

Institutional Environment and Competitive Advantage: Mediating Role of Entrepreneurial Orientation in the Export Context of Thailand

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Dr.Chonnatcha Kungwansupaphan

Assistant Professor of Faculty of Management Sciences,
Surindra Rajabhat University

ABSTRACT

The study examines the relationship between institutional environment, competitive advantage, and entrepreneurial orientation of export firms in Thailand. Drawing from the literature on the institutional theory and entrepreneurial orientation, hypotheses are constructed on the direct effects of institutional environment on competitive advantage, and entrepreneurial orientation on competitive advantage. In addition, entrepreneurial orientation is hypothesized to mediate the relation between institutional environment and firms' competitive advantage. Survey data collected from 221 exporters in Thailand through a self-administered questionnaire. This research employs a structural equation modeling and partial least squares technique to empirically examine the relationships. The results suggest that institutional environment and entrepreneurial orientation is positively and directly associated with the competitive advantage of export firms. Entrepreneurial orientation also acts as a mediating factor influencing the institutional environment and competitive advantage of export firms. The results offer more advantages to the firms and policymakers as a guideline to enhance export firm competitiveness by promoting entrepreneurial orientation as a key mechanism by which institutional environment can influence the competitive advantage of an export firm.

Keywords: Institutional Environmen, Competitive Advantage, Entrepreneurial Orientation

สภาพแวดล้อมทางสถาบันและความได้เปรียบทางการแข่งขัน : บทบาทตัวแปรคั่นกลางของการมุ่งเน้นการเป็นผู้ประกอบการ ในบริบทการส่งออกของประเทศไทย

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มหาวิทยาลัยราชภัฏสุรินทร์

บทคัดย่อ

งานวิจัยนี้ศึกษาความสัมพันธ์ระหว่างสภาพแวดล้อมทางสถาบัน ความได้เปรียบทางการแข่งขัน และความมุ่งเน้นการเป็นผู้ประกอบการในบริบทของบริษัทส่งออกในประเทศไทย จากการทบทวนวรรณกรรมเกี่ยวกับทฤษฎีสถาบัน และความมุ่งเน้นการเป็นผู้ประกอบการนำมาสู่การกำหนดสมมติฐานโดยสภาพแวดล้อมทางสถาบันมีผลกระทบโดยตรงต่อความได้เปรียบทางการแข่งขัน ความมุ่งเน้นการเป็นผู้ประกอบการมีผลกระทบโดยตรงต่อความได้เปรียบทางการแข่งขัน และในขณะเดียวกันความมุ่งเน้นการเป็นผู้ประกอบการเป็นตัวแปรคั่นกลางในความสัมพันธ์ระหว่างสภาพแวดล้อมทางสถาบันและความได้เปรียบทางการแข่งขันข้อมูลเชิงสำรวจเก็บจากผู้ส่งออกจำนวน 221 รายในประเทศไทยโดยใช้แบบสอบถามงานวิจัยนี้ใช้โมเดลสมการโครงสร้างแบบกำลังสองน้อยที่สุดบางส่วนในการวิเคราะห์ความสัมพันธ์ของตัวแปร ผลการศึกษาชี้แนะว่า สภาพแวดล้อมทางสถาบันและความมุ่งเน้นการเป็นผู้ประกอบการมีความสัมพันธ์ในเชิงบวกกับความได้เปรียบทางการแข่งขันของบริษัทส่งออก ความมุ่งเน้นการเป็นผู้ประกอบการเป็นตัวแปรคั่นกลางที่มีอิทธิพลต่อสภาพแวดล้อมทางสถาบันและความได้เปรียบทางการแข่งขันของบริษัทส่งออก ผลการศึกษานี้เป็นแนวทางให้กับบริษัทและผู้นำนโยบายในการเพิ่มความสามารถทางการแข่งขันของบริษัทส่งออกโดยส่งเสริมการมุ่งเน้นการเป็นผู้ประกอบการให้เป็นกลไกหลักที่ทำให้สภาพแวดล้อมทางสถาบันส่งอิทธิพลต่อความได้เปรียบทางการแข่งขัน

คำสำคัญ: สภาพแวดล้อมทางสถาบัน ความได้เปรียบทางการแข่งขัน การมุ่งเน้นการเป็นผู้ประกอบการ

1. INTRODUCTION

During the past decades, export has become a driving tool that contributes to the economic growth of a nation. The intensification of business competition in both domestic and international markets has stimulated many firms to seek opportunities outside their home country to achieve their objectives, as well as to safeguard their market position and to survive. Export has been the most popular entry mode for firms, especially small and medium-sized firms, to enter the international market. This is because to export products and services, firms require less resources, low investment, and low financial risks, as well as allow strategic flexibility for firms to engage in the international market. The boundaries between domestic and foreign markets become less relevant as firms rapidly go international (Knight, 2000), and offer opportunities for firms to achieve superior performance. Nevertheless, there are many factors involved in order to achieve successful performance and to compete in the international market. Developing the competitive advantage (CA) of export firms is important and has been the priority of many businesses and governments. Examining CA of firms operating in the export context is indeed crucial as it can use as a conceptual guideline for business organization in particular to enhance their CA position and performance.

Prior research has identified factors that are responsible for successful export performance, including five major categories of factors, namely managerial, organizational, environmental, targeting, and marketing strategy factors (Leonidou, Katsikeas, & Samiee, 2002). The impact of an environmental factor on its performance has long been in the interest of numerous scholars since firms seem to be highly dependent on the environment, particularly the existence of opportunities (Eisenhardt & Schoonhoven, 1990). However, the relationship between the environmental factor and firm performance is complex, and may not be only a single direct effect. Moreover, although a rich body of literature exists on how institutions affect business performance, what remains unclear is the role institutional environment (IE) and other elements. There is also a paucity of research on IE and other elements in the export sector in developing economy like Thailand, one of the export-oriented economies in ASEAN with exports accounting for around 65 percent of the GDP (Trading Economics, 2019). Apart from that, Thailand is also the second largest economy in ASEAN after Indonesia.

This research specifically pays attention to examine the influence of IE (environmental factor), and entrepreneurial orientation (EO) (managerial factors) on the CA (performance) of export firms in Thailand. Although environmental factor and managerial factor play important parts in the field of international business, the links among these three factors such as environment factor, managerial factor, and performance have not yet been clearly established and examined. Prior studies have analysed the institutional factor as an external environmental factor and pointed out that differences in national institutions may bring about different levels of economic activity that lead to different performances. Institutions consist of three dimensions, the regulative, cognitive and normative dimensions (Scott, 2007) that represent the set of norms and habits that articulate and organize the economic,

social and political interactions between individuals and social groups, and results in business activity and economic development (Linˆn, Urbano, & Guerrero, 2011; Urbano & Alvarez, 2014). Recently, the institution-based view has been employed more as a dominant perspective to explain strategy and international business research on emerging economies. This view focuses on the dynamic interaction between institutions and organizations, while strategic choices are the outcome of such an interaction (Peng, 2003, 2006). In other words, strategic choices are the reflection of the formal or informal constraints of a particular institutional framework, and directly determine what strategy a firm has to formulate and implement to create competitive advantage (Hill, 2007; Lu & Yao, 2006; Ingram & Silverman, 2002).

On the other hands, EO has its roots in the strategy-making literature and its concept is based on the processes, practices and decision-making activities that firms undertake to renew themselves in order to face the current markets or entry into a new market (Covin & Miller, 2014). Adopting EO is appropriate for the current export environment where the environment contains rapid change, high uncertainty, and shortened product and business model lifecycles. Entrepreneurs/business owners need to constantly seek out new opportunities and exploit them for the growth and survival of their organizations. However, most research related to IE and EO has often paid attention to advanced and mature economies such that boundary conditions are left implicit (Gupta & Batra, 2016). In addition, the results of the studies related to the EO-performance relationship vary based on different types of environments and contexts (Lumpkin & Dess, 1996). Wales, Gupta, & Mousa (2013, p.371) add that “the scope of EO research should expand to cover specific national contexts because the perceptions and applications of entrepreneurs regarding EO may vary by country”.

This research addresses several gaps in the literature. First, there is a paucity of published research on export firms and previous research falls short of explaining how EO and IE influence CA of firms. Second, despite the profound institutional role in the export context for the last several decades, there is little understanding of the consequent mediating effect of EO on IE-CA relationship. In addition, there is little understanding of the relationship among specific elements, including EO, and IE and their roles in enhancing CA of export firms in the context of emerging economies such as Thailand. This research seeks to fill the research gap by adopting the institution-based view proposed by Peng (2006) and incorporate the effect of EO in the IE-CA. This study employs EO as a mediator in the conceptual framework of IE and CA relationship, regarding the competitive advantage. The three major research questions that we seek to address in this research consist of 1) Does IE play a role in enhancing the CA of export firms? 2) Is there a relationship between IE and EO in export firms? And 3) Does EO play the mediating role in explaining the relationship between IE and CA of export firms? Hence, the main aim of this research is to investigate the extent to which the state of EO, (manifested by the proactiveness, innovativeness, and risk-taking dimensions), mediates the relationship between IE and CA of export firms in Thailand. The scope of this study confined to the export firms in Thailand.

This paper contributes to the theoretical perspectives in both entrepreneurship and strategic management areas by exploring the IE-CA relationship and provide insight into the role of EO in the IE-CA relationship of export firms. Insights into how IE and the EO affect export firms' CA are also critical inputs for export entrepreneurs and policymakers in planning and implementation for effective performances. The paper organized as follows. The next section reviews the literature on IE and EO theories, including links to firms' competitive advantage to develop the conceptual model of the study. After that, the research methods are presented, followed by the data analysis, the discussion of the results, and the conclusions and limitations of the study.

2. THEORETICAL BACKGROUND AND HYPOTHESES

2.1 Direct Effect of Institutional Environment (IE) on Competitive Advantage (CA)

Institutional theory is a suitable reference for addressing the important role of the IE in shaping and hampering the effective leveraging of firms' performances. The importance of IE has been increasingly acknowledged by business scholars in accounting for business behaviour and performance (Henisz & Swaminathan, 2008). The IE factor is regarded as the "rules of the game" that has an influence on the exploitation of entrepreneurial opportunities, enable the discovery of entrepreneurial possibilities, as well as affect the transformation of entrepreneurial possibilities into enterprises and further development of the enterprises. Regarding the relationship between institutional environment (IE) and competitive advantage (CA), IE provides a platform for entrepreneurs to acquire the needed resources, make certain actions more viable than others, as well as affect entrepreneurial behaviour and activity (Kostova, 1999). IE also influences the rate and nature of the entrepreneurial activity and provides a platform for individuals to better acquire resources it needs for business (Chiles, Bluedorn, & Gupta, 2007). On the other hands, CA is the firms' ability to deliver customer value and act better than competitors in the same industry (Sutapa, Mulyana, & Wasitowati, 2017), as well as it only arises from the use of scarce, intangible and firm-specific assets based on the resource-based theory (Spender, 1996). To measure CA, this study adopted the measurements from the work of Ramaswami, Bhargava, & Srivastava (2004) which has been widely applied in many SMEs research, and thus, it's appropriate for this study due to the majority of export firms in Thailand are small and medium enterprises.

Literature suggests that different IE may favour different forms of economic activity, and could result in affecting firms' CA. The first dimension of IE that is regulative IE can affect firms by shaping the level of risk involved in the formation of the business, influencing entrepreneurial behaviour by the rules adopted and their enforcement (Baumol & Strom, 2007). On the other hands, strong regulative institutions may cause administrative burdens, procedures, and bureaucracy in business establishment and operation. The second dimension of IE is the normative dimension. This dimension consists of values, beliefs, and norms embedded in society and describe the desired goals and the appropriate

means, as well as guide people to proper actions and ground rules to which people follow (Scott, 2007; Xu & Shenkar, 2002). Individuals are likely to act and behave in ways guided by norms and values, as well as beliefs, expectations, and perception of a social reference group. Normative IE exerts different influence in different societies that resulted in people's action. Normative IE represents organizational and individual behaviour based on obligatory dimensions of social, professional, and organizational interaction. Another dimension of IE is the cognitive dimension that has an influence on information interpretation of individuals regarding the entrepreneurial activity. In general, individual's entrepreneurial activity is influenced by their cognitive institution in terms of perception as well as attitudes toward risk (Dickson & Weaver, 2008). This study proposes that IE is the complex interplay of different forms of institutions, rather than a single institution, that influences the performance in different perspectives, including CA of firms. Consequently, the increase of IE can raise the likelihood of export firms' CA improving. Thus, we put forward the following hypothesis.

H1: Institutional environment is positively related to competitive advantage.

2.2 The Direct Effect of Entrepreneurial Orientation (EO) on Competitive Advantage (CA)

EO concept has its roots in the strategy making literature and represents the policies and practices that provide a basis for entrepreneurial decisions and actions (Mintzberg, 1973; Hart, 1992). The original concept of EO was developed by Miller (1983) and stated that "an entrepreneurial firm is one that engages in product-market innovation, undertakes somewhat risky ventures and is first to come up with 'proactive' innovations, beating competitors to the punch" (1983, p. 771). Other definitions of EO, including Lumpkin & Dess (1996, p.136-137) who stated that "EO refers to the processes, practices, and decision-making activities that lead to new entry" as characterized by one, or more of the following dimensions: "a propensity to act autonomously, a willingness to innovate and take risks, and a tendency to be aggressive towards competitors and proactive relative to marketplace opportunities". Avlonitis & Salavou (2007, p.567) addressed that "EO constitutes an organizational phenomenon that reflects a managerial capability by which firms embark on proactive and aggressive initiatives to alter the competitive scene to their advantage".

The concept of EO has been categorized into three dimensions; proactiveness; innovativeness; and risk-taking according to EO's definition proposed by Miller (1983). Innovativeness connects with a firm's propensity to engage in and support the generation of new ideas and creative processes that could lead to new products or services, new technological processes and new markets (Lumpkin & Dess, 2001; Rauch, Wiklund, Lumpkin, & Frese, 2009). Risk-taking revolves around making decisions and taking actions without specific knowledge of probable outcomes (Dess & Lumpkin, 2005). Further, proactiveness is "an opportunity-seeking, forward-looking perspective characterized by the introduction of new products and services ahead of the competition and acting in anticipation of future demand" (Rauch et al., 2009, p.763). The concept of EO was extended to an entrepreneurial strategic posture

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to address “the extent to which the top managers are inclined to take business-related risks (the risk-taking dimension), to favour change and innovation in order to obtain a competitive advantage for their firm (the innovation dimension), and to compete aggressively with other firms (the proactiveness dimension)” (Covin & Slevin, 1988, p.218).

EO is an important determining factor in the successful development and sustainable management of a business and is suggested as a key for success to higher performance (Yamada & Eshima, 2009, p. 1). In order to achieve CA, entrepreneurs/managers need to obtain EO to be proactive to anticipate market demand and be innovative frequently while taking risks in their business operations. All these EO behaviours are perceived to playing an important role in enhancing business performance and often result in creating CA of business. For instance, achieving business growth (Reijonen, Hirvonen, Nagy, Laukkanen, & Gabrielsson, 2015), enhancing market growth rate (Ireland, Hitt, & Sirmon, 2003), and outperforming and being ahead of competitors (Lumpkin & Dess, 2001). A resource-based perspective has been widely adopted to explain the impact of EO on business. This perspective shows the importance of resource acquisition for firms to be able to survive, compete and successfully gain a CA in high uncertainty conditions (Wernerfelt, 1984). EO is regarded as an organizational intangible resource that is valuable, rare, distinct and having inimitable capabilities that differentiate a firm from competitors and results in CA and wealth creation (Hunt & Morgan, 1996; Shane & Venkataraman, 2000; Ireland et al., 2003). Being proactive assists firms to be one step ahead of their competitors in seizing market opportunities and mobilizing resources, while innovativeness creates differentiation that outdoes competitors, and risk-taking helps firms face changing market conditions and avoid delaying the introduction of innovations, which could result in poorer performance (Hughes & Morgan, 2007). In addition, EO has a positive effect on business growth, as well as brand and market performance, of small and medium firms (Reijonen et al., 2015).

EO is also associated with a response to competitors in order to increase first-mover advantages and obtain market share, as well as deal with anticipation and creating future demand. This would be expected to be associated with increased gross earnings of a business. At the same time, innovativeness as a dimension of EO reflects a tendency for a business to engage in and support creative processes, new ideas, novelty and experimentation that may result in improving the performance of their business. Moreover, in today’s rapidly changing environment and highly uncertain markets, entrepreneurs/managers must be innovative and willing to take risks. An innovative strategic posture is thought to be linked to firm performance because it increases the chances that a firm will realize first-mover advantages and capitalize on emerging market opportunities (Wiklund, 1999). Apart from that, the operations of a business and decisions taken by managers or owners of business always involve risk, but the willingness to take risk leads to capturing innovation and opportunities, promising a bright future (Caruana, Ewing, & Ramaseshan, 2002). This study argues that highly EO individuals are more successful because they perform activities that prepare them for success, including initiate change, challenge the difficulties

met, seek for ways to transform obstacles into opportunities, strive to find positive opportunities and pursue them with determination to achieve their goals. In light of the above, this study puts forward the following hypothesis:

H2: Entrepreneurial orientation is positively related to competitive advantage.

2.3 The Mediating Role of EO on IE-CA Relationship

This study examines CA from two perspectives based on the suggestion from Raduan, Jegak, Haslinda, & Alimin (2009). First, the industrial-organization perspective that views the organization external market positioning as the critical factor for attaining CA. Another perspective is the resource-based view (RBV) which identify internal organizational resources, capabilities, and systems, as crucial resources for CA of firms. The implications of both IE and EO are complex and context specific, as well as depend on the external environment and internal organizational characteristics. The strength of the relationship between these variables may not be just a simple main-effects-only relationship. Based on the review of the literature, firms seem to be highly dependent on the environment in order to explore and exploit the existence of opportunities, as well as resources and information (Eisenhardt & Schoonhoven, 1990). The relationship between the environment and firms' performances seems to be highly complex, and IE may not affect firm performance directly. On the other hands, there may be other factors involved in the relationship between EO and performance, as well as being varied across different types of external environments (Naman & Slevin, 1993; Zahra & Covin, 1995) and resources internal to the firm (Brush, Greene & Hart, 2001). In addition, Dess, Lumpkin, & Covin (1997) pointed out that an analysis of EO needs to consider diverse effects, such as moderating effects, mediating effects, independent effects, and interaction effects.

The institutions play various roles, such as removing conditions that create entry barriers, ensure markets function efficiently, reduce market imperfections, and provide necessary support regulation. A hostile external environment where there are no supports from formal institutional structures and informal institutions would affect firms to develop their capabilities to stay competitive and perform efficiently. Nevertheless, firm performance can be improved when key variables are correctly aligned (Naman & Slevin, 1993). In addition, the relationship between the two variables would depend on the level of a third variable (Rauch et al., 2009).

This study posits that it is more likely that the effect of IE on CA of export firms is mediated by EO. Firms will adopt an EO when it is seen as a legitimate strategic response and aligned with the normative, regulative and cognitive aspects of the institutions that help compose the environment of the firm. Rosenbusch, Rauch, & Bausch (2013) stated that EO helps firms to turn the advantage of a munificent environment into above-average performance levels. Further, they proposed that firms with a high degree of EO will be innovative and pro-actively seek to acquire resources provided by the

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environment, and thus increases the chances of attaining superior performance. Apart from that, taking risks associated with exploration and exploitation activities enables firms to transform opportunities provided by the environment into business CA. IE creates both difficulties and benefits for strategic decision-making. Firms can benefit from a complex IE by adopting a high degree of EO to explore and exploit opportunities to outperform their rivals. A more favourable institutional environment will ease such barriers and encourage entrepreneurial potential (Baumol, Schilling, & Wolff, 2009), increase their orientations that would in returns, enhance the performance of their businesses. Entrepreneurs/managers can leverage the regulative component available through government-sponsored and support programs to reduce the risks in business and facilitate efforts to acquire resources (Busenitz, Gomez, & Spencer, 2000). Hence, greater regulative institutional support helps firms to be more EO and use them more effectively that in turn, would lead to improving business CA. In the IE context where the cognitive dimension is embedded in a way that encourages knowledge about the creation of a new business, the entrepreneurial activity will be particularly high. Cognitive IE through perceptions of knowledge and skills has an impact on opportunity recognition and exploitation (Shane, 2000). Furthermore, the normative institutions indicate the degree to which a country's residents admire entrepreneurial activity and value creative and innovative thinking (Busenitz & Barney, 1997, p. 995). There EO dimensions help facilitate and promote entrepreneurial activity and ensure incentives for the exploitation of the perceived opportunities (Aparicio, Urbano, & Audretsch, 2016). With access to such IE, firms will gain a higher EO and have a richer endowment of resources that leads to better CA. Therefore, this study put forward the following hypothesis:

H3: Entrepreneurial orientation mediates the relation between institutional environment and firms' competitive advantage.

The proposed model presented below examines the relationship between IE, EO, and CA. Each latent construct in the model is represented as a reflective construct. In this model, IE is represented as an exogenous construct, CA as an endogenous while the EO construct is represented as mediating endogenous constructs (Figure 1).

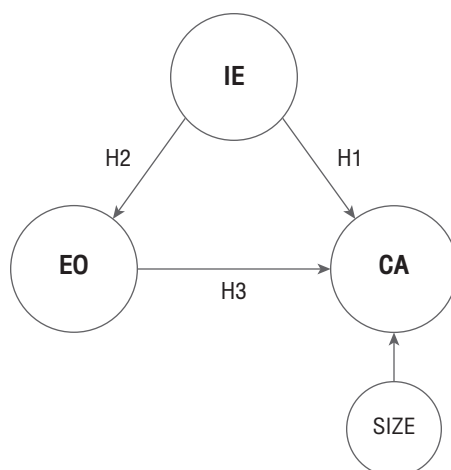


Figure 1: Framework of the Analysis

3. METHODOLOGY

3.1 Sample and Data Collection

In this research, researcher choose export sectors for the population of the empirical study. Since the level of analysis in this study is the organization, the respondent to the questionnaire is a single person from each firm and they must be owners, managers, and chief executive officers of those firms since they are responsible for managing and dealing with strategic issues of the firms. This study directly distributed questionnaires to export firms' owners, managers, and chief executive officers at the seminars or workshop organized by the Department of Export Promotion, Ministry of Thailand in the Year 2018. The population of 450 firms received the questionnaire while participating in seminars or workshops. A total of 304 questionnaires were returned, of which 221 were usable (182 questionnaires were received at the first distribution, and another 39 questionnaires received after followed up via e-mail). This represents a response rate of 49.1% led to the collection of the data applied for the analysis. To check that the responses obtained were free from non-response bias, this study performed a non-response bias test using the chi-square test, and a p-value less than or equal to 0.05 was considered statistically significant. The results indicated that all variables were not statistically significantly different from each other, and thus non-response bias was not a major issue in this present study.

The sample size is considered appropriate according to Gefen, Straub, & Boudreau (2000) who stated that the sample size for PLS analysis could be that at least 10 times the number of items in the most complex construct. The most complex construct in this study is the EO construct and consists of 14 items. Therefore, the use of 221 samples can be valid representative and is sufficient for the PLS analysis. Table 1 provides information about the detailed composition of the sample.

Table 1: Descriptive summary of the characteristics of the sample

		Frequencies	%
Gender	Male	118	53.4
	Female	103	46.6
Age	Below 31	14	6.3
	31–40	18	8.1
	41–50	128	57.9
	51–60	59	26.7
	Older than 60	2	0.9
Education	Primary school	2	0.9
	High school	7	3.2
	Diploma degree	7	3.2
	Bachelor degree	107	48.4
	Graduate	98	44.3
No. of employees	Below 10	14	6.3
	11–50	18	8.1
	51–100	130	58.8
	More than 100	59	26.7
Year of establishment	Before 2001	99	44.8
	2001–2012	102	46.2
	After 2012	20	9.0
Industry type	Processed food and drinks	113	51.1
	Fresh food	38	17.2
	Cosmetics	5	2.3
	Electronics	25	11.3
	Organic product	6	2.7
	Others	34	15.4

The respondents consist of 53.4% males and 46.6% females. Majority of them are aged between 41–50 years old and are graduated bachelor degree holders (48.4%). Most of them established their firms during the Year 2001–2012 (46.2%). More than half (58.8%) have the number of employees

between 51–100. Furthermore, they mainly belonged to processed food and drinks (51.1%), followed by fresh food (17.2%), electronics (11.3%), organic product (2.7%), cosmetics (2.3%), and others (15.4%).

3.2 Measures

Based on the theoretical model presented in Figure 1, three hypotheses were derived from the literature review. This study used data collected by questionnaires for testing these hypotheses. The survey instrument comprises of four sections with each item related to the three constructs, i.e., IE, EO, and CA. Research scales were operationalized on the basis of previous work. Proper modifications were made in order to fit the current research context and purpose. IE measure used thirteen-item scales, adapted from Busenitz, Gomez, & Spencer (2000) and Parboteeah, Hoegl, & Cullen (2008). The three dimensions of EO, including innovativeness, risk-taking, and proactiveness, measured using scale adapted from Lumpkin & Dess (2001). CA used an eleven-item scale measure, adapted from Ramaswami, Bhargava, & Srivastava (2004).

The construct consists of items that measure differentiated products, market sensing, and market responsiveness (customers and competitors). All constructs were measured on a five-point scale, from 5 (strongly agree) to 1 (strongly disagree). Apart from that, all constructs were deemed reflective constructs since they all measure the same underlying phenomenon and reflect the meaning of the construct (Chin, 1998). Furthermore, all the measurement items were measured on five-point Likert-type scales to capture a broad enough response format and sufficient variance and covariance (Noar, 2003) and express the degree of agreement, ranging from 5 (strongly agree) to 1 (strongly disagree). In addition, this research includes firm sizes (number of employees) as a control variable. This variable is considered to be a common control variable in strategic management research (Galbreath & Galvin, 2008).

3.3 Data analysis

This research employs a structural equation modelling (SEM) technique which is suitable for measuring the precision of indexes or observable variables, enables the simultaneous examination of the path (structural) and factor analysis (measurement), as well as investigate the causal relationships between latent variables and the amount of explicated variance (Hair, Ringle, & Sarstedt, 2013). Partial Least Squares (PLS) statistic was utilized to examine the relationships among the main constructs and to test the hypothesized relationships between variables and examine the conceptual model. This technique offers several statistical flexibilities with rigorous and robust procedures, including its supports for exploratory research, flexibility with regard to distributional assumptions, small sample size requirements, and strength in handling complex predictive models (Wold, 1980; Fornell & Bookstein, 1982; Ko, Kirsch, & King, 2005). Therefore, the PLS method appears to be a suitable and effective technique for this research. The procedure of PLS data analysis in this research follows the suggestion of Hulland (1999) and Chin (2010) and consists of a two-phase study. The first phase is the test of

the measurement model to analyse the validity and reliability of the measures of the model. The second phase is the test of the structural model to estimate the paths between the constructs and determine their significance and the predictive ability of the model.

4. RESULTS

4.1 Measurement Model

Measurement model focuses on the analysis of the reliability and validity of the item measures. The validity of measures assesses through the test of the loadings or simple correlations of the measures with their respective construct. Table 2–3 illustrates the assessment of the measurement model, including mean, standard deviation and correlation coefficients, individual reliability, Cronbach’s Alpha, composite reliability (CR), average variance extracted (AVE), and discriminant validity. Items with loadings of 0.70 or more imply more shared variance between the construct and its measures than error variance (Carmines & Zeller, 1979). Loadings are generally above the accepted threshold of 0.70 for indicators and first-order factors related to reflective higher-order constructs. All items had factor loadings higher than 0.70, except the two items in the innovativeness dimension of EO, and one item in the norm dimension of IE. Therefore, these items were excluded from further analysis. Apart from that, all constructs achieve threshold required for the measurement model suggested by Hair et al. (2013). To assess construct reliability, the CR is an appropriate criterion for internal consistency reliability, and its values between 0.70 and 0.90 achieve the threshold. In this research, the CR values range from 0.857 to 0.966. All constructs also yielded Cronbach’s alpha value of more than 0.70. In addition, the convergent validity assessed by the AVE shows that all constructs meet the requirement of 0.5 or higher level (Fornell & Larcker, 1981). In this research, the AVE values exceed 0.6 as shown in Table 3.

Table 2: Assessment of Mean, Standard Deviation and Correlation Coefficients

	Mean	SD	COG	REG	NORM	PROA	INNO	RISK	CA
COG	4.407	0.812	1						
REG	4.435	0.737	0.882**	1					
NORM	4.513	0.665	0.839**	0.829**	1				
PROA	4.514	0.606	0.731**	0.717**	0.743**	1			
INNO	4.587	0.471	0.715**	0.697**	0.720**	0.756**	1		
RISK	4.598	0.470	0.608**	0.620**	0.611**	0.729**	0.746**	1	
CA	4.486	0.597	0.777**	0.772**	0.781**	0.852**	0.790**	0.715**	1

Table 3: Assessment of Discriminant Validity

	Cronbach's Alpha	CR	AVE	COG	REG	NORM	PROA	INNO	RISK	CA
COG	0.915	0.947	0.855	0.925						
REG	0.946	0.959	0.822	0.878	0.907					
NORM	0.839	0.925	0.861	0.799	0.818	0.928				
PROA	0.927	0.942	0.732	0.730	0.718	0.719	0.856			
INNO	0.812	0.877	0.642	0.739	0.724	0.689	0.769	0.801		
RISK	0.777	0.857	0.600	0.608	0.619	0.607	0.731	0.733	0.775	
CA	0.961	0.966	0.720	0.776	0.770	0.738	0.843	0.795	0.694	0.848

Regarding discriminant validity, each measurement item must have higher loading on its assigned factor than on the other factors (Chin, 1998; Gefen, Straub, & Boudreau, 2000). In this research, each measurement item loads higher on the appropriate construct than on any other construct, thus, the measures achieve discriminant validity. In addition, this study applied Fornell & Larcker (1981) formula that the diagonal elements should be higher than the off-diagonal elements in the corresponding rows and columns in order to achieve sufficient discriminant validity. Table 3 shows that all values of elements in the diagonal are higher than the values of off-diagonal elements in the matrix.

4.2 Structural Model

Structural model provides an empirical result in support of the theoretical model and hypotheses. Table 4 provides the results of the path coefficient and t-values for a model with only direct effects and another model that incorporates EO as a mediating variable.

Table 4: Comparison of model 1 and model 2

Model 1 (Only Direct Effects)			Model 2 (Incorporating Mediating Variable)		
	Beta	t-value		Beta	t-value
IE → CA	0.807***	24.584	IE → CA	0.316***	4.205
IE → EO	0.799***	29.354	IE → EO	0.799***	29.139
			EO → CA	0.616***	8.889

Notes: * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

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This study followed the procedure suggested by Baron and Kenny (1986) to assess the mediating role of EO in the IE-CA relationship. First, the path coefficients were examined in the link between IE and CA and found that the link between them was significant ($\beta = 0.807$, $p = 0.000$). Further, the path coefficient between IE and EO was also found to be significant ($\beta = 0.799$, $p = 0.000$). After that, EO was included in the model as a mediator. The result shows that the direct path standardized beta of IE-CA relationship was significant ($\beta = 0.316$, $p = 0.000$). Moreover, there was a significant decrease in the path coefficient in the IE-CA relationship ($\Delta\beta = -0.491$). The explained variance in the endogenous construct (CA) also rose to 0.786 ($\Delta R^2 = 0.134$) (see Fig. 2). This led to the conclusion that the relationship between IE and CA is mediated by the EO.

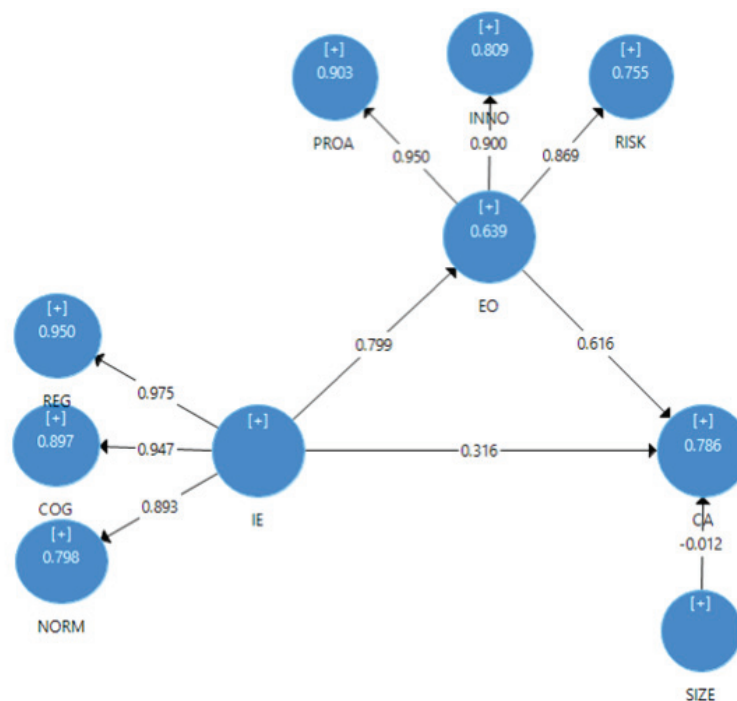


Figure 2: Structural Model Results

As depicted in Table 5 and Figure 2, the positive directions of each hypothesis were established due to the positive path correlations. Thus, all hypotheses are supported due to their respective t-values resulted from a bootstrapping technique. The assessment of the R^2 values represents the amount of variance explained by the independent variables. R^2 values of 0.67, 0.33, and 0.19 in PLS illustrate the substantial, moderate, and weak inner path model structures (Chin, 1998). In this study, R^2 values of IE and EO (0.639), and EO and CA (0.786) are greater than the moderate threshold of 0.33. Additionally, the magnitudes of inner paths are also evaluated via the effect sizes. Cohen's f^2 values of 0.02, 0.15, and 0.35 signify weak, moderate and substantial effects, respectively (Cohen, 1988;

Henseler, Ringle, & Sinkovics, 2009). Correspondingly, all f^2 values as shown in Table 7 for H1, H2, and H3 with 0.167, 1.767 and 0.641, are greater than 0.15 representing sufficiency of the structural model.

Table 5: Hypotheses result

	Path Coefficient	T Value	R ²	f ²	Q ²	Decision
H1: IE → CA	0.316***	4.205	–	0.167	–	Supported
H2: IE → EO	0.799***	29.139	0.639	1.767	0.330	Supported
H3: EO → CA	0.616***	8.889	0.786	0.641	0.525	Supported

Therefore, a very substantial relationship exists between IE and EO, as well as between EO and CA, while EO mediates the relationship between IE and CA. Furthermore, this study applied Stone-Geisser's Q^2 using a blindfolding algorithm to test the predictive validity of the model (Akter, D'Ambra, & Ray, 2011), as well as to indicate sufficient prognostic relevance (Krafft, Götz, & Liehr-Gobbers, 2005). A positive Q^2 that is greater than 0.35 indicates large predictive relevance of an endogenous latent variable (Henseler et al., 2009). The adequacy of the structural model was confirmed from the results of the Q^2 values 0.525 for CA.

5. DISCUSSION AND CONCLUSIONS

In this study, researcher highlighted factors contributing to the CA of export firms in Thailand, including IE (environmental factor) and EO (managerial factors) by using PLS-SEM of survey data from Thai export firms. To date empirical research has neglected mediating relationships and has focused on contingency frameworks (e.g., Lumpkin & Dess, 2001; Wiklund & Shepherd, 2005; Zahra & Covin, 1995) in the entrepreneurship literature. Thus, this study provides empirical evidence for a missing link in the literature, identifying EO as a key mechanism by which IE can influence CA of an export firm. Specifically, this study has found that firms benefit from dynamism and complexity of IE if they implement a high level of EO. A theoretical framework was developed underlining three hypotheses about the relationships between three main constructs, IE, CA and EO, and EO as a mediator. The PLS technique data analysis provides an answer to the proposed research question regarding the role of IE in enhancing EO and CA, and the mediating role of EO in explaining the relationship between IE and firms' CA.

These findings show that the path coefficient of the direct relationship between IE and CA is significant. This is in accordance with Watchravesringkan et al. (2010) who investigated exporters in apparel firms and found that formal institutions in Thailand assists them to sustain their competitiveness and provide support through the capital, knowledge resources, and infrastructure. This is beneficial to

the industry, resulting in their competitive advantages, including lower production costs, a high degree of productivity, and continuous innovation. The link between IE and EO also well supported with the path coefficient of direct relationship significant. In specific it suggests that firm entrepreneurs who perceived high levels of IE would tend to choose to be more EO. After EO was included in the model as a mediator, the path coefficient in the IE-CA relationship significantly decreased while the explained variance in CA increased. Based on these findings, it is concluded that EO plays a role as mediator and has a mediating effect on IE and CA relationship. The findings of this study reinforce previous research findings of Porter (1990) that the formal IE is important for firms in developing their innovation capacity that leads to gaining competitive advantage. Apart from that, the findings may be related to those observed by Rosenbusch et al. (2013) in which they indicated that the degree of EO itself may be dependent on the business environment, and neglecting the antecedents of EO can lead to oversimplified models of firm performance. This is also consistent with Covin & Slevin (1991), who suggested that both external and internal variables determine EO in a firm. Apart from that, innovativeness, capacity to innovate, and willingness to change are innovation capability that has a significant positive impact and influence on exporting textile firms' performance and help firms gain greater competitive advantage (Ussahawanitchakit, 2007). Pansuwong (2009) also indicated that Thai active manufacturing exporter can reach high levels of export performance when being proactive in their strategic orientation and operating in export environments. Proactiveness might be one of the critical entrepreneurial attributes in determining success in exporting by these firms.

5.1 Contribution of the Study

The findings present an important contribution to the entrepreneurship research stream focusing on the intermediate links between IE and firms' CA and this study explain the relationship by an indirect effect through EO, where the magnitude of indirect effect becomes even greater than the direct effect. The study contributes to the research stream by proposing a theoretical model that demonstrates the relationship between IE and CA. Empirical results show that IE is beneficial and plays an important role in enhancing CA by providing supports for firms that enter international markets. Entrepreneurs need to be proactive, innovative, as well as willing to take a risk in order to be able to operate their businesses in the highly uncertain international business environment. By focusing on the intermediate links between IE and firms' CA, the findings indicate that some export firms might manifest a low CA in the more complex and changing IE if they have low EO. Consequently, EO should be considered in order to understand the IE and CA relationship. This research could explain why some export firms might manifest low CA despite having access to IE in the complex and changing institutional environments. Specifically, this study explains the IE-CA relationship with an indirect effect by EO – the IE-CA mediated by EO. The finding points that EO as mediator establish the IE-CA relationship and IE-CA relationship can be significantly explained in the presence of EO as mediator. Consequently, EO should be considered in order to understand the IE and CA relationship.

In terms of practical benefits, this study provides strong empirical evidence that entrepreneurs in export firms in Thailand perceive the IE in Thailand to have effects on their firms' CA. Moreover, it has been empirically established that EO plays the mediating role between IE and CA of export firms in the context of Thailand. Entrepreneurs in the export sector scan the IE and access the IE dynamics including regulative, normative and cognitive institution with the intention to be entrepreneurial-oriented. Entrepreneurs need to acknowledge the significant role of the dimensions of EO such as proactiveness, innovativeness, and risk-taking in enhancing the CA of their firms. This will consequently boost their firms' competitiveness. Further, to develop competitive advantage of the enterprise, practitioners should participate in programs that focus on imparting knowledge in areas of innovativeness, proactiveness and risk-taking, such as how to innovate product and services, how to be ahead in the introduction of the product and services and why the organization should take the risk of exploiting emerging opportunities ahead of others. In addition, as the findings of the study suggest, practitioners such as entrepreneurs and managers should actively engage themselves in information search about new markets for the timely introduction of the innovative new products and services. Practitioners could acquire the confidence that taking a risk to convert the new and innovative idea into product and services not only build organizational competitive advantage but also draw admiration in the country as a preferred career path.

Moreover, the findings have suggested policymakers to consider resources such as IE and capabilities such as EO that are essentials for the success of firms in the international market. The government is the main institution in Thailand that plays a significant role in providing support for export firms to build their capabilities and competitive advantage in international markets (Wonglimpiyarat 2011). Especially export SMEs that require specific capabilities to effectively deal with the complexities and uncertainties in foreign markets, as well as to help them alleviate their weaknesses and obtain competitive advantage (Charoensukmongkol, 2016). In this respect, policy-makers in Thailand could focus on development IE to strengthen EO of practitioners as a strategy for improving the competitive advantage of the export firms. Thus it is important to concentrate on IE that would facilitate EO implementation. This is in accordance with Peng (2003) who states that an institution-based view can help firms in emerging economies enhance their competitiveness through learning the rules of the game abroad that may be different from the familiar rules at home.

Further, the policy makers could design effective entrepreneurial policies by integrating learning inputs from the study. Policy makers need to link the accessed institution capital with entrepreneurial orientation dimensions while developing entrepreneurial development policies. This can be done by taking into consideration the EO framework while accessing components of institutional capital such as regulative, cognitive and normative institutional capitals. Government agencies can conduct entrepreneurship development programs, and provide information based on enhancing the innovativeness, proactiveness and risk-taking dimensions of the practitioners. For example, various programs can

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incorporate issues of entrepreneurship highlighting the significance of proactively initiating actions ahead of competitors, the importance of investment on R & D and relevance of adopting bold and aggressive posture for exploiting opportunities towards building competitive advantage. Government agencies can promote programs that facilitate entrepreneurs gaining know-how on how to manage risk and protect their business, and be alert towards seeking innovation opportunities ahead of competitors. Further, policymakers can promote taking a risk to convert new ideas into innovation through enterprise creation as an admired career path.

In addition, the managerial implication of this research is that to foster competitive advantage, entrepreneurs or managers need to gain access to various institutional supports that available via government agencies. Such that when the institutional environment conditions provided by the government are favourable, a strong EO will develop within entrepreneurs and their firms. Gaining institutional support will facilitate proactiveness, risk-taking and innovation and its application in sustaining continuous improvement of firms, and enhance competitive advantage.

5.2 Limitations and Future Research Direction

The several limitations of the study suggest avenues for future research. First, while a sufficient number of export firms were utilized in this study, the structural equation models developed can be tested with a larger number of firms in different sectors. Further, the geographical context can be extended by covering other countries in the proposed study. Given that the findings are limited to some export sectors, and was conducted in a single country setting, Thailand, caution needs to be exercised in interpreting the results in other settings. Second, researchers could explore how other variables may mediate IE-CA relationships. Third, researchers can study how each of the other capital factors including human, social and financial capital influence competitive advantage and whether EO mediates these relationships. Fourth, future research could also continue to investigate the IE-EO processes that are related to CA in more detail. Finally, future studies may try to explore how other variables may mediate the relationship between IE and CA to increase our understanding of other mediating variables in the context of export firms.

APPENDIX 1

Original Scale Items.

Institutional environment

Regulative dimension

1. Government organizations assist individuals with starting their own business.
2. The government sets aside government contracts for new and small businesses.
3. Government organizations have special support available for individuals who want to start a new business.
4. Government sponsors organizations that help new businesses develop.
5. After failing in an earlier business, the government assists entrepreneurs in starting again.

Cognitive dimension

1. Individuals know how to legally protect a new business.
2. Those who start new businesses know how to deal with much risk.
3. Those who start new businesses know how to manage risk.
4. Most people know where to find information about markets for their products.
5. Turning new ideas into businesses is an admired career path in this country.

Norm dimension

1. In this country, innovative and creative thinking is viewed as the route to success.
2. Entrepreneurs are admired in this country.
3. People in this country tend to greatly admire those who start their own business.

Entrepreneurial orientation

Innovativeness

1. We highly values new product or service innovations.
2. We values creative new solutions more than solutions that rely on conventional wisdom.
3. We has a strong emphasis on R&D and consider ourselves as an innovative company.
4. We are often the first to market with new products and services.
5. Competitors in this market recognize us as leaders in innovation.
6. We values new strategies/plans even if we are not certain that they will always work.

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Risk-taking

1. We encourages our people to take risks with new ideas.
2. We engages in risky investments to stimulate future growth.
3. We adopts a bold and aggressive posture to maximize the probability of exploiting potential opportunities.
4. Owing to the nature of the environment, wide ranging acts are necessary to achieve the company's objectives.

Proactiveness

1. In dealing with competitors, we typically initiate actions which competitors then respond to.
2. We have a strong tendency to be ahead of others in introducing novel ideas or products.
3. In dealing with competitors, we are very often the first business to introduce new products/ services, or other techniques, etc.
4. We consistently work to find new businesses or markets to target.
5. We incorporate solutions to unarticulated customer needs in our products and services.
6. We continuously try to discover additional needs of our customers of which they are unaware.

Competitive advantage

1. Our products are difficult for competitors to copy.
2. Our response to competitive moves in the marketplace is good.
3. Our ability to track changes in customer needs and wants is good.
4. We are quick to response to customer complaints.
5. Our collection of strategic information about customers and competitors for use with strategic planning is good.
6. Our speed of disseminating information in-house about competitors is good.
7. Our analysis of customer satisfactions with the products is good.
8. We make effort for product changes to overcome customer dissatisfaction with existing products.
9. Our products have a significant advantage over those of our competitors.
10. Our product designs are unique.
11. We are quick to response in meeting changes to customer needs and wants.

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