

**FACTORS AFFECTING ORGANIZATIONAL
PERFORMANCE OF SMES IN UAE**

**ALQASIMI SHAIKH ABDULAZIZ SAOUD
KHALID HUMAID**

UNIVERSITI SAINS MALAYSIA

2022

**FACTORS AFFECTING ORGANIZATIONAL
PERFORMANCE OF SMES IN UAE**

by

**ALQASIMI SHAIKH ABDULAZIZ SAOUD
KHALID HUMAID**

**Thesis submitted in fulfilment of the requirements
for the degree of
Doctor of Philosophy**

October 2022

ACKNOWLEDGEMENT

I would like to thank my supervisor Dr. Mohd Faiz for his dedicated support and guidance. Dr. Faiz continuously provided encouragement and was always willing and enthusiastic to assist in any way he could throughout the research thesis. I would also like to thank my colleague Dr. Anas Abudaqa for providing advice regarding analysis. Finally, many thanks to all participants that took part in the study and enabled this research to be possible.

TABLE OF CONTENTS

ACKNOWLEDGEMENT	ii
TABLE OF CONTENTS	iii
LIST OF FIGURES	x
LIST OF APPENDICES	xi
ABSTRAK	xii
ABSTRACT	xiv
CHAPTER 1 INTRODUCTION	1
1.1 Background of the Study	1
1.2 Problem Statement	6
1.3 Research Questions	14
1.4 Research Objectives	15
1.5 The scope of the Study	16
1.6 Significance of the Study	17
1.7 Limitations and Future Directions.....	20
1.8 Definition of Key Terms	22
1.8.1 Entrepreneurial leadership	22
1.8.2 Learning Orientation	22
1.8.3 Digital Transformation.....	22
1.8.4 Innovation Capacity	22
1.8.5 Digital Strategy	22
1.8.6 Organizational Performance	23
1.9 Summary and Thesis’s Organization	23

CHAPTER 2	LITERATURE REVIEW	24
2.1	Theoretical Underpinnings	24
2.2	Organizational Performance	30
2.3	Entrepreneurial Leadership	32
2.3.1	Leadership	33
2.3.2	Entrepreneurship	34
2.3.3	Entrepreneurial Leadership Definition.....	34
2.4	Learning Orientation	36
2.5	Digital Transformation	39
2.6	Innovation Capacity	42
2.7	Digital Business Strategy	45
2.8	Hypotheses and Framework	49
2.8.1	Entrepreneurial Leadership and Performance.....	50
2.8.2	Learning Orientation and Performance.....	53
2.8.3	Digital Transformation and Performance	56
2.8.4	Entrepreneurial Leadership and Innovation Capacity.....	60
2.8.5	Learning Orientation and Innovation Capacity.....	63
2.8.6	Innovation Capacity and Performance.....	67
2.8.7	Innovation Capacity as a Mediator between EL and Performance	70
2.8.8	Innovation Capacity as a Mediator between LO and Performance	72
2.8.9	Digital Business Strategy as a Moderator	75
2.9	Summary	78
CHAPTER 3	RESEARCH METHODOLOGY	79
3.1	Introduction	79
3.2	Research Paradigm	79
3.3	Research Process	80
3.4	Research Design.....	81

3.5	Study Rationale	82
3.6	Population, Sample, and Unit of Analysis	83
3.7	Questionnaire Development	86
3.7.1	Entrepreneurial Leadership	87
3.7.2	Learning Orientation	88
3.7.3	Digital Transformation.....	90
3.7.4	Digital Business Strategy	91
3.7.5	Innovation Capacity	92
3.7.6	Organizational Performance	93
3.8	Data Collection and Preparation	96
3.8.1	Questionnaire Design.....	96
3.9	Data Collection Procedures	97
3.10	Pilot Study	99
3.11	Statistical Technique	100
3.11.1	Preliminary Analysis and Descriptive Statistics	101
3.11.2	Measurement Model Assessment.....	101
3.11.3	Structural Model Assessment.....	102
3.13	Ethical Issues in the Research	103
3.14	Summary	104
	CHAPTER 4 RESULTS AND FINDINGS.....	105
4.1	Introduction	105
4.2	Response Rate	105
4.3	Respondents' Profile	106
4.4	Non-Response Bias	107
4.5	Data Coding.....	108
4.6	Preliminary Data Analysis.....	108
4.6.1	Data Screening	109

4.6.2	Basic Statistical Assumptions	111
4.7	Descriptive Statistics	113
4.8	Measurement Model.....	114
4.8.1	Measurement Model Assessment.....	115
4.8.4	Discriminant Validity.....	123
4.9	Structural Model Assessment.....	134
4.9.1	Path Analysis.....	134
4.9.2	Indirect Effects.....	137
4.9.3	Assessment of the Coefficient of Determination (R ²).....	141
4.9.4	Assessment of the Effect Size (f ²).....	142
4.9.5	Moderating Role of the Digital Business Strategy.....	143
4.10	Predictive Relevance	146
4.11	Summary of the Findings	150
4.12	Summary	150
CHAPTER 5 DISCUSSION AND CONCLUSION		152
5.1	Introduction	152
5.2	Recapitulation of Findings	152
5.3	Discussion Based on the Research Objectives.....	153
5.3.1	Entrepreneurial Leadership and Organizational Performance	154
5.3.2	Learning Orientation and Organizational Performance	155
5.3.3	Digital Transformation and Organizational Performance.....	156
5.3.4	Entrepreneurial Leadership and Innovation Capacity.....	158
5.3.5	Learning Orientation and Innovation Capacity.....	160
5.3.6	Innovation Capacity and Organizational Performance	161
5.3.7	Entrepreneurial Leadership, Innovation Capacity, and Performance	163
5.3.8	Mediating Role of Innovation Capacity.....	165
5.3.9	Moderating Role of Digital Business Strategy	167

5.4	Conclusion.....	168
5.5	Contribution of Study.....	172
5.6	Implications of the Study	174
5.7	Summary	177
	REFERENCES.....	178
	APPENDICES	

LIST OF TABLES

		Page
Table 2.1	Leadership Approaches	33
Table 2.2	Difference between Digital Strategy and Digital Transformation	48
Table 3.1	Operational Definition and Items for Entrepreneurial Leadership	88
Table 3.2	Operational Definition and Items for Learning Orientation	89
Table 3.3	Operational Definition and Items for Digital Transformation	91
Table 3.4	Operational Definition and Items for Digital Business Strategy	91
Table 3.5	Operational Definition and Items for Innovation Capacity.....	92
Table 3.6	Operational Definition and Items for Learning Orientation	94
Table 3.7	Sections of Questionnaire	96
Table 3.8	Reliability Analysis	100
Table 4.1	Response Rate of Respondents	106
Table 4.2	Profile of Respondents	107
Table 4.3	Data Coding	108
Table 4.4	Missing Values.....	110
Table 4.5	Multicollinearity.....	112
Table 4.6	Descriptive Statistics.....	114
Table 4.7	Summary of Reliability and Convergent Validity of the Constructs	118
Table 4.8	Fornell-Larcker Criterion (First-order Constructs)	124
Table 4.9	Fornell-Larcker Criterion (Higher-order Constructs)	125
Table 4.10	Cross Loadings.....	127
Table 4.11	HTMT for 1st Order Constructs.....	132
Table 4.12	HTMT for Higher-order Constructs.....	133
Table 4.13	Path Analysis.....	137

Table 4.14	Indirect Effects/Mediating Effect.....	138
Table 4.15	R-square of Endogenous Constructs	142
Table 4.16	Effect Size	143
Table 4.17	Interaction Term.....	144
Table 4.18	Predictive Relevance.....	148
Table 4.19	Summary of Hypotheses Testing	150

LIST OF FIGURES

	Page
Figure 1.1	Implementation of Innovation Activities8
Figure 1.2	Performance of SMEs 10
Figure 2.1	Research Framework..... 77
Figure 4.1	Measurement Model Assessment..... 122
Figure 4.2	Path Coefficients of Structural Model..... 139
Figure 4.3	PLS Bootstrapping for Interaction Term..... 145
Figure 4.4	Visual Presentation of Moderating Effect..... 146
Figure 4.5	Blindfolding 149

LIST OF APPENDICES

- APPENDIX A SURVEY QUESTIONNAIRES
- APPENDIX B MISSING VALUES
- APPENDIX C DATA NORMALITY

FAKTOR-FAKTOR YANG MEMPENGARUHI PRESTASI ORGANISASI

PKS DI UAE

ABSTRAK

PKS dianggap sebagai komponen penting dalam mana-mana ekonomi tanpa mengira status pembangunan. Kajian ini mengambil kira peranan kepimpinan keusahawanan (EL), orientasi pembelajaran (LO) dan transformasi digital dalam menentukan prestasi perniagaan (OP) bagi Perusahaan Kecil dan Sederhana yang bekerja di Dubai, UAE dengan strategi Digital sebagai moderator dan kapasiti inovasi sebagai mediator. . Untuk tujuan ini, data primer dikumpul dengan bantuan soal selidik seperti yang dibangunkan melalui pengekstrakan pelbagai item daripada literatur sedia ada untuk pembolehubah kajian. Dengan bantuan persampelan kebarangkalian, sampel yang sah sebanyak 400 responden telah dikumpulkan dan dianalisis secara empirikal. Tambahan pula, berdasarkan pendekatan deduktif, kajian semasa telah menguji hubungan antara pembolehubah melalui pendekatan dua langkah yang masing-masing bertajuk sebagai penilaian model pengukuran dan penilaian model struktur. Penemuan melalui penilaian model pengukuran menyatakan bahawa tiada masalah untuk kebolehppercayaan, ketekalan dalaman dan pengukuran lain yang diperlukan semasa menjalankan penilaian model struktur. Selain itu, dapatan kajian melalui analisis model struktur menunjukkan bahawa terdapat kesan signifikan dan positif kepimpinan keusahawanan, orientasi pembelajaran, dan transformasi digital terhadap prestasi PKS sebagai bekerja di Dubai. Berdasarkan dapatan kajian, dinyatakan faktor-faktor seperti orientasi pembelajaran, transformasi digital, dan kapasiti inovatif menunjukkan peranan yang baik dalam menentukan prestasi organisasi dari konteks PKS. Tambahan pula, kapasiti inovasi juga diteliti sebagai

petunjuk yang baik ke arah prestasi organisasi. Sebaliknya, kapasitas inovasi memainkan kesan pengantara yang ketara pada hubungan EL-OP, dan antara LO dan OP, masing-masing. Akhir sekali, penemuan menunjukkan kesan penyederhanaan yang tidak ketara bagi strategi perniagaan digital terhadap hubungan antara transformasi digital dan prestasi organisasi PKS. Penemuan di bawah kajian ini akan menjadi sokongan besar kepada pelbagai pembuat keputusan dan pengurus perniagaan kerana bekerja di perusahaan kecil dan sederhana Dubai, UAE. Selain itu, beberapa sumbangan berserta batasan seperti yang turut disediakan di bawah kajian ini.

FACTORS AFFECTING ORGANIZATIONAL PERFORMANCE OF SMEs IN UAE

ABSTRACT

SMEs are regarded as a vital component of any economy regardless of the development status. This study considers the role of entrepreneurial leadership (EL), learning orientation (LO) and digital transformation in determining the business performance (OP) for the Small and Medium Enterprises as working in Dubai, UAE with Digital strategy as moderator and innovation capacity as mediator as depicted in Figure 2.1. For this purpose, primary data was collected with the help of questionnaire as developed through extracting the various items from existing literature for the study variables. With the help of probability sampling, a valid sample of 400 respondents was collected and empirically analyzed. Furthermore, based on the deductive approach, current study has tested the relationship between the variables through two step approach which is entitled as measurement model assessment and structural model assessment, respectively. The findings through measurement model assessment specify that there is no problem for the reliability, internal consistency, and other measurements which are necessary while going for the structural model assessment. Additionally, the study findings through structural model analysis indicate that there is a significant and positive impact of entrepreneurial leadership, learning orientation, and digital transformation on the performance of SMEs as working in Dubai. Based on the study findings, it is stated the factors like learning orientation, digital transformation, and innovative capacity are showing their good role in determining the organizational performance from the context of SMEs. Furthermore, innovation capacity is also examined as a good indicator towards organizational performance. On

the other side, innovation capacity is playing its significant mediating effect on the relationship EL-OP, and between LO and OP, respectively. Finally, the findings show insignificant moderating effect of digital business strategy on the relationship between digital transformation and organizational performance of SMEs. The findings under present study would be of great support to various decision makers and business managers as working in small and medium enterprises of Dubai, UAE. Besides, some contributions along with the limitations as also provided under this study.

CHAPTER 1

INTRODUCTION

This chapter covers the title of the study's introduction, followed by the background, problem statement, research questions, and objectives. It also covers the discussion related to the study scope, significance, limitations, key terms, and organization of the thesis.

1.1 Background of the Study

Small and Medium Enterprises (SMEs) are acknowledged as vital drivers of the economy due to the pressure on economic growth among many nations (Meekaewkunchorn et al., 2021). For various reasons, such firms are regarded as a critical sector of the economy. For example, SMEs tend to create jobs in a country at low capital cost as compared to big business ventures and government, provide job opportunities to untrained labor, which results in industrial growth, and finally, SMEs are also important because they result in entrepreneurial talent (Aremu & Adeyemi, 2011; Meekaewkunchorn et al., 2021). The private sector contributes heavily toward economic growth and is essential for financial stability. Therefore, the developing and developed countries must rely on the private sector for stable economic growth (Luetkenhorst, 2006). It is reported that almost 90% of the organizations globally are SMEs and also account for 60% of employment, particularly in developing countries (Hussain, 2015). Therefore, they do have significant importance in developing countries.

Furthermore, SMEs are considered a vital component of the economy regardless of the country's development status. In 1997 a meeting was held in Denver by the G-8 group, who felt the SMEs as a vital factor in the economy and acknowledged that they had

provided jobs and enhanced industrial development and growth (Lee, 2011). Notably, every country has its economic scenarios and is directly influenced by globalization. Technological advancements are taking place, trade has been liberalized, and both have created an intensively competitive environment at national and international levels. In large-scale organizations, SMEs play a vital role in economic development. Notably, 90% of SMEs represent the overall number of firms in Latin America, Asia, and Europe, accounting for 70% of employment and 60% of contribution to GDP (Ayyagari, Demirguc-Kunt, & Maksimovic, 2011). The next section of this chapter will highlight the SMEs ' importance for Dubai.

1.1.1 Dubai SMEs

Small and Medium Enterprises (SMEs) are considered essential for economic growth and development (Manzoor et al., 2021). Similarly, SMEs in Dubai are also regarded as necessary. Their contribution to employment, income distribution, entrepreneurship development, and promotion of exports and growth are recognized (Dubai SME, 2021). Notably, SMEs are classified into three categories in the Dubai context: micro, small, and medium. Therefore, SME in Dubai context is an organization that is in line with the parameters such as minimum and maximum employees and furthers the turnover of the enterprise as per its categories such as Trading, Manufacturing, and Services (Dubai SME, 2019).

An enterprise will be considered micro-level if the employees working there are not more than 5, 9, and 5 in sectors of trading, manufacturing, and services, respectively (Dubai SME, 2019). For a micro-level enterprise, the maximum revenue limit is 3Mn, 3Mn, and 2Mn in trading, manufacturing, and services. An enterprise will be

considered a small level if the employees are 10-50, 10-100, and 6-50 in trading, manufacturing, and services (Dubai SME, 2019). For a small-level enterprise, the maximum revenue limit is 50Mn, 50Mn, and 20Mn in trading, manufacturing, and services. An enterprise will be considered medium level if the employees there are 51-200, 101-250, and 51-200 in sectors of trading, manufacturing, and services, respectively (Dubai SME, 2019). For a medium-level enterprise, the maximum revenue limit is 250Mn, 250Mn, and 20Mn in trading, manufacturing, and services. Having defined the SMEs, let's look at the contribution of SMEs to the Dubai economy.

There are 151875 SMEs in Dubai after an estimated SEMs count of 72695 in 2008. In a few years, they have grown at a rapid pace (Dubai SME, 2019). 61%, 36%, and 2% of firms are micro, small, and medium, respectively (Dubai SME, 2019). More interestingly, 48%, 47%, and 5% of SMEs are related to services, trading, and manufacturing. More importantly, SMEs' estimated contribution is AED 198.6 Billion toward the Dubai economy's Gross Value-add (GVA). Notably, it is a 51% contribution to GVA and approximately 46% in GDP. Statistics highlight the importance of SMEs in the Dubai economy (Dubai SME, 2019). Based on the above argument, this study will consider all three categories of SMEs: micro, small, and medium, to conduct an empirical investigation regarding their performance outlook. Furthermore, our study has considered all three segments of SMEs entitled manufacturing, trading, and service.

Moreover, to promote the SMEs sector in Dubai, an integrated sub-division of Dubai SMEs was created in 2002 by the Department of Economic Development (Government of UAE, 2022). It was created as a resource for information, support,

and outreach for the growing SME sector in the region. Comparatively to other regional economies, the role of SMEs in Dubai is unique as they are majorly contributing to community development, employment creation, economic growth, financial prosperity, social responsibility, and many others (Government of UAE, 2022). Moreover, in the UAE, SMEs cover approximately 94% of the total companies while employing more than 86% of the private workforce (Dubai Chamber Survey, 2020). Similarly, within Dubai, SMEs contribute to 95% of the companies while employing over 42% of the workforce. At the same time, these SMEs are donating 40% of the GDP to Dubai. These facts and figures have provided enough evidence to claim that SMEs have a magnificent role in Dubai and the overall region of UAE compared to the rest of the economies, where such gigantic contributions in employment, economic growth, and % of business share are relatively not so big.

As stated earlier, SMEs can help an economy to grow by involving a more significant number of individuals. Such organizations are essential to generate employment, distribute resources, increase exports, and develop entrepreneurship (Naveed, 2012). Therefore, it becomes necessary to identify the factors that can boost SMEs' performance and make them competitive in the growing world of globalization. One of the significant determinants of SMEs' performance is leadership. It has been argued that nowadays, businesses are observing intense competition in the market and are being challenged with rapid developments which ask them to alter their way of leading. They need a different managerial style, such as entrepreneurial leadership. Traditionally, leaders use the power of status and authority to run an organization effectively; however, entrepreneurial leadership focuses on personal influence towards the employees. Such leadership is generally accepted and has more opportunities to efficiently deal with the organization than other managerial styles. Small and medium-

scale organizations are considered an important segment of the economy; therefore, studying how entrepreneurial leadership contributes to SMEs' success is necessary.

Furthermore, it is stated that the organizations are working in a highly competitive environment and for a new leadership style such as entrepreneurial leadership. Such leadership is quite different from the other administration forms as it focuses only on behavioral norms. Managers with such abilities use legitimate power and authority to resolve organizational issues productively. Additionally, they also personally influence the individuals to determine the organizational problems. Hence, such a leadership style provides more opportunities to tackle administrative difficulties constructively. Therefore, it is essential to study such leadership in the SME context and how it contributes to superior performance (Sandybayev, 2019). From the context of SMEs working in the region of Dubai, it is observed that most SMEs are controlled and owned by their executives/CEOs, who are also working as managers.

Besides entrepreneurial leadership, other factors determine organizational performance, such as digital transformation, innovation capacity, and learning orientation. Innovation is one of the primary drivers of the organization's growth, success, and development. It helps organizations survive in highly competitive environments (Forsman, 2011). Organizations rely on innovation; however, it requires resources and organizational commitment. It is easy for a more prominent firm to invest in the resources and enhance the innovative capacity, but it doesn't seem very easy for SMEs. Previously, studies have also pointed out innovation's performance growth and success (O'Dwyer, Gilmore, & Carson, 2011). SMEs can build the potential to innovate by considering the obstacles as learning opportunities (Al-Ansari, 2014). Moreover, in terms of digital strategies these SMEs are also observed as around

98% and 74% of Dubai SMEs, use computing devices and smart phones, respectively, for basic business use and connectivity (Dubai SME, 2019).

Moreover, the government of UAE has taken several steps to boost this sector while considering the latest scenario for SMEs. For example, the Government has issued Federal Law to protect, promote and regulate SMEs in the region (Government of UAE. 2021). Additionally, the national SMEs program has been launched by the government of the UAE government while providing expertise, training, and some technical and administrative support in various fields of SMEs (Government of UAE., 2021). At the same time, UAE SME's counsel has been established, whose role is to develop strategic planning to promote sustainable development. Concerning financial assistance, 300bn has been provided under the shadow of UAE's industrial strategy. Furthermore, the Khalifa fund, a not-for-profit entity dated by the Abu Dhabi government ha, These steps have provided enough evidence to claim that the government of UAE is striving to boost this sector through a range of initiatives.

1.2 Problem Statement

Besides the significant contribution to the economies, SMEs' low performance and failure is not a new phenomenon in any country regardless of the development status, either developed or developing. Most SMEs don't go for a long run and tend to fail within the first five years of their establishment (Khalique et al., 2011; Zimmerer et al., 2008). Notably, in developed countries, namely; Australia, the UK, and the USA, approximately up to 90% of SMEs fail within the first ten years of their establishment (Ahmad et al., 2010; Syed et al., 2012; Zimmerer et al., 2008). SMEs fail due to various factors such as the absence of education, untrained and lack of entrepreneurial

approach and skills (Ullah, Shah, Hassan, & Zaman, 2011). Furthermore, most SMEs fail due to lacking managerial competencies, finance, and the latest and rapid technological developments (Saleem et al., 2011; Tambunan, 2008).

The title of digital transformation has also shown its impact on SMEs in terms of their values and business models (Lucas, Agarwal, Clemons, El Sawy, & Weber, 2013). It is examined as a process through which there is a restructuring of the institutions or societies (Teece, 2010). Many new opportunities are observed due to digitalization and its pressure on SMEs to reconsider their contemporary business models to identify and adopt new opportunities (Kiel et al., 2016). In this regard, authors like Wirtz, Schilke, and Ullrich (2010) have suggested that managers acquire or adopt one or more aspects of their business models and information technologies as digital transformation. A similar argument was developed by (Rachinger, Rauter, Mu"ller, Vorraber, & Schirgi, 2018), who focused on the concept of digital transformation.

In addition, in all business industries, developing a concept of innovation is primarily linked to their market success. A big focus in the academic literature on innovation capability has been made. In this regard, different titles of business innovation capability have been observed. For example, one of the earlier concepts of organizational innovation has been reviewed by Wolfe (1994), whereas Ali (1994) has considered incremental and radical innovations. Afterward, Garcia and Calantone (2002) explained innovativeness and technological innovation while reviewing new product development, marketing, and engineering. Meanwhile, Adams, Bessant, and Phelps (2006) consider the innovation management measurement to focus on developing a construct through which innovation activities would be measured at the firm level. Although the term innovation has gotten some proper attention in the literature, there is minimal investigation for this title, specifically from SMEs in UAE.

It is widely recognized that SMEs are one of the primary employment and economic growth providers. Therefore, strong, adaptable and productive SMEs will play a significant role in getting a competitive advantage and ensuring sustainable growth (Zulfiqar, 2012). Thus, there is a need to pay special attention and study the SMEs and their performance to gain insights to improve their performance (Haroon et al., 2012). Notably, the implementation of innovative activities by SEMs is relatively low in Dubai, as shown in Figure 1.1.

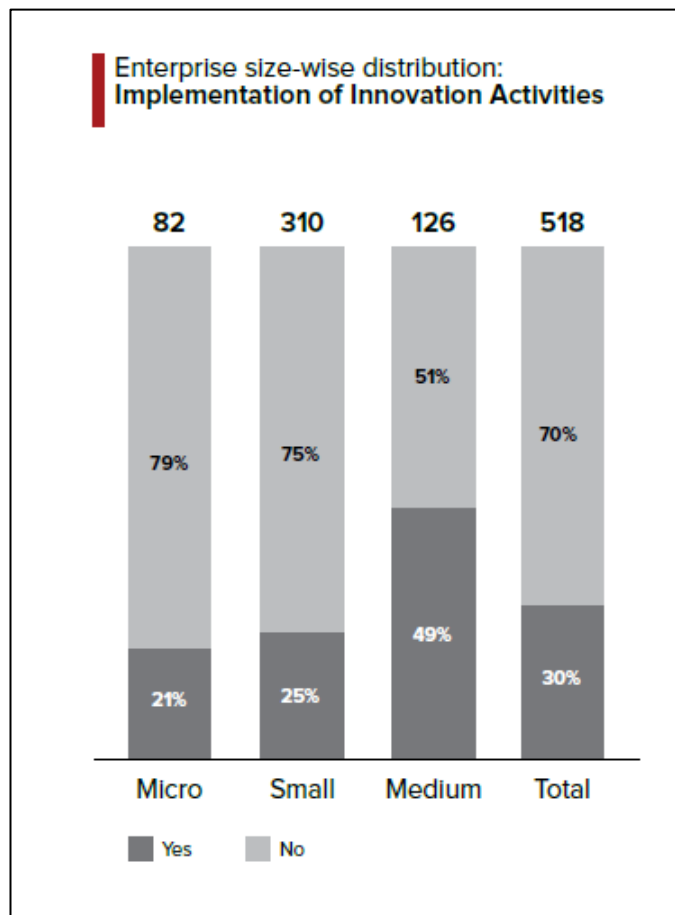


Figure 1.1 Implementation of Innovation Activities

Source: Dubai SME (2019)

As per the above figure, implementing of innovative activities is almost less than 50% in all enterprises. Overall, only 30% of SMEs are implementing creative activities, which asks to identify factors that can improve the innovation activities among SMEs.

More specifically, it is observed that these innovative activities were observed in the form of product-related innovations, process-related innovations, service-related innovations, and operation-related innovations, respectively.

Meanwhile, while focusing on the SMEs of UAE, it is observed that the overall gross profit margin was 19.9 percent during the financial year 2010-11. However, during the financial year 2017-2018, the value of gross profit margin for overall SMEs was 16.2 percent, whereas the services, manufacturing, and trading sector reflected 32.8 percent, 20.0 percent, and 11.7 percent, respectively (Dubai SMEs, 2019). This would justify the argument that there is a significant decline in SMEs' performance outlook in the UAE region. Additionally, in terms of net profit margin, the Dubai SME sector shows an overall rate of 10.4 percent during 2010-11, which declined to 8 percent during 2017-2018 (Dubai SMEs, 2019). More specifically, the value of net profit margin for the service, manufacturing, and the trading sector was 14.2 percent, 9.9 percent, and 10.4 percent during 2010-11, but during 2017-18, the value of net profit margin for all three sectors was 11.1 percent, 8.7 percent, and 7.3 percent, respectively (Dubai SMEs, 2019). This would also justify a decline in the earning capacity of SMEs in UAE when accounting for net profit margin (Dubai SMEs, 2019). For a better understanding, Figure 1.2 provides the performance layout for the SMEs.

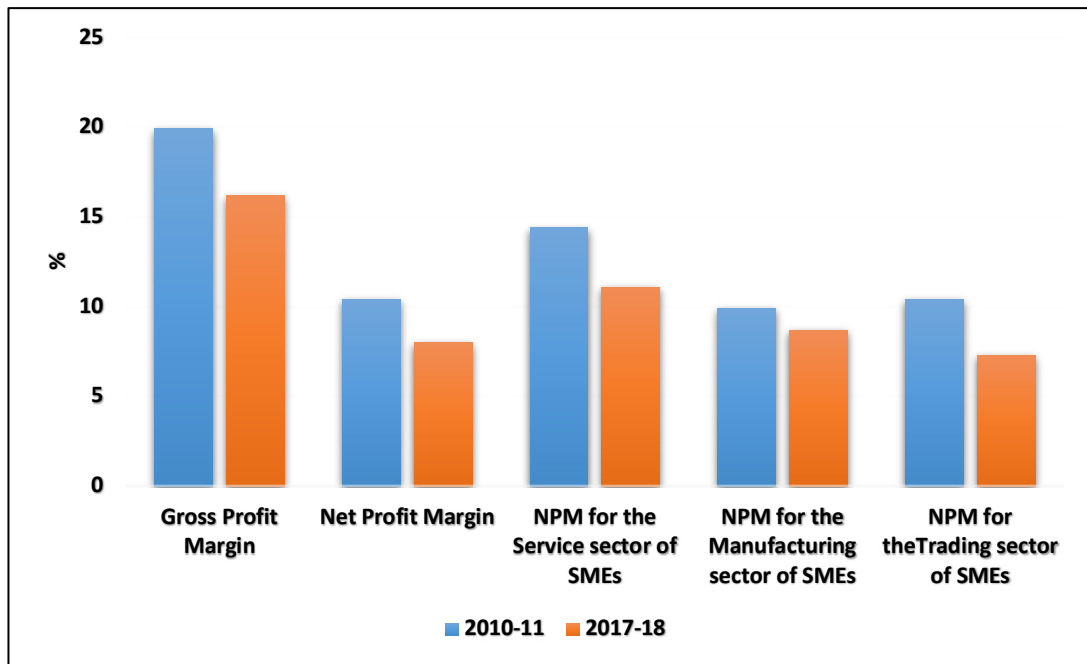


Figure 0.2 Performance of SMEs
Source: Dubai SMEs (2019)

Notably, the number of studies is increasing, simultaneously postulating entrepreneurial leadership as a style and behavior (Newman et al., 2018). Such leadership style considerably motivates and nurtures the innovation culture and opportunities where the circumstances are challenging, unsettled, and highly competitive environments as well (Freeman & Siegfried Jr, 2015; Karol, 2015). Meanwhile, the title of entrepreneurial leadership involves those leaders who create a good vision which is very significant for actualizing and moving committed employees who can reasonably execute that vision to achieve some strategic objectives. Such leaders who are entitled as entrepreneurial in nature show empathy towards themselves and their work while shaping different opportunities to generate values for the firm, society, and various other stakeholders (Nor-Aishah, Ahmad, & Thurasamy, 2020). Entrepreneurial leaders focus on three principles: cognitive ambidexterity, environmental, social, and economic responsibility, and social and self-awareness (Nor-Aishah, Ahmad, & Thurasamy, 2020). Such leadership style is considered

promising in newly started businesses and small and medium enterprises (SMEs) (Koryak et al., 2015; Leitch, McMullan, & Harrison, 2013). Besides its importance, few studies have considered such leadership style about innovation and business performance (Avanti Fontana & Soebowo Musa, 2017). However, from the context of SMEs working in Dubai, it is observed that most of such business units are entirely controlled by their owners, who also work as executive managers (Dubai SMEs, 2021). Although these owners are also working as executive managers, these individuals lack true leadership characteristics due to a lack of effective training and development, managerial expertise, and industry-related knowledge to work in a better way. Such leadership skills are also required to improve further regarding management capabilities, strategic thinking skills, creativity, flexibility, the ability to align employees with the company's value and goals, and strong charisma (Jouany, 2021).

Similarly, in their study, Huang, Ding, and Chen (2014) contended that the research regarding the influence of entrepreneurial intentions and employees' innovative behaviors is still limited. To the researcher's knowledge, only a few studies have investigated the title of entrepreneurial leadership and innovation capacity (Bagheri et al., 2022; Khairuddin et al., 2021; Newman et al., 2018b). It affirms a need to conduct more studies in this domain. The significance of organizational learning has widely been under the researchers' observation in recent and past studies, where the primary focus is to explore its role in organizational performance. However, earlier work in this regard was mainly conceptualized. It is claimed that organizational learning primarily generates some novelty in products, procedures, and such systems, leading to a better performance outlook (Tajeddini et al., 2017). More specifically, learning is how organizational capabilities are developed to achieve competitive

advantage and better performance. However, the corporate learning title has gotten significant attention from 1970 to 1990 due to its increasing pressure on organizations (Ali et al., 2020).

According to some authors, the association between organizational learning and innovation is limited as literature has extensively focused on education and organizational performance (Wang, 2008). Learning orientation is advantageous for organizations, but it is still widely studied in western countries, which asks for more empirical evidence in other cultures to have more generalized findings of the phenomenon (Tajeddini, 2016). A Previous study conducted in the IT manufacturing companies context regarding innovation contended that the results do not apply to every industry. Besides, some studies have also suggested conducting more research in SMEs regarding leadership and innovations. The current 21st century is innovative, and findings may not apply to all industries (Su et al., 2018).

Additionally, innovation is an essential factor for the survival of SMEs. However, it is still unclear how to increase innovation (Forsman, 2011), which warrants more research in this area. Further, the factors that determine or enhance an organization's innovation capacity are still under-researched (De Jong & Marsili, 2006). Furthermore, few studies have examined the innovation capacity from the SME perspective as a contributing factor in performance. Therefore, it remains imperative to study the predictors of innovation capacity and how it contributes to organizational performance (Pierre & Fernandez, 2018).

From the contextual point of view, most of the studies regarding the leadership and performance carried out in the United States and European countries also warrant the

exploration of such construct and relationships in the Middle Eastern context (Currie, Humphreys, Ucbasaran, & McManus, 2008). Concerning the association between learning orientation and innovation capacity, it has been argued that most of the studies are dedicated to the developed countries, which ask for more research in other nations and cultures to advance the understanding of learning orientation and innovation capacity (Serna et al., 2016).

Finally, the direct association between entrepreneurial leadership and organizational performance and learning orientation and organizational performance has gotten some attention (Adam et al., 2022; Meekaewkunchorn et al., 2021), but one of the key gaps confirms that such a relationship is missing from the context of SMEs in UAE. At the same time, the mediating role of innovation capacity on the relationship between entrepreneurial leadership, learning orientation, and performance outlook for the SMEs in UAE is found with no theoretical and empirical contribution in the literature, which is another literature gap. This would claim a significant mediating effect of innovation capacity between entrepreneurial orientation, learning orientation, and organizational performance. Furthermore, learning orientation and digital transformation may lead to better and improved organizational performance, specifically in UAE. However, the interacting effect of the digital strategy may claim that there would be a more robust organizational performance in the context of SMEs in the UAE. Therefore, this study examines the moderating role of digital strategy on the relationship between learning orientation, digital transformation, and organizational performance for SMEs in the UAE.

Finally, considering underpinning theory, the current study has filled the literature gap to explore the relationship between SME performance, entrepreneurial leadership, learning orientation, digital transformation, innovation capacity, and digital strategy. A detailed review of the existing literature has made it evident that current studies are lacking while integrating the role of entrepreneurial leadership, learning orientation, digital transformation, innovation capacity, and digital strategy in justifying organizational performance, specifically from the context of SMEs in Dubai. Therefore, based on the above-stated issue of organizational performance in SMEs of Dubai, this study has intended to provide a practical solution as explored through the methodological context of a two-step approach, for which details are added in the subsequent chapters.

1.3 Research Questions

Following are the research questions of the present research study:

1. Does Entrepreneurial Leadership influence Performance base on the theoretical foundation of a resource-based view?
2. Does Learning Orientation influence Performance base on the theoretical foundation of a resource-based view?
3. Does Innovation Capacity influence Performance base on the theoretical foundation of the resource-based view?
4. Does Digital Transformation influence Performance base on the theoretical foundation of the resource-based view?
5. Does Digital Strategy influence Performance base on the theoretical foundation of the resource-based view?

6. Does entrepreneurial leadership influence innovation capacity based on the theoretical foundation of the resource-based view?
7. Does the learning orientation affect the innovation capacity based on the theoretical foundation of the resource-based view?
8. Does Innovation Capacity mediate the relationship between Entrepreneurial Leadership and Performance based on the theoretical foundation of the resource-based view?
9. Does Innovation Capacity mediate the relationship between Learning Orientation and Performance based on the theoretical foundation of the resource-based view?
10. Does Digital Business Strategy moderate the relationship between Digital Transformation and Performance based on the theoretical foundation of the resource-based view?

1.4 Research Objectives

Following are the research objectives of the present research study:

1. To examine the relationship between Entrepreneurial Leadership and Performance based on the theoretical foundation of a the resource-based view.
2. To examine the relationship between Learning Orientation and Performance based on the theoretical foundation of a resource-based view.
3. To examine the relationship between Innovation Capacity and Performance based on the theoretical foundation of a resource-based view.
4. To examine the relationship between Digital Transformation and Performance based on the theoretical foundation of a resource-based view.

5. To examine the relationship between Digital Strategy and Performance based on the theoretical foundation of a resource-based view.
6. To examine the mediating role of Innovation Capacity on the relationship between Entrepreneurial Leadership and Performance based on the theoretical foundation of a resource-based view.
7. To examine the mediating role of Innovation Capacity on the relationship between Learning Orientation and Performance based on the theoretical foundation of a resource-based view.
8. To examine the moderating role of Digital Business Strategy on the relationship between Digital Transformation and Performance based on the theoretical foundation of a resource-based view.

1.5 The scope of the Study

The present study examines the influence of entrepreneurial leadership, learning orientation, and digital transformation on organizational performance. It also studies innovation capacity as a mediator between the association of independent (Entrepreneurial leadership, learning orientation, and digital transformation) and dependent variables (Organizational performance). Further, it examines the moderating role of digital business strategy in an association between digital transformation and organizational performance. The present study is descriptive and quantitative. Therefore data is collected from Dubai-based SMEs by using the questionnaire.

1.6 Significance of the Study

The significance of the current study can be viewed from a range of perspectives. For example, the study's importance lies in providing empirical evidence regarding entrepreneurial leadership and how it enhances performance, a major issue faced by SMEs. It serves as a guideline for policymakers and practitioners to reconsider how business policies are being made.

Additionally, organizational performance is very much helpful for different stakeholders, including investors, creditors, suppliers, and governmental agencies, to infer whether the organization is moving in a meaningful direction or not. Furthermore, better organizational performance provides a sense of motivation to employees and subordinates to work with more dedication towards their organization. Another notion of claiming the significance of organizational performance is that better performance provides a cutting edge over rivals in the industry and marketplace through which business can sustain over a longer period. Therefore, the significance of the current study can also be viewed from the context that it has explored the trends in organizational performance for SMEs, which is indeed a missing part in the literature based on the key explanatory variables as discussed earlier.

Thus, the present study is also significant because it assesses the underlying relationship, particularly in the context of SMEs, which has also been suggested by previous research studies (Hilman & Kaliappen, 2015; Kafetzopoulos & Psomas, 2015). The empirical evidence provided by the study is also significant from the theoretical perspective because it has considered entrepreneurial leadership as resources instead of the behavior backed by the leadership's behavioral theories.

Furthermore, the present study is also significant from the contextual perspective as most studies on leadership are conducted in a western context. Therefore, the present is considerable. It explores entrepreneurial leadership in a middle-eastern context and adds to the blend of cultural knowledge regarding entrepreneurial leadership and innovation capacity. It is also essential to provide insights regarding factors that potentially influence SMEs' performance, particularly in developing countries (Binnui & Cowling, 2016).

Conclusively the study is significant in various terms as it provides empirical evidence regarding how to improve the organizational performance of SMEs. As per the given discussion under study background and specifically in the problem statement, it is observed that the performance of SMEs in Dubai has not been so appealing over the past couple of decades. For this reason, the current study provides evidence regarding a) how entrepreneurial leadership does contribute toward organizational performance; b) how digital transformation boosts organizational performance; c) how the learning orientation lead toward organizational performance, and finally, how the different factors (entrepreneurial leadership, digital transformation, and learning orientation) build the innovation capacity of the organizations which ultimately increase their organizational performance.

In addition, the significance of this study can also be viewed from the context of the resource-based view (RBV) theory which indicates that organizations can benefit significantly from their available set of resources in the form of higher performance. More specifically, the significance of RBV claims that utilization of the best available organizational resources is very important to achieve higher performance and competitive advantages over rivals in a similar industry. Therefore, this study has mainly considered RBV as theoretical underpinning to claim that it helps significantly

justify the relationships between the variables of interest. Moreover, this research has also highlighted its focus on SMEs, considering their economic and financial contribution to the context of Dubai, UAE. In this regard, current research has added a meaningful addition while demonstrating the key issues related to SMEs' low performance and some suggested solutions based on the practical implications. At the same time, the significance of current research can be viewed in a context that it may help the community members in UAE. They are interested in starting their new business ventures under the shadow of SMEs.

Moreover, the significance of the positive and constructive role of innovative capabilities, leadership, learning orientation, and digital transformation may also be considered key indicators for the success of the upcoming business units in the form of SMEs as started by community members. At the same time, this study also highlights its significance for governmental departments like the department of economics in Dubai, which constantly works to improve SMEs' performance. More specifically, the findings under the present study have provided remarkable theoretical and practical suggestions through which such governmental departments may attain equal benefits. Besides, this research also assists the SMEs in increasing their performance in the form of return on investment while considering the role of key exogenous constructs, moderators, and mediating variables. Meanwhile, it also imported to specify that the field of current study is purely social sciences in nature and has both theoretical and empirical implications.

Finally, the significance of this research can also be viewed from the context two-step approach. More specifically, after reviewing existing literature, it is observed that there is a great significance for the utilization of a two-step data analysis method. The measurement model assessment title specifies that data is initially analyzed. This has

helped the researcher justify the argument that there is no problem with the study items or constructs while going for the next step, entitled structural model assessment. After measurement model assessment, the next step is based on the structural or outer model assessment for which the initial value of explained variation is examined. After investigating data through a measurement model, hypothesis testing was conducted with the help of coefficients and their relative importance to standard deviation. Meanwhile, the structural model also helps to examine the model's predictive relevance and determine the effect size. This research's methodological significance can be discussed appropriately based on the above discussion.

Besides, although the above discussion has reasonably highlighted the significance of this study; however, it is worthwhile to note that this research is also limited in terms of explanatory variables, cross-sectional comparison between small and medium enterprises, considering the pure financial measures of performance, cross-regional comparisons of the SMEs' performance and many others. A detailed description of the study's limitations has been added under chapter five of this study.

1.7 Limitations and Future Directions

The present study's findings are subject to various limitations that must be considered. First of all, the present study is cross-sectional. Notably, this is utilized due to constraints such as cost and time. The findings should be interpreted carefully while going for their generalization. SMEs outside Dubai work under different circumstances and have different working environments compared to Dubai. Therefore, the findings cannot be generalized as a whole.

Additionally, the study is conducted in SMEs, which makes its limited application to the large scale and multinational organizations working in Dubai. Therefore, they

should be interpreted carefully. The present study is quantitative, which may result in response bias from the respondent's perspective. Notably, the study has established the reliability and validity of the measuring instrument. Additionally, a study has considered the digital business strategy, innovation capacity, and learning orientation as a second-order construct which may hinder the true picture of the influence of these indicators on the performance of organizations.

The limitations mentioned above can be addressed in future research such that the longitudinal study may be designed better to understand the change in organizational performance over time. Moreover, future studies may also consider mixed methods to study the current framework. It is mentioned that the investigation has regarded most of the variables as second-order constructs; therefore, future studies may also consider the dimensions of the variables, namely; innovation capacity, learning orientation, and organizational performance, to have better insights regarding the organizational performance predictors. Notably, the study has considered entrepreneurial leadership as a uni-dimensional construct; however, leadership is a complex phenomenon, and almost known leadership constructs have dimensions (Authentic leadership, destructive leadership (Haider et al., 2018), and transformational leadership (Haider et al., 2017)). Therefore, future research studies should consider entrepreneurial leadership as a multi-dimensional construct (Bagheri, 2017). The study was not sector specific. Therefore, future studies may view a particular industry or the comparison of the multiple sectors to have better insights regarding the prediction of organizational performance.

1.8 Definition of Key Terms

1.8.1 Entrepreneurial leadership

It involves organizing and motivating a group of people to achieve a common objective through innovation, and risk optimization while taking advantage of opportunities (Arora & Sharma, 2022).

1.8.2 Learning Orientation

Learning orientation refers to the organization-wide activity of creating and using knowledge to enhance competitive advantage (Calantone et al., 2002).

1.8.3 Digital Transformation

It is the process of devising new business applications that integrate all digitized data and digitalized applications (Ossiannilsson, 2021).

1.8.4 Innovation Capacity

Innovation capacity is the ability to come up with novel ideas that deliver short- and long-term profits to an organization (Pavão et al., 2019).

1.8.5 Digital Strategy

The approach by which the application of digital technologies to business activities and processes can support business growth and provide a competitive advantage (Fan & Ouppara, 2022).

1.8.6 Organizational Performance

The performance of the organization assesses to what extent an organization has achieved its set goals and objectives (Ling & Dastane, 2022).

1.9 Summary and Thesis's Organization

This thesis is divided into five chapters. Chapter 1 provides the background of the study and explains the relationship between the variables that contribute to the study's framework. Chapter 1 also details the research problem, the research questions, and the study's objectives.

Chapter 2 presents the literature review and the theoretical development based on the theoretical framework and the study's hypotheses. In addition, this chapter will discuss the theoretical underpinning of this study. The literature review provides the foundation for the research framework presented at the end of the chapter.

Chapter 3 discusses the research methodology that is used in this study. The chapter discusses the research design, data collection methods, population sample, statistical instruments, and measurements for the study questionnaires.

Chapter 4 reports the statistical result from the data analysis based on the questionnaire and findings of the study.

Chapter 5 highlights the findings of this study and its contributions, implication, and limitation. This final chapter includes conclusions, suggestions, and directions for future research.

CHAPTER 2

LITERATURE REVIEW

2. Introduction

This chapter presents the literature relevant to the study's theoretical framework. It begins with a discussion on the theoretical underpinning, followed by literature relating to the key constructs that outline the study's theoretical framework and hypotheses. This chapter concludes with justifications for the construction of the theoretical framework.

2.1. Theoretical Underpinnings

This section will elaborate on the resource-based view theory under which the theoretical framework is underpinned

2.1.1. Resource-Based-View Theory

Competitive advantage can be demonstrated in terms of an economic value obtained by comparing the perceived value of the purchaser of products and services with the financial cost of producing them (Özkan et al., 2020). Thus, to have a better economic value, organizations must offer more customer benefits than rivals and enjoy the superior performance (Barney & Clark, 2007). Notably, some firms have good performance, and some have bad versions, which two renowned approaches can explain. Industrial Organization-Based Strategy is the first approach Porter and Strategy (1980) proposed that entirely emphasizes structure-conduct-performance. This approach argues that the industrial structure and market power are significant drivers of firm performance.