has shown that firms with high levels of absorptive capability are more likely to launch new products or services, which can increase their long-term resilience (Lane & Lubatkin, 1998; Lane et al., 2006). Although there is the potential for connections between entrepreneurial orientation (EO), absorptive capability, and resilience, there has been limited research that has simultaneously investigated these relationships, particularly within the context of Small and Medium Enterprises (Asare-Kyire et al. 2023).

Hence, organizational resilience has become a crucial concept in SME management, as highlighted by recent studies (Gayed & El Ebrashi, 2023; Hillmann & Guenther, 2021; Rodríguez-Sánchez et al., 2021). Nevertheless, the precise mechanisms through which organizational resilience contributes to positive outcomes remain unclear, especially in developing countries (Mithani et al., 2020; Rodríguez-Sánchez et al., 2021). Most studies on organizational resilience have predominantly focused on corporate strategy (Kurtz & Varvakis, 2016) or explored it in terms of internal system flexibility rather than the organizational capabilities essential for adapting to a dynamic business environment (Cooper et al., 2014; Kantur & Iseri-Say, 2012; Mitsakis, 2020). Thus, in the face of abrupt changes in political institutions, laws, public policy, legal processes, and governance (Bouwman et al., 2019), management needs to grasp how to leverage organizational resilience and ambidexterity to optimize business performance within an unpredictable environment and with limited resources. To succeed in a rapidly changing business landscape, organizations must also position themselves high on the organizational ambidexterity scale. Being ambidextrous means having the ability to simultaneously explore and exploit internal and external resources to meet current business demands while also being adaptable to future market changes (Zhaxylyk, 2020). It's worth noting that research has been scarce regarding how organizational ambidexterity can contribute to organizational resilience (Stokes et al., 2019). In contrast, when delving into the relationship between ambidexterity and firm survival, subsequent research has predominantly concentrated on assessing the influence of ambidexterity on firm performance (Lubatkin et al., 2006; Flu, Flood & Morris, 2016; Hughes, 2018; Zhou & Yang, 2019).

This study seeks to address the above gaps by adopting the RBV and dynamic capability framework to examine the impact of organizational orientation on organizational resilience as well as examining the mediating role of organizational ambidexterity and absorptive capability in the relationship between EO and organizational resilience. Specifically, this study proposes a conceptual model in which EO predicts organizational ambidexterity and absorptive capability, which in turn predicts organizational resilience. By examining the linkages between these constructs, this study has several implications for research and practice. Therefore, the following research questions are posed:

RQ1. Does organizational orientation have an impact on organizational ambidexterity?
RQ2. Does organizational orientation have an impact on absorptive capability?
RQ3: Does organizational orientation have an impact on organizational resilience?
RQ4. Does organizational ambidexterity mediate the relationship between organizational orientation and organizational resilience?
RQ5. Does absorptive capability mediate the relationship between organizational orientation and organizational resilience?
By answering these questions, this study makes several contributions. First, this study adds to the literature on the dynamic capability framework and the RBV by providing a comprehensive mechanism connecting entrepreneurial orientation and organizational capabilities (i.e. organizational ambidexterity, absorptive capability, and organizational resilience). Second, this study shows entrepreneurial orientation (EO) can enable firms to develop new resources and capabilities, while organizational resilience (OR) can enable firms to protect and leverage their existing resources and capabilities in the face of disruptions or shocks. Thus, the combination of EO and OR can help firms achieve dynamic capability, which can in turn lead to sustained competitive advantage and stimulate business success. Third, this paper provides empirical evidence on the performance consequences of organizational resilience for SMEs. Finally, for managers, this study provides practical guidelines for adopting appropriate organizational competencies and capabilities to recover from disruptions in business performance more effectively. These guidelines will be extremely useful for operations practices during future global business disruptions like those caused by the COVID-19 pandemic.

Literature Review

Entrepreneurial Orientation and Organizational Resilience

The concept of Entrepreneurial Orientation (EO) is widely explored in the literature concerning small and medium-sized enterprises (SMEs). EO pertains to the extent to which an organization demonstrates entrepreneurial attributes such as a willingness to take risks, foster innovation, act proactively, and actively seek opportunities. Several factors have been identified as preceding or influencing EO within SMEs. One of the most frequently examined factors is the personality and traits of the entrepreneur. For example, research indicates that entrepreneurs with high levels of self-efficacy, an internal locus of control, and a strong need for achievement are more likely to exhibit EO (Covin & Slevin, 1991; Lumpkin & Dess, 1996). Furthermore, the structure of the organization and the style of leadership can also impact EO. For instance, decentralized organizational structures and leadership styles characterized as transformational are positively linked to EO (Lumpkin & Dess, 2001; Rauch et al., 2009).

Numerous studies have indicated a positive correlation between Entrepreneurial Orientation (EO) and organizational resilience. Organizational resilience is recognized for enhancing an organization's capacity to innovate and adapt in the face of unforeseen circumstances (Herbane, 2019). Moreover, research conducted by Seo & Park (2022) revealed a favourable association between EO and organizational resilience. This is attributed to EO's capacity to foster increased proactivity and innovation when responding to unexpected events. Their study argued that EO could serve as a mechanism for organizations to bolster their resilience by encouraging proactive responses and innovative solutions. Nevertheless, it's important to note that certain studies have produced contrasting findings, suggesting that Entrepreneurial Orientation (EO) might not have a significant impact on organizational resilience. For instance, a study conducted by Chen et al. (2023) discovered that EO is not significantly linked to organizational resilience, as it doesn't result in increased innovation or adaptability when facing unexpected events. Similarly, another study by Guan et al. (2023) reached a similar conclusion, finding that EO is not significantly associated with organizational resilience, as it does not promote greater flexibility, adaptability, or proactiveness in response to unforeseen circumstances. To address this ongoing debate and bridge this gap, the present study suggests that for small and medium-sized enterprises (SMEs) to attain resilience, these firms must possess the ability to effectively adapt to evolving environments through a combination of organizational orientation, ambidexterity, and absorptive capability.
Organizational Ambidexterity

Organizational ambidexterity is defined as an organization's capability to concurrently engage in both exploration and exploitation while managing its resources and processes (Bustinza et al., 2019). Companies that possess this ambidextrous quality, allowing them to effectively navigate new opportunities and business models while optimizing the value of their existing resources and capabilities, are better equipped to adapt to unexpected changes in the external environment. This dual approach, embracing both exploration and exploitation, contributes to enhanced business performance (Bustinza et al., 2019; Sahi et al., 2020) and fortifies organizational resilience (Al-Atwi et al., 2021; Buliga et al., 2016; Iborra et al., 2020). Moreover, research indicates that organizational ambidexterity can also bolster organizational competitiveness (Chakravarty et al., 2013; Lee et al., 2015). Conversely, research grounded in the dynamic capabilities' framework emphasizes the theoretical significance of ambidexterity and resilience within the context of SMEs, particularly because of their internal constraints. These internal limitations include financial constraints, a dearth of managerial expertise, a scarcity of skilled human resources, marketing challenges, and restrictions on available resources (Chakma & Dhir, 2023; Chang et al., 2011). As a result, these internal challenges render SMEs highly vulnerable to external disruptions, such as economic downturns, natural disasters, and fluctuations in the market and technology (Prajogo & McDermott, 2014). Nevertheless, it's important to acknowledge that the lack of empirical evidence leaves uncertainty regarding whether the ability to simultaneously engage in exploitation and exploration genuinely enhances resilience or if SMEs find it infeasible to innovate given their severe resource limitations. Therefore, this study aims to explore the mediating role of organizational ambidexterity in overcoming the constraints faced by SMEs.

Absorptive Ability

As highlighted earlier, the concept of organizational resilience should be viewed as a dynamic process and analysed on a timeline. While the impact of entrepreneurial orientation (EO) and organizational resilience (OR) on an organization's performance has received considerable attention, studies exploring the influence of absorptive capability (AC) on the relationship between these factors have produced conflicting results. The precise role of absorptive capability in mediating this relationship remains uncertain (Asare-Kyire et al. 2023). Aghdaie, Zali & Kalantar (2017) discovered that absorptive capability (AC) plays a significant mediating role in the connection between entrepreneurial orientation (EO) and organizational resilience (OR). They argue that organizations characterized by high levels of EO tend to be more receptive to external knowledge and better at incorporating it, thereby enhancing their OR. Similarly, Iqbal, Butt & Riaz (2019) conducted a study that found AC to partially mediate the relationship between EO and OR. These authors suggest that organizations with a strong EO are more inclined to actively seek new knowledge and effectively apply it, thereby bolstering their capacity to adapt to changing circumstances. Conversely, certain studies have reported that absorptive capability (AC) does not act as a mediating factor in the relationship between entrepreneurial orientation (EO) and organizational resilience (OR). For instance, in a study by Lee, Choi & Kim (2016), it was observed that EO has a positive effect on both AC and OR, but AC does not mediate the connection between EO and OR. The authors argue that, while AC plays a crucial role in innovation and knowledge management, it is not indispensable for organizational resilience (OR).

Likewise, a study conducted by Ali & Wang (2019) revealed that although entrepreneurial orientation (EO) and organizational resilience (OR) positively affect firm performance, absorptive capability (AC) does not act as a mediator in the relationship between EO and OR.
In summary, the existing literature on the mediating role of AC in the EO and OR relationship presents mixed findings. Some studies indicate that AC plays a substantial mediating role, while others contend that it does not. Based on the above perspective conceptual models are developed:

**Conceptual Framework**

![Conceptual Framework Diagram]

**Dynamic Capability Theory**

While the Resource-Based View (RBV) theory has been widely popular in previous research, it is not without its limitations, especially when it comes to explaining the dynamic development process. In today's global business landscape, which is characterized by its dynamic and unpredictable nature, firms must proactively respond to the ever-changing environment to remain competitive and relevant in the market (Efrat, et.al 2018). Given the constant changes and rapid evolution of the international business environment, it is both relevant and highly advisable to adopt a dynamic perspective. Considering these challenges, the theory of dynamic capabilities has emerged as a valuable framework to help firms maintain their competitive advantage in such a dynamic environment. The Dynamic Capability theory, as formulated by Teece & Pisano in 1994, represents an extension of the Resource-Based View (RBV) of the firm, originally developed by Barney in 1986 and 1991. According to RBV, firms operating in similar industries exhibit varying levels of performance because they possess different sets of resources and capabilities (Barney, 1986, 1991; Peretaf, 1993). However, RBV is often criticized for its static nature and its inability to adequately explain how firms maintain their competitive edge in an ever-changing market environment (Priem & Butler, 2001). RBV primarily focuses on identifying unique, rare, and imitable resources that give firms a competitive advantage and contribute to their growth (Barney, 1986). Nonetheless, the process of sustaining a competitive advantage is dynamic and ongoing (Hung, Yang, Lien, McLean, & Kuo, 2010). Consequently, scholars have proposed that for firms to remain competitive, they...
must develop specific capabilities and prioritize continuous learning (Argyris & Schon, 1978; Hammer, 2001; Jashapara, 1993; Senge, 1990; Zott, 2003). This perspective is particularly crucial in new or evolving market environments (Wilden, Gudergan, Nielsen, & Lings, 2013). The absence of dynamic capabilities can impede a firm's ability to sustain its competitive advantage, especially in a changing environment (Gnizy, Baker, & Grinstein, 2014).

The study of dynamic capability in earlier academic literature has seen a growing interest, particularly since the inception of the international ambidexterity field (Hsu, Lien, & Chen, 2013; Luo, 2002; Luo & Rui, 2009; Prange & Verdier, 2011). These scholars define ambidexterity as a firm's capacity to effectively adapt to the complexities of its organization and respond to the challenges posed by the business environment (Hsu et al., 2013). The firm's inability to develop dynamic capabilities can impede its ability to sustain a competitive edge, especially in a rapidly evolving business landscape, as noted by Gnizy, Baker, and Grinstein (2014). The study of dynamic capabilities in earlier academic literature has seen a growing interest, particularly since the inception of the international ambidexterity field (Hsu, Lien, & Chen, 2013; Luo, 2002; Luo & Rui, 2009; Prange & Verdier, 2011). These scholars define ambidexterity as a firm's capacity to effectively adapt to the complexities of its international business ventures and respond to the challenges posed by the international business environment (Hsu et al., 2013).

Therefore, gaining an understanding of dynamic capabilities is of paramount importance, as they distinguish themselves from specific capabilities like supply chain, research, and development (R&D), and marketing (Gnizy et al., 2014). Dynamic capabilities serve as a mechanism for exploring the resources and competencies required to sustain competitiveness, especially in an ever-evolving market environment (Wilden et al., 2013). They encompass implicit organizational elements such as routines, processes, managerial acumen, cognition, and knowledge (Easterby-Smith, Lyles, & Peteraf, 2009), along with adaptive, absorptive, and innovative capacities (Grant, 1996a; Pisano, 1994; Wang & Ahmed, 2007). Furthermore, Xu, Guo, Zhang & Dang (2018) have identified another dimension of dynamic capabilities when viewed through the lens of inter-organizational relationships and entrepreneurial orientation. They delve into how dynamic capabilities function in the context of domestic versus overseas markets. The implementation of dynamic capabilities can also be leveraged to establish a model of export capabilities, incorporating adaptability, innovativeness, unpredictability, and task-flexibility to attain a competitive advantage and enhance export performance (Efrat, Hughes, Nemkova, Souchon, & Sy-Changco, 2018). In essence, the discussion surrounding the theory of dynamic capabilities provides insights into the historical development of this theory in response to the evolving business landscape. It's worth noting that the theory of dynamic capabilities is not intended to supplant the existing resource-based view (RBV) theory; rather, it extends the current application of RBV in elucidating how firms can gain a competitive edge in dynamic environments.

**Research Methodology**

This research adopted a quantitative research approach to investigate the connection between entrepreneurial orientation and organizational resilience. To gather data, a cross-sectional survey design was employed, targeting a sample of small and medium enterprises (SMEs) in Malaysia. Data collection was facilitated through the distribution of a survey questionnaire that also encompassed demographic variables, such as information about the company's size and the characteristics of the respondents. To select the appropriate participants, a purposive sampling method was employed. This approach ensured that the study focused on SMEs across
various regions in Malaysia while avoiding the inclusion of early-stage enterprise firms. The eligibility criteria stipulated that the selected SMEs must have been in operation for a minimum of three years, possess a workforce of at least ten employees and be willing to participate in the research by completing the designated data collection questionnaire.

Conclusion
The research utilized a nonprobability convenience sampling method, which implies that the findings are not suitable for generalization. Consequently, future researchers seeking to replicate this study should consider using probability-based sampling techniques. Additionally, the challenge of generalizing the results is also associated with the cross-sectional research design employed. The data was collected at a single point in time during the COVID-19 pandemic. To enhance the ability to generalize the findings, future research should contemplate adopting a longitudinal research design, which would involve collecting data at multiple time points. Regarding the sample size, the researchers were able to secure data from 202 firms for the sake of convenience. Nonetheless, it's widely acknowledged that a larger sample size often yields more robust results. Therefore, future researchers may want to aim for a larger and more diverse sample to enhance the reliability of their findings. Therefore, future researchers wishing to duplicate this study should consider this scale along with other scales tackling more resources to be able to effectively measure organizational resilience. It would be interesting to look more into the specific HR practices or human capital management strategies that could enhance the firm’s human capital and hence develop organizational resilience.

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