

The effect of market and entrepreneurial orientation on the performance of microfinance institutions: The mediating role of learning orientation in the context of Yemen

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Abstract

The main objective of this study is to empirically examine the effect of Market Orientation (MO), Entrepreneurial Orientation (EO) and Learning Orientation (LO) on Microfinance Institutions' (MFIs) performance in the context of Yemen. It also examines the mediating effect of LO on the link between MO and EO in Yemeni MFIs' performance. A survey questionnaire approach was employed in which 166 branch managers of MFIs across the country participated. A total of 125 usable questionnaires was obtained and used in the data analysis. The measurement model and structural model analyses were performed using partial least square structural equation modelling, Smart PLS 3.0. The results proved that both EO and LO, but not MO, have direct significant effects on MFIs' performance. This study also found a mediating effect of LO on the link between both MO and EO with MFIs' performance. These findings suggest that LO plays a significant role in MO, EO and MFIs' performance. The results of the study are of great value for academicians, policy makers and practitioners.

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Introduction

Generally, the dramatic increase of commercialisation in the microfinance industry has created a challenging environment (Homaid, Minai & Rahman, 2015). The strong competition and profitability are among the results of such commercialisation in this sector (Dacheva, 2009). There is also a noticeable increase in the aspect of commercialisation and its accompanying practices in the microfinance market of Yemen. Abdel Baki, Zain and Cordier (2010) stated that the tendency towards commercialisation has forced the Microfinance Institutions (MFIs) to be more competitive, needing to implement strategic thinking and principles that guide their activities and establish behaviours intended to ensure their viability and competitive advantage.

In a rapid, changing and chaotic business environment, strategic orientation (SO) has flourished as a new paradigm of strategic intervention employed by a firm to gain competitive advantage (Acar & Özşahin, 2018; Goldman & Grinstein, 2010). A number of studies have suggested that different combinations of orientations may suit different levels of market turbulence or demand uncertainty (Berthon Mac Hulbert, & Pitt, 2004; Gao, Zhou & Yim, 2007). Specifically, market- and entrepreneurial-

oriented organisations are able to operate successfully in turbulent and changing environments (Atuahene-Gima & Ko, 2001). This is because of their capabilities to assist firms to create new products and processes and to respond to changing environments (Frishammar & Åke Hörte, 2007). Similarly, learning-oriented organisations are able to identify market opportunities and maintain sensitivity to market changes (Farrell, Oczkowski & Kharabsheh, 2008).

It is argued that among the most important capabilities of a firm are its SOs (Zhou, Yim & Tse, 2005). Their importance arises from their capacity to reflect the philosophy of the firm in conducting business, by implementing a deeply rooted set of values and beliefs that drive the firm to obtain abnormal performance (Gatignon & Xuereb 1997). On top of providing the guidelines on how to operate, these values also classify firms into categories such as “entrepreneurially oriented” or as “market oriented” (Cadogan, 2012). This indicates that SOs can be a key source of competitive advantage, particularly if the classification and guidelines are clear and available within the firm (Grinstein, 2008). According to Storey and Hughes (2013), SO guides a firm’s bundling and leverage of organisational resources in exploiting market opportunities.

For this study, the three SOs, namely market orientation (MO), entrepreneurial orientation (EO) and learning orientation (LO) are included. The literature shows that the relationship among these three constructs is complex and ambiguous. The majority of research has examined the effects of each SO in isolation (Hakala, 2011). Moreover, no research has been found which examines the mediating role of LO on the relationship between MO and EO, and organisational performance in the context of microfinance. It is important to note that MFIs are different from institutions that are either profit or non-profit organisations, as they focus on both financial and social goals. Moreover, examining the link between SOs (MO, EO and LO) and organisational performance has been neglected in the least developed countries such as Yemen because the majority of such studies have been carried out in developed countries. The findings of this study offer new insights and greater understanding, and enrich the literature of strategic management.

Literature Review

Theoretical Foundation

The resource-based view (RBV) of the firm is used to measure general organisational performance (Crook, Ketchen, Combs & Todd, 2008). It focuses on the organisation’s internal resources, which are more valuable, scarce, imperfectly imitable and non-substitutable, to achieve sustainable competitive advantage (Barney, 1991; Fahy, 2000). The organisation then becomes more likely to develop its unique capabilities which together assist it in competing in the market (Barney, 1991; Barney & Clark, 2007). Moreover, these resources can be categorised as tangible, such as physical assets; or intangible, such as the firm’s reputation and personnel-based resources including technical knowledge (Grant, 1991). This study adopts RBV as its guiding theory as the constructs under study, MO, EO and LO, are considered organisational resources and capabilities that help firms to obtain sustained competitive advantage.

Market Orientation

The concept of Market Orientation (MO) and its interpretation has evolved over the years. It was introduced into the academic literature as early as the 1920s (Strong, 1925), and was considered as the marketing operation at the organisational level by the 1950s (Borch, 1957); it has captured the interest of top management for its value and orientation abilities (Felton, 1959). By the mid-1960s, some empirical studies were measuring the effects of MO and technological advances on organisations, responding to individual customer needs and the increased awareness of the importance of MO within organisations (Cross, Brashear, Rigdon, & Bellenger, 2007). Throughout the 1970s, the focus shifted to selling, and scrutinising the sales force became common with the implementation of evaluation and reward systems (Anderson & Chambers, 1985). Since the 1970s, the interest in relationship marketing has flourished (Deshpande, & Webster, 1989; Shapiro, 1988); this considers satisfaction and trust to be the major factors affecting MO and its outcomes (Stock & Hoyer, 2005). Thus, several terms to describe the basic concepts of marketing emerged and became common, such as “market driven”, “market focused”, “market oriented” and “customer oriented” (Day, 1994). In fact, since 1990 MO has become a widely accepted term referring

to the application of a marketing concept (Mason & Harris, 2006), which is considered to be a major factor for the viability and success of organisations (Mahmoud, Kastner & Akyea, 2011).

A review of the literature shows different definitions of MO, all focusing on customers and their needs. Scholars have clear orientation towards customers and how to respond to their needs and demands, but they focus on different organisational elements. For example, Ruekert (1992) emphasised the organisational strategy process, whereas Deshpandé, Farley and Webster (1993) focused on the business culture, which emphasises competitiveness and market superiority; Day (1994) stressed organisational skills. However, the most widely accepted definitions of MO were provided by Kohli and Jaworski (1990), who emphasised the information processing activities, and Narver and Slater (1990), who concentrated on cultural-behavioural components (Shoham, Ruvio, Vigoda-Gadot & Schwabsky, 2006; Altuntaş, Semerciöz & Eregez, 2013).

This study adopts Kohli and Jaworski's (1990) concept of MO, which is viewed as a collection of behaviours or activities practised by an organisation specifically in generating market intelligence, where market intelligence relates to current and future customer needs, dissemination of the intelligence across all departments, and responding quickly and across the board to market intelligence.

Entrepreneurial Orientation

Within the domain of corporate entrepreneurship and strategic management, entrepreneurial orientation (EO) is recognised as a substantial construct (Vij & Bedi, 2012; Wolff, Pett & Ring, 2015). The fundamental assumption that supports EO as a major theoretical factor is that entrepreneurial organisations behave differently from non-entrepreneurial ones. This helps them to obtain competitive advantage and exhibit superior performance (Wiklund & Shepherd, 2005). The concept of EO was introduced by Miller (1983), who suggested that the entrepreneurial organisation is characterised as one that is involved in innovation, taking risks, the first to come up with proactive innovations, and competing aggressively. Later, Covin and Slevin (1988) contributed significantly to the concept of EO by operationalising the three dimensions of EO, namely innovativeness, risk taking and reactivity. From a broader perspective, Lumpkin and Dess (1996) defined EO as the actions, processes, methods and decision-making activities which lead to the establishment of a new entry (business venture). They also suggested autonomy and competitive aggressiveness in addition to the three dimensions of Covin and Slevin (1988).

The majority of studies employ the conceptualisation of Miller (1983) and the operationalisation of Covin and Slevin (1989) in measuring the EO construct through the three dimensions, namely innovativeness, reactivity, and risk taking. This study similarly measures EO through innovativeness, reactivity and risk taking.

Learning Orientation

In this knowledge-based economy, the concept of organisational learning has received significant attention by scholars over the last three decades (Wolff et al. 2015). Organisational learning can be classified as single-loop or double-loop learning policies (Lumpkin & Lichtenstein, 2005; Argyris & Schön, 1978). Single-loop learning, also known as adaptive learning, is incremental and occurs when organisations respond to changes in the environment, detecting and correcting errors through learning processes while they continue with their present strategies, rules, procedures, goals and policies. The term also refers to learning within unknown restrictions that reflect the organisation's propositions about their internal affairs and environment, focusing on opportunities within the scope of their activities (Slater & Narver, 1995).

Double-loop, also known as generative learning, occurs when the organisation additionally questions and modifies the existing strategies, rules, procedures, goals and policies (Argyris & Schön, 1978). This type of learning arises when the conditions for actions are questioned. It implies a conscious and critical process reflecting on the objective of the learning process, meaning that the individual together with others assess and evaluate the choices and actions. Unlike single-loop-learning, that arises when everyday job assignments need to be learned in order to handle errors and unsystematic matters, double-loop-learning opens insights into how norms and informal structures within the organisational culture limit the learning and development of activities (Albinsson & Arnesson, 2012). The given

information in double-loop-learning not only leads to a correction process but also to the formulating of questions and the discovering of new perspectives. According to Baker and Sinkula (1999), this may lead to the “unlearning” of earlier knowledge, attitudes and ideas. The outcome of double-loop learning can be that insights and routines are changeable and, thus, questioning the roles of individuals and of the entire organisation (Argyris & Schön, 1978). It is a matter of frame-breaking that leads to thinking “outside the box” (Baker & Sinkula, 1999).

Basically, learning orientation (LO) is linked with double-loop learning (Celuch, Kasouf & Peruvemba, 2002). It can be conceptualised as a “set of organisational values that influence the propensity of the firm to create and use knowledge” (Sinkula, Baker & Noordewier, 1997, p.309). Özsahin, Zehirand Acar (2011) point out that there are three values, as defined by Sinkula et al. (1997), which are most likely to be associated with LO: (1) commitment to learning, (2) open-mindedness, and (3) shared vision. They emphasised that these three values enable organisations to generate knowledge and utilise it effectively as professional employees will be committed to learning new things. The employees need to be open-minded in order to be critical of their errors. Moreover, a good leader will share his or her vision with employees as well as encouraging them to share his own vision.

Hypothesis Development

Market Orientation and Microfinance Performance

Market orientation has been recognised by academics and practitioners alike as one of the most important antecedents of superior performance (Baker & Sinkula 2009, Zhou, Li, Zhou & Su, 2008). Previous literature confirms that there is empirical evidence for the significant relationship between MO and organisational performance (Wang, Chen & Chen, 2012; Boso, Story & Cadogan, 2013; Protcko & Dornberger, 2014; Al-Ansaari, Bederr & Chen, 2015; Beneke, Blampied, Dewar & Soriano, 2016). This illustrates the fundamental proposition that market-oriented organisations have the ability to anticipate customers’ needs, react quickly to satisfy them and adapt to environmental changes, resulting in superior organisational performance (Mahmoud & Yusif, 2012). Based on the previous conclusions and discussions, it is proposed that MO improves the performance of MFIs; the following hypothesis is tested.
H1: MO has a significant effect on MFIs’ performance.

Entrepreneurial Orientation and Microfinance Performance

Entrepreneurial Orientation (EO) has recently been acknowledged as one of the major variables for firms’ growth and profitability (Wiklund & Shepherd, 2005; Zainol & Daud, 2011). Empirically, several studies have confirmed the significant association between EO and organisational performance (for example, Abebe, 2014; Al-Dhaafri, Al-Swidi & Yusoff, 2016; Dada & Watson, 2013; Rauch, Wiklund, Lumpkin & Frese, 2009; Wang & Yen, 2012; Wolff et al. 2015; Zhang & Zhang, 2012). Higher entrepreneurial-orientated organisations are able to explore and exploit the available business opportunities and are more likely to generate a competitive advantage than are other organisations (Keh, Nguyen & Ng, 2007). In other words, organisations are more likely to generate competitive advantage when they are open to innovativeness, risk taking and reactivity. Thus, it is proposed that EO improves MFIs’ performance, hypothesised as follows.
H2: EO has a significant effect on MFIs’ performance.

Learning Orientation and Microfinance Performance

Learning orientation (LO) has been widely recognised as an indispensable factor for sustaining competitive advantage and superior performance (Rhee, Park & Lee, 2010). The literature reveals that LO is positively and significantly related to the performance of organisations (Pett & Wolff, 2010; Zahid & Ali, 2011; Frank, Kessler, Mitterer & Weismeier-Sammer, 2012; Martinette & Obenchain-Leeson, 2012; Battor & Battour, 2013; Baba, 2015; Amin, 2015; Huang & Li, 2017). The importance of LO lies in its ability to help decision makers to realise many factors and their interrelationships in the market, which increases value creation for customers (Martinette & Obenchain-Leeson, 2012). It also creates a learning culture in organisations which in turn provides the required knowledge and generates innovation through which superior performance is assured. This gives rise to the third hypothesis.
H3: LO has a significant effect on MFIs’ performance.

Market Orientation, Learning Orientation and Microfinance Performance

The literature also reveals that LO is an essential factor in MO, considered to be the engine behind it (Baker & Sinkula, 1999; Slater & Narver, 1995). With LO, staff tend to gather and disseminate information about the market and respond to customers' needs. Consequently, MO and its activities can be enhanced (Narver, Slater & MacLachlan, 2004). Grinstein (2008) carried out a meta-analysis and found that MO is significantly correlated with LO. Thus, Baker and Sinkula (2002) concluded that MO is significantly associated with organisational performance only when combined with LO. It is argued that MO complements LO, particularly when organisation-wide activities are involved in generating and utilising knowledge enabling the firm to compete effectively (Liao, Chang, Wu & Katrichis, 2011).

Thus, it is proposed that MO creates a suitable environment for organisational learning to take place, through which the activities of gathering and disseminating information and responding to customers' needs and demands can be appropriately employed. This, in fact, leads to superior performance; based on the previous discussion, this study proposes the following hypothesis regarding the relationship between LO, MO and MFIs' performance.

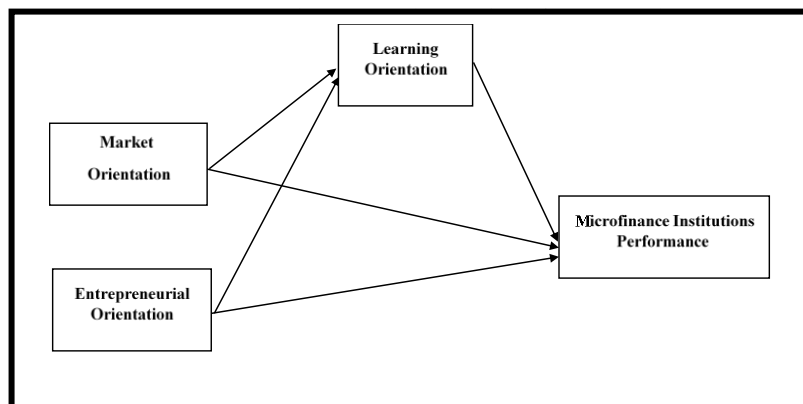
H4: LO mediates significantly the relationship between MO and MFIs' performance.

Entrepreneurial Orientation, Learning Orientation and Microfinance Performance

In general, organisations need a suitable strategic approach to enhance innovative behaviours, improve capabilities and support an organisational learning culture. Specifically, EO, as a strategic approach, encourages the organisation to adopt innovative and proactive initiatives in generating knowledge to gain unique capabilities (Real, Roldán & Leal, 2014). This explains why EO is proposed as significantly related to LO (Ma'atoofi & Tajeddini, 2010; Wang, 2008) and as a major motivation for LO in the organisation (Slater & Narver, 1995).

Moreover, entrepreneurial organisations tend to be flexible, granting members the freedom to put their creative and innovative ideas into practice (Lumpkin & Dess, 1996). They also motivate and inspire individuals as well as teams to learn and show a high level of commitment to learning (Drucker, 1999). Risk taking and innovativeness motivate management themselves to think differently, learn from mistakes and promote new ideas that lead to innovation and better organisational performance (Miller & Friesen, 1982). Thus, EO generates a fertile platform for better organisational learning. Entrepreneurial organisations establish values that promote commitment to learning, open-mindedness and shared vision which in turn leads to improved performance. The theoretical framework of the study is shown in Figure 1.

H5: LO mediates significantly the relationship between EO and MFIs performance.



Methodology

Data and Measurements

This study employed a quantitative approach with a survey questionnaire research design. The questionnaires were distributed to the target respondents, the branch managers of MFIs operating in Yemen. Out of 166 distributed questionnaires, only 125 were returned and used for the data analysis

stage. This study used the balanced scorecard approach of Kaplan and Norton (1992) to measure the performance of MFIs. MO, EO and LO measurements were adapted from Jaworski and Kohli (1993), Covin and Slevin (1989) and Sinkula et al. (1997) respectively. A five-point Likert scale was employed to rate the answers.

Analysis and Findings

The study followed the norm for analysis described in the literature with structure equation modelling (SEM), using a two-stage approach to evaluating the study model, as recommended by Henseler, Ringle and Sinkovics (2009). The present study used the partial least square (PLS) technique to evaluate the reliability and validity of the measurement and structural models.

Measurement Model

To evaluate the reliability and validity of the measurement model, three main tests are performed: content validity, convergent validity and discriminant validity (Hair, Ringle & Sarstedt, 2011; Valerie, 2012). The results show that all the standardised item loadings are greater than 0.70, which confirms the reliability and validity of the individual items and establishes the content validity. The convergent validity is also confirmed as the values of both composite reliability (CR) and Cronbach's alpha are greater than 0.70. In addition, the values of the average variance extracted (AVE) are higher than 0.50. Refer to Table 1

Table 1. Content and convergent validity

Construct	Items	Loadings	Cronbach's Alpha	CR ^a	AVE ^b
Commitment to Learning	CL1	0.701	0.703	0.834	0.628
	CL2	0.831			
	CL3	0.838			
Customer Perspective	CP1	0.905	0.743	0.886	0.795
	CP2	0.879			
Financial Perspective	FP1	0.838	0.709	0.870	0.771
	FP2	0.916			
Intelligence Dissemination	ID1	0.830	0.705	0.834	0.626
	ID2	0.769			
	ID4	0.773			
Intelligence Generation	IG1	0.821	0.830	0.898	0.746
	IG2	0.883			
	IG3	0.885			
Innovativeness	IN1	0.833	0.827	0.897	0.744
	IN2	0.906			
	IN3	0.846			
Learning and Growth	LG1	0.894	0.724	0.878	0.783
	LG2	0.876			
Open-mindedness	OP1	0.796	0.707	0.837	0.631
	OP2	0.743			
	OP3	0.842			
Internal Process Perspective	PP1	0.881	0.709	0.873	0.775
	PP2	0.880			
Proactiveness	PR1	0.702	0.755	0.862	0.678
	PR2	0.900			
	PR3	0.870			
Responsiveness	RE1	0.826	0.790	0.877	0.704
	RE2	0.839			

	RE3	0.852			
Risk Taking	RT1	0.846	0.716	0.873	0.776
	RT3	0.914			
Social Perspective	SP1	0.923	0.750	0.887	0.797
	SP2	0.862			
Shared Vision	SV1	0.824	0.815	0.878	0.643
	SV2	0.802			
	SV3	0.835			
	SV4	0.743			

The results of discriminant validity presented in Table 2 show that the square root of the AVE, placed on the diagonal elements, is higher than the correlation matrix's off-diagonal elements in corresponding rows and column. This meets the requirement for the discriminant validity test, as suggested by Hair et al. (2011), confirming discriminant validity.

Table 2. Correlation and discriminant validity

	CL	CP	FP	ID	IG	IN	LP	OP	PP	PR	RE	SP	SV	RT
CL	0.792													
CP	0.244	0.892												
FP	0.282	0.463	0.878											
ID	0.274	0.306	0.354	0.791										
IG	0.118	0.248	0.230	0.469	0.864									
IN	0.182	0.372	0.489	0.487	0.430	0.862								
LP	0.292	0.376	0.339	0.463	0.292	0.466	0.885							
OP	0.516	0.354	0.254	0.270	0.261	0.305	0.404	0.795						
PP	0.006	0.199	0.330	0.267	0.075	0.140	0.448	0.153	0.880					
PR	0.223	0.266	0.357	0.364	0.393	0.454	0.406	0.180	0.167	0.823				
RE	0.268	0.333	0.462	0.408	0.483	0.591	0.398	0.276	0.080	0.467	0.839			
SP	0.208	0.174	0.184	0.086	0.226	0.082	0.185	0.438	0.108	0.100	0.189	0.893		
SV	0.248	0.419	0.416	0.483	0.511	0.566	0.485	0.518	0.167	0.407	0.519	0.438	0.802	
RT	0.239	0.199	0.171	0.231	0.287	0.331	0.280	0.298	0.078	0.437	0.290	0.189	0.346	0.881

Structural Model

The predictive power of the study model was evaluated based on three main criteria: R², predictive relevance and the level and significance of the path coefficients (Chin, 2010; Hair et al. 2011; Valerie, 2012). The R² score shows the variance of the endogenous variables explained by exogenous variables (Chin, 2010). The results depicted in Table 3 indicate that 37% of LO is explained by MO and EO, while 46% of MFI performance is explained by MO, EO and LO. These results are considered substantial, based on the criterion of Chin (2010) who claimed that a percentage greater than 0.26 is considered substantial. This indicates that the power of the variable included in the study in explaining MFIs' performance is substantial.

The prediction quality assessment was performed by running the Blindfolding approach in SmartPLS, with results displayed in Table 3. The value of the cross-validated redundancy is greater than zero, which meets the threshold proposed by Fornell and Cha (1994). Thus, it can be concluded that the study model has adequate prediction quality.

Table 3. Prediction relevance

Variable	R square	Cross-Validated Redundancy	Cross-Validated Communality
Learning Orientation	0.373	0.132	0.274
MFIs' performance	0.459	0.131	0.201

After the reliability and validity of the study constructs were evaluated and confirmed, the hypothesised relationships among the study variables were tested by running the PLS algorithm and

bootstrapping. The results depicted in Figure 2 and Table 4 show the path coefficient values among the variables. Unexpectedly, the results show that MO is not significantly related to MFIs' performance ($\beta = 0.161$, $t = 1.592$, $p > 0.1$) indicating that H1 is not supported. On the contrary, EO is significantly associated with performance ($\beta = 0.223$, $t = 2.130$, $p < 0.05$), supporting H2. Similarly, LO is significantly linked with MFIs' performance ($\beta = 0.407$, $t = 3.079$, $p < 0.01$) supporting H3.

Figure 2 Structural Model

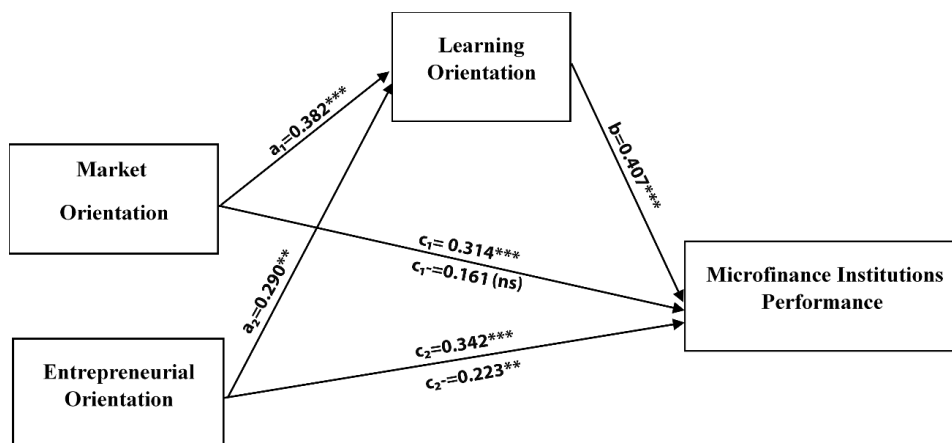


Table 4. Hypothesis testing results

No.	Hypothesis Path	Path Coefficient	Standard Error	T Value	P Value	Decision
H ₁	MO->MFIs performance	0.161	0.101	1.592	0.112	Not Supported
H ₂	EO->MFIs performance	0.223**	0.105	2.130	0.034	Supported
H ₃	LO-> MFIs performance	0.407***	0.132	3.079	0.002	Supported

Note: ***: $p < 0.01$; **: $p < 0.05$; *: $p < 0.1$

Testing the Mediating Effect of LO

The mediating effect of LO on the relationship between both MO and EO, and MFIs' performance was evaluated based on the outcomes of the PLS algorithm. The bootstrapping method was employed together with two other methods, the 95% confidence interval and the VAF method. The bootstrapping results shown in Table 5 below indicate that MO has a significantly indirect effect on the performance of MFIs through LO ($\beta = 0.155$, $t = 2.003$, $p < 0.05$). These results also show the confidence interval of the indirect effect of MO on performance ($\beta = 0.155$, 95% CI= 0.039 to 0.336) did not include zero, indicating that LO significantly mediates the relationship between MO and MFIs' performance. Based on the criterion of Zhao, Lynch and Chen (2010), LO is a full mediator on this relationship as the indirect effect $a*b$ is significant and the direct effect c' is not significant regardless of the result of the path c in the absence of the LO.

The VAF approach is used to estimate the size of the indirect effect of MO on performance through LO. Hair, Hult, Ringle and Sarstedt (2016) stated that a value of VAF between 0.20 and 0.80 indicates the existence of partial mediation; a value of less than 0.20 no mediation; and a value of more than 0.80 full mediation. Table 5 shows that LO has a partial mediation effect on the link between MO and MFIs' performance as the value of VAF is 0.491.

Table 5. The mediating role of LO on the relationship between MO and MFIs' performance

Path	Path Coefficient	T value	P value	Decision
a	0.382***	3.852	0.000	
b	0.407***	3.079	0.002	
c	0.314***	2.851	0.005	

c-	0.161	1.592	0.112	
a*b	0.155**	2.003	0.046	Mediation
95% of CI	Point estimate (0.155)	(Lower =0.039 to Upper 0.336)		Full Mediation
VAF	0.491			Partial Mediation

Note: ***: $p < 0.01$; **: $p < 0.05$; *: $p < 0.1$

The results of bootstrapping depicted in Table 6 show that EO has a significantly indirect effect on the performance of MFIs through LO ($\beta = 0.118$, $t = 2.185$, $p < 0.05$). These results also show that the confidence interval of the indirect effect of MO on the performance of MFIs ($\beta = 0.118$, 95% CI= 0.028 to 0.240), not including zero, indicates that LO significantly mediates the relationship between EO and performance. LO is a partial mediator (complementary) on this relationship as the indirect effect a*b, the direct effect c- and the entire path a, b and c- are all significant (Zhao et al. 2010). The value of VAF is 0.346, indicating that LO is a partial mediator of the relationship between EO and MFIs' performance based on the suggestion of Hair et al. (2016) mentioned earlier.

Table 6: The mediating Role of LO on the relationship between EO and MFIs' performance

Path	Path Coefficient	T value	P value	Decision
a	0.290**	2.245	0.025	
b	0.407***	3.079	0.002	
c	0.342***	2.867	0.004	
c-	0.223**	2.130	0.034	
a*b	0.118**	2.185	0.029	Mediation
95% of CI	Point estimate (0.118)	(Lower =0.028 to Upper 0.240)		Partial Mediation "Complementary"
VAF	0.346			Partial Mediation

Note: ***: $p < 0.01$; **: $p < 0.05$; *: $p < 0.1$

Discussion and Conclusion

This article presents the effect of market orientation (MO), entrepreneurial orientation (EO) and learning orientation (LO) on the performance of microfinance institutions (MFIs) in Yemen. It reveals the mediating effect of LO on the link between MO and EO. The outcome of bootstrapping fails to show that MO is contributing to performance. This finding is not in line with previous research, such as that of Wang et al. (2012), Boso et al. (2013), Protcko and Dornberger (2014), Al-Ansaari et al. (2015) and Beneke et al., (2016). However, LO was found as a strong mediator of the relationship between MO and performance. This implies that MO has only an indirect effect on performance through LO. Within the context of this study, it is concluded that MFIs' managers in Yemen should pay more attention to LO in order for it to affect MO.

The results also show that EO has a significant direct effect on MFIs' performance, which is in line with previous research in other areas (e.g Abebe, 2014; Al-Dhaafri et al., 2016; Dada & Watson, 2013; Rauch et al., 2009; Wang & Yen, 2012; Wolff et al. 2015; Zhang & Zhang, 2012). The relationship between EO and performance is mediated significantly by LO. This indicates that EO has direct and indirect effects through LO on MFIs' performance in Yemen. For the direct effect of LO on performance, the finding confirmed that LO is the strongest effect of the study variables. This result is consistent with previous literature which confirmed the significant link between LO and organisational performance (e.g Pett & Wolff, 2010; Zahid & Ali, 2011; Frank et al., 2012; Martinette & Obenchain-Leeson, 2012; Battor & Battour, 2013; Baba, 2015; Amin, 2015; Huang & Li, 2017). This leads to the conclusion that LO is a crucial factor, indeed a prerequisite, as it has a significant direct effect in addition to the mediation effect that explains the link between MO and EO with MFIs' performance.

Theoretical and Practical Implications

This study has theoretical and practical contributions which should be taken into consideration by both academics and practitioners. Examining the joint effect of MO, EO and LO on MFIs' performance is the key contribution, an examination that is rarely found in the literature. More importantly, examining

the mediating effect of LO as a variable that explains the link between both MO and EO, and MFIs' performance is a significant contribution to the area of strategic management. Based on RBV theory, this study examined the interrelationships between the study variables (MO, EO and LO) as strategic orientations and capabilities employed by organisations to improve performance and to obtain sustained competitive advantage. This is one of very few such empirical studies carried out in the area of microfinance. It thus enriches the literature on microfinance. It is also the first study to be conducted in Yemen within this context.

In practice, the findings are useful for managers and decision makers of MFIs to improve the performance of their institutions by implementing innovative strategic orientations such as MO and EO through LO characteristics and behaviours. Specifically, LO helps them in their market orientation and entrepreneurial organisation through business performance enhancement and gaining competitive advantage.

Suggestions for Future Research

Although this study adds to the body of knowledge, there are still opportunities for future research. For example, the theoretical framework of the study can be examined in different sectors, or in the same sector but in different countries. Future research in other countries could compare similarities and differences with these research findings. For the case of Yemen, a longitudinal approach could be employed to verify the findings of the study.

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