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Factors Affecting Performance of Small & Medium Enterprises: The Mediating Role of Knowledge Management

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ABSTRACT

Entrepreneurial orientation, entrepreneurial innovation, and knowledge management all play critical roles in improving the performance of Pakistan's small and medium-sized enterprises (SME). Pakistan's business index score decreased from 137th to 138th due to the country's low performance in the small and medium-sized enterprise sector. Small and medium-sized firms must overcome several obstacles in order for the country's economy to thrive. This study will address this issue. We used a cross-sectional design and a quantitative technique in our research. Data were acquired via an email questionnaire and analysed using the structural equation modelling technique and SmartPls. The findings suggested that entrepreneur orientation and innovation are critical factors in enhancing the success of SMEs. Additionally, knowledge management acts as a buffer between entrepreneurial attitude and organisational performance, as well as between entrepreneurial innovation and organisational performance. The study's findings have a number of implications for SME management and policymakers, including the importance of innovation and knowledge management in achieving better performance standards.

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1. Introduction

Small and medium-sized enterprises (SMEs) are often the main drivers of long-term economic growth, simply because SMEs contribute most to economic development. Economic expansion is difficult without consistent performance of small and medium-sized enterprises(Azarloo, Eshghiaraghi, Salehi, Habibpoor, & Jahangiri, 2017). Around 90% of Pakistan's businesses are in the SME sector (www.smeda.org). A further 40 percent of the country's GDP is generated by small and medium-sized businesses. On the other hand, Pakistani SMEs are stressed by low performance. Declining SME performance has been cited as one of the primary reasons for Pakistan's drop in the business index to 138th out of 189 countries worldwide (Lakhan, Mumtaz, Keeryo, & Dayo, 2021). Constant growth is tough for Pakistani SMEs because of various challenges (Wahga, Blundel, & Schaefer, 2015). These SMEs are struggling with different issues related to entrepreneurial skills (Hussain, Khan, & Shah, 2015). These issues have a negative effect on performance. Additionally, a decrease in SMEs' business performance also decreases the employment chances for poor entrepreneurial orientation. That is the reason it also led to the increase in the poverty level. Thus, a decrease in SMEs' performance in Pakistan is more threatening.

SME performance can be improved with the help of entrepreneurial orientation and organizational innovation. Firstly, it is clear from the previous literature that entrepreneurial

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orientation is one of the tools to gain superior performance (Herath & Mahmood, 2012). Various entrepreneurial activities have an important contribution to local economic development (Ayandibu & Houghton, 2017). This local economic development enhances performance and creates employment opportunities, which automatically boost the nation's economic growth. Secondly, organizational innovation also has an important contribution to SMEs' performance. More innovations in organizations lead to more performance (Tsai, 2001). Innovation is a main contributor to SME business performance. Nonetheless, entrepreneurial orientation and organizational innovations are not achievable outside of appropriate knowledge management strategies. The favorable results of an entrepreneurial exercise require the management of several applicable ideas. Both internal and external ideas are mandatory for innovation development (Chesbrough, 2006), and it needs suitable management of ideas. Knowledge management system is crucial in assisting SMEs to become more innovative and enterprising. Because of this, knowledge management has been identified in this study as a mediating variable. Additionally, it's an excellent tool for illustrating how innovation and an entrepreneurial mindset improve the success of small and medium-sized businesses.

Previous literature shows that different studies (Soto-Acosta, Popa, & Palacios-Marqués, 2016; Taheri, Bititci, Gannon, & Cordina, 2019) were carried out on entrepreneurship. However, most of the studies did not consider the two important factors; entrepreneurial orientation and organizational innovation. These two factors are most important for getting the highest performance in the presence of knowledge management. Knowledge management approaches that are both entrepreneurially oriented and innovative must therefore be carefully considered. Many previous research on the performance of SMEs, undertaken by various academics, have missed the mediating role of knowledge management through entrepreneurial orientation and innovation (Ahmed, Halim, & Ahmad, 2018). Entrepreneurial orientation and entrepreneurial innovation are major contributors to SMEs' performance, according to the study's findings.

Better results can be achieved through the implementation of knowledge management strategies. Knowledge management and an entrepreneurial orientation are intertwined (Liu & Lee, 2015). Despite this, Yan (2018)claims that entrepreneurial orientation and innovation are intimately linked. As a result, improving the performance of SMEs necessitates effective knowledge management. Consequently, the purpose of this study is to investigate the relationship between entrepreneurial orientation, entrepreneurial innovation and knowledge management in SME sector of Pakistan.

2. Literature Review

2.1 Organizational Performance

Previous research has placed a strong emphasis on the effectiveness of the organization as a whole. Every firm must have a competitive edge if it hopes to succeed. There are a wide range of research looking at the various dimensions, variables, and causes of organizational performance with a broad focus (Fernando & Bandara, 2020; Khan & Iqbal, 2020a).Scholars continue to disagree on how to best quantify performance (Posthuma, Campion, Masimova, & Campion, 2013).It's normally assessed using one of two methods, i.e. financial or non-financial. According to Khan and Iqbal (2020a), the prominence of a company can be increased by non-financial or monetary performance measurements.

The success and survival of SMEs are both dependent on their ability to perform. However, due to weak economy SMEs are facing many challenges when trying to achieve a satisfactory level of performance(Wahga et al., 2015). A theory known as the resource-based view (RBV) holds that success of organizations depend on internal resources. Successful organizations have well-developed internal resources as a backbone. It's possible to divide internal resources into capabilities and assets, respectively (Umrani, 2016).Talent and ability of employees, as well as their knowledge and capabilities are indefinable components (Khan & Iqbal, 2020a). Capabilities, originality, and entrepreneurial orientation are also strengths of an organization that regulates the performance of SMEs in the current study. One of the intangible assets that is in line with RBV is the ability to manage such capabilities and uniqueness inside businesses with good knowledge management. The role of commitment is also very important on part of organizations that ultimately leads towards greater organizational performance (Junaid, Bashir, Nasim, & Ahmad, 2021).

2.2 Entrepreneurial Orientation, Knowledge Management, and Organizational Performance

When a business engages in product-market innovation, takes risks, and is the first to come up with 'proactive' inventions before its competitors, it is described as an entrepreneurial firm. Entrepreneur orientation have three dimensions: "innovativeness," "pro-activity," and "risk-taking" (Miller, 1983). Innovation can result in new ideas to develop products and services by using technology (Lumpkin & Dess, 1996). Risk tolerance is defined as "the willingness of managers to commit risky resources that have a substantial likelihood of costly failure (Miller, 1983). Pro-activeness means finding new opportunities that may or may not be related to current area of business, adding innovative goods / processes and eliminating old or declining businesses.

Numerous studies have shown that a focus on entrepreneur orientation improves a company's performance. For the most part, these investigations treat entrepreneurial orientation as a single entity. Many studies have found a connection between an entrepreneurial approach to business and improved firm performance in a variety of settings. In various industries entrepreneur orientation and performance have a positive impact, including the hotel industry, manufacturing, and service organizations. This effect can be seen in a variety of sizes of businesses, including small firms, manufacturing organizations, and service organizations (Su, Xie, & Li, 2011). Using meta-analysis, study discovered that entrepreneurial orientation has a moderately beneficial impact on business performance (Rosenbusch, Rauch, & Bausch, 2013). Entrepreneurial orientation is frequently found to be positively correlated with and reinforces the effect on firm performance. It can be used as independent variable, mediating and as a moderator (Alegre & Chiva, 2013; Real, Roldán, & Leal, 2014).According to Li, Huang, and Tsai (2009)entrepreneur orientation boosts organisational efficiency by increaing the knowledge generation capabilites (2009).

Entrepreneurial orientation is a multidimensional notion; as Lumpkin and Dess (1996)assert, different indicators of business performance may have distinct relationships. As a result, it is critical to understand the nature of the relationship between entrepreneurial orientation and firm performance and to avoid developing false normative and descriptive theories. The researchers examined the impact of entrepreneurial orientation factors separately and discovered two independent clusters of outcomes. To begin, the researchers examine the many dimensions of entrepreneurial orientation, which all have a beneficial effect on total business performance. As a result, we can deduce that the dimensions can be included during the analysis. The second-largest collection of publications addresses several features of entrepreneurial orientation and the multiple consequences of these attributes (Hameed, Altaf, & Ahmed, 2019; Real et al., 2014). According to these research, taking risks has a negative effect on company performance, but being inventive and proactive has a positive effect. As a result of these findings, it is reasonable to conclude that diverse aspects of entrepreneurial orientation should be addressed independently.

In light of the foregoing, research shows that a company's entrepreneurial approach affects its performance. To be successful, a firm must have an effective knowledge management system as well as an entrepreneurial mindset. An inadequate system of knowledge management hinders the achievement of organizational goals, which has a direct impact on results.

H_1: Entrepreneurial orientation has a positive impact on organizational performance.
H_2: Entrepreneurial orientation has a positive impacts on knowledge management

2.3 Entrepreneurial Innovation, Knowledge Management, and Organizational Performance

Lumpkin and Dess (1996)define entrepreneurial innovation as a firm's proclivity for supporting and engaging in fresh ideas, experimentation, and creative processes that may result in the creation of new goods or services. In other words, innovation has an effect on knowledge management, which has a direct impact on the performance of the business (Prange & Pinho, 2017).Organizational effectiveness and innovation are intimately intertwined. Research shows a link between performance and entrepreneur innovation (Zhu, Zou, & Zhang, 2019). These earlier research, however, fail to take into account the importance of effective knowledge management. If a business has real knowledge management capabilities, they will leverage many different resources to stay ahead of the competition (Rezaei & Ortt, 2018).Those SMEs that ensure an

innovation approach achieve higher progress and acquire advantages in numerous forms. Therefore, innovation in SMEs is most important to achieve performance. Further, innovation is a great hope for diverse pioneering organizations to accomplish growth. Because entrepreneurial actions require innovation (Naranjo-Valencia, Calderón-Hernández, Jiménez-Jiménez, & Sanz-Valle, 2018).On the other hand, innovation needs knowledge from different employees, customers as well as suppliers. That is why knowledge management is most crucial for SMEs' performance through enhancing innovation.

Entrepreneur innovation has an effect on SMEs performance. This notion is centered on knowledge management from the firm's customers, suppliers, and other external parties, because "innovation is the application of an idea, invention, technology, or technique to a product, service, or process that meets a specific need and can be repeated at a lower cost (Iqbal & Hameed, 2020). In that procedure, knowledge management is a very important component, as, a great amount of knowledge, as well as its management, is compulsory to bring originality (Conboy & Morgan, 2011). Henceforth, knowledge management and innovation among SMEs have a strong connection with one and all that influences productively on SMEs' performance. Accordingly, it is hypothesized that;

H_3: Organizational innovation has a positive impact on organizational performance.
H_4: Innovation in organizations has a beneficial effect on knowledge management.

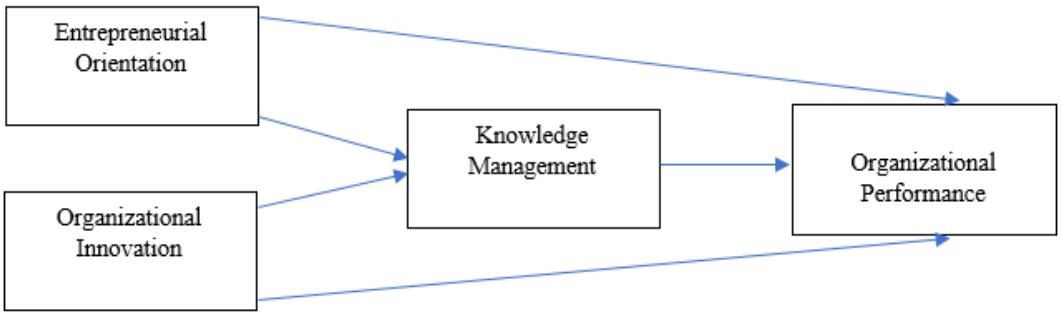
Performance of an organization is linked to its ability to use knowledge of its employees effectively. Employees should not be left alone or discourage (Sahabuddin et al., 2021). Knowledge management improves performance (Darroch, 2005). Small and medium-sized firms (SMEs) become more capable of improving their own performance by increasing competitive advantage with effective knowledge management. Despite this, the influence of knowledge management on a company's financial success is beneficial (Yan, 2018). Many different types of innovation relating to SMEs can be used by enterprises with knowledge management, including facts from clients, partners, and suppliers as well as the vast majority of facts about competitors.

H5: Knowledge management has a positive impact on organizational performance.

However, as we have shown in the preceding section that entrepreneurial orientation and organizational innovation have a positive impact on knowledge management and the success of an organization. The effectiveness of an organization's operations can be influenced positively by effective knowledge management. Since entrepreneurial orientation and organizational performance, organizational innovation, and organizational performance are all interrelated, knowledge management can be used to mediate between them. As previously mentioned, knowledge management's mediating role is quite justifiable because various prior studies (Li et al., 2009; Madhoushi, Sadati, Delavari, Mehdivand, & Mihandost, 2011)have also used knowledge management as a mediating variable between various variables and in different contexts. These possibilities are therefore proposed:

H_6: Knowledge management negotiates the connection between entrepreneurial orientation and organizational performance.
H_7: Knowledge management negotiates the connection between organizational innovation and organizational performance.

Figure 1: Conceptual Framework



3. Methodology

In research, it is mandatory to select an appropriate method. Hence, in the current study, a cross-sectional research design and quantitative research approach were adopted. However, data was gathered from the employees of various SMEs in Pakistan. Managerial employees are those employees who have any managerial position in the organization. However, only those managers who were selected have a direct relationship with entrepreneurial activities. These managers were comprised of males and females with different age groups. The 5-pooint Likert scale was used to obtain results. By using area cluster sampling, the copies of the questionnaire were delivered among the respondents via email service.

It is also crucial to consider the size of the sample when conducting a study. According to Comrey and Lee (1992), the sample size of 50 respondents is weaker, 100 is weaker, 200 is satisfactory, 300 is good, 500 is excellent, but the sample size of 1000 is big. This is why we choose to use a sample size of 200 in the current research. First, the country was divided into five sections, each representing a different region of the country (provinces). Provinces are used to form all of these groups. Second, three regions were randomly selected: Gilgit-Baltistan, Sindh, and Punjab. Once the questionnaires had been distributed, they were split up into smaller groups and given to different people. With their provided phone numbers, employees of various small and medium-sized businesses spoke with one other and received copies of the surveys via email. A total of 200 replies were gathered from the recipients after 15 days after receiving the email that was delivered to each one. There were 87 ambiguous responses out of the 200 total. In addition, 7 responses were missing crucial information; hence all 94 responses were discarded from the study. As a result, the study relied on the 106 responses that were left. Since PLS Structural Equation Modeling (SEM) was utilized in this investigation, the small sample size is appropriate. The majority of well-known studies show that PLS-SEM is the best method for analyzing data from small samples. Only 106 reliable and conclusive responses were collected for this investigation. Table 1 presents the results of the data screening.

3.1 Measures

There are six items in the entrepreneurial orientation questionnaire that assess entrepreneurial inclination as given in table 1.

Table 1: Data Screening

	No.	Missing	Mean	Median	Min	Max	Deviation	Kurtosis	Skewness
EO1	1	0	3.031	3	1	5	1.237	-0.98	0.091
EO2	2	0	3.391	3	1	5	1.233	-1.187	-0.126
EO3	3	0	3.281	3	1	5	1.205	-0.946	-0.236
EO4	4	0	3.234	3	1	5	1.221	-1.142	-0.044
EO5	5	0	3.359	3	1	5	1.204	-0.95	-0.183
EO6	6	0	3.125	3	1	5	1.166	-0.739	-0.068
OI1	7	0	3.125	3	1	5	1.281	-1.031	-0.194
OI2	8	0	3.297	3	1	5	1.283	-1.305	-0.08
OI3	9	0	3.203	3	1	5	1.36	-1.259	-0.112
OI4	10	0	3.297	4	1	5	1.233	-1.046	-0.234
OI5	11	0	3.219	4	1	5	1.28	-1.126	-0.24
KM1	12	0	3.406	3	1	5	1.042	-0.249	-0.211
KM2	13	0	3.312	3	1	5	1.044	-0.404	-0.16
KM3	14	0	3.266	3	1	5	1.049	-0.272	-0.227
KM4	15	0	3.391	3	1	5	1.099	-0.638	-0.257
KM5	16	0	3.391	3	1	5	1.055	-0.39	-0.277
OP1	17	0	3.406	3	1	5	0.964	-0.141	-0.263
OP2	18	0	3.422	3	1	5	0.997	-0.677	-0.07
OP3	19	0	3.594	4	1	5	1.071	-0.136	-0.602
OP4	20	0	3.531	4	1	5	1.015	-0.28	-0.408
OP5	21	0	3.438	4	1	5	1.044	0.037	-0.547
OP6	22	0	3.375	3	1	5	1.008	-0.432	-0.164
OP7	23	0	3.578	4	1	5	0.915	0.592	-0.675

These measurements have been adapted from the study of Covin and Slevin (1989). An organization's ability to innovate is measured by using the scale of de Rochemont (2010). In

addition, the scale of knowledge management was adopted from Lee, Lee, and Kang (2005). Finally organizational performance was measured by using the scale of Dess and Robinson Jr (1984).

4. Data Analysis and Results

4.1 Measurement Model Assessment

Smart PLS is a piece of statistical software designed to help researchers analyze data, particularly in the social sciences. In social science, original applications are meant to be used. However, the PLS regression fix is also widely used in many disciplines and research areas, including anthropology, sciento-metrics, and neuroscience. The use of PLS path modeling is common in econometrics, strategic, marketing, and social sciences. This study employed the SmarPLS 3 to evaluate the measurement model. AVE, factor loading, composite reliability (CR), and Cronbach's alpha were all tested as part of this method (Ringle, Da Silva, & Bido, 2015).

Hair, Hollingsworth, Randolph, and Chong (2017) state that Alpha, CR, and AVE should all be greater than or equal to 0.7. As can be seen in Table 2, all values are higher than a predetermined cutoff point. In the current study, the AVE for all constructs is greater than 0.8. Table 3 shows that the discriminant validity has been achieved. Figure 2 shows the PLS measurement model assessment.

Figure 2: Measurement Model Assessment

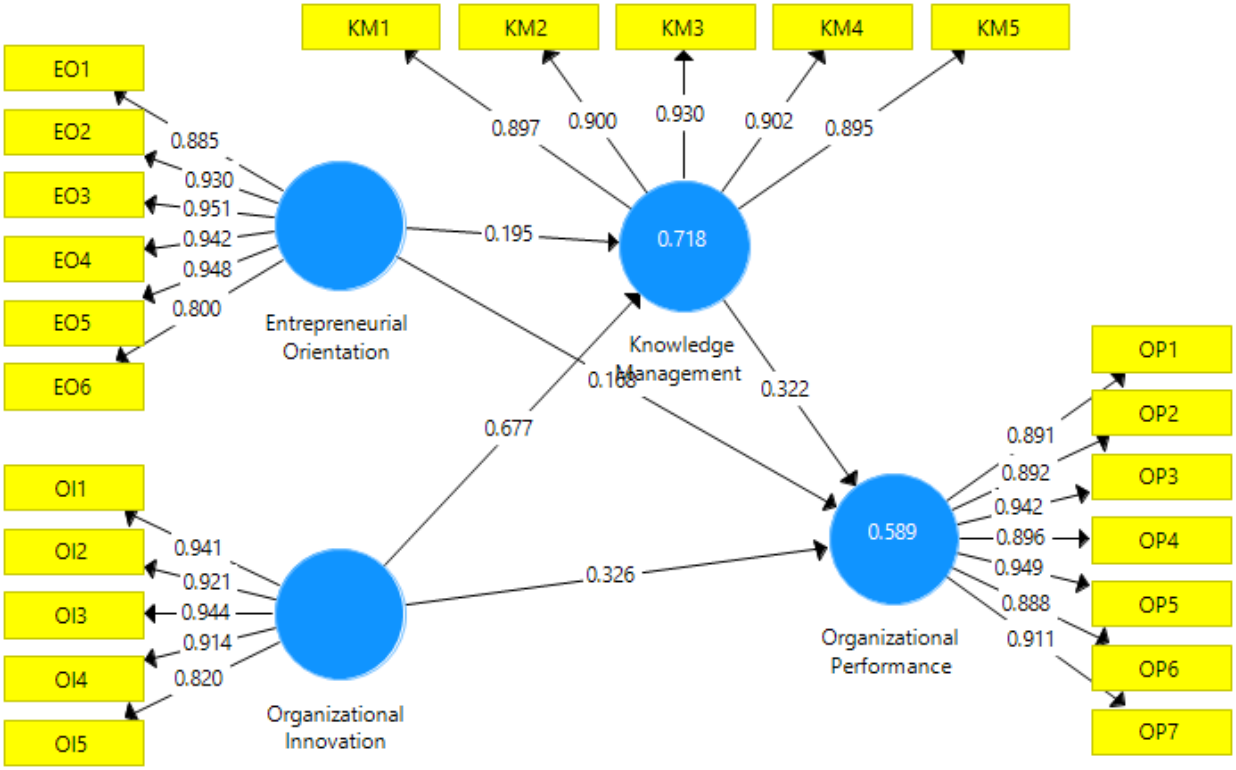


Table 2: Internal Consistency, Convergent Validity, composite reliability, and AVE

Construct	Items	Loadings	Cronbach's Alpha	Composite Reliability	AVE
Entrepreneurial Orientation	1. Our company's culture places a high value on innovation and R&D operations.	0.895	0.904	0.943	0.811
	2. Our company is well-known for rapidly introducing innovative products and services.	0.930			
	3. In product creation, our company encourages risk-taking tactics.	0.951			
	4. Our employees are urged to take the lead and make proactive decisions..	0.942			
	5. Our company is frequently the first to market with new products and technologies.	0.948			
		0.800			

	6. When it comes to competition, our company has a strong competitive stance.				
Organizational Innovation (OI)	1. Our company is constantly open to new ideas, both external and internal.	0.941	0.937	0.950	0.818
	2. Communication between partners on innovation efforts is seamless.	0.921			
	3. There is enough shared information between my teammates and me to encourage creative problem solving.	0.944			
	4. We have enough resources in our organization to bring about the innovation we need.	0.914			
	5. Our company has a R& D department for innovation	0.820			
Knowledge Management (KM)	1. In my company, we have processes in place for both developing and acquiring new knowledge.	0.897	0.907	0.938	0.812
	2. People and groups in my organization are encouraged to share ideas and information through systems we have in place..	0.900			
	3. Employees who contribute fresh perspectives and information are rewarded at my company.	0.930			
	4. My company does not keep track of employee suggestions for improvement.	0.902			
	5. To absorb and impart information from people, my company has put in place tools to do so.	0.895			
Organizational Performance (OP)	1. The level of consumer satisfaction with the services provided by my business is great.	0.891	0.901	0.910	0.831
	2. My organization's process transparency has improved because to better-organized information	0.892			
	3. My company's work procedures are less likely to have errors with ordered information.	0.942			
	4. Work redundancies are reduced because of better ordered information.	0.896			
	5. It saves money on administration because of the well-organized information.	0.949			
	6. My organization's knowledge management activities have yielded a high rate of return on investment.	0.888			
	7. Knowledge resources have witnessed tremendous expansion and increased use at my company.	0.911			

Table 3: Discriminant Validity

Variables	EO	KM	OI	OP
EO	0.821			
KM	0.789	0.902		
OI	0.843	0.826	0.903	
OP	0.750	0.771	0.751	0.906

Note: Entrepreneurial Orientation = EO; Organizational Innovation = OI; Knowledge Management = KM; Organizational Performance = OP

4.2 Structural Model Assessment

4.2.1 Direct Effect

SmartPLS Bootstrapping was used to build the structural model. Figure 3 shows the t-value and beta value, and the results are shown in Table 4 for direct impacts. Table 4 shows the direct influence, which is very important. Each and every one of these connections has a t-value greater than or equal to 1.96. In terms of t-value, the relationship between entrepreneurial attitude and organizational performance has a t-value of 2.257, while the relationship between organizational innovation and organizational performance has a positive beta value of 2.843. This means that all of the direct hypotheses are true and accepted.

Figure: Structural Model Assessment

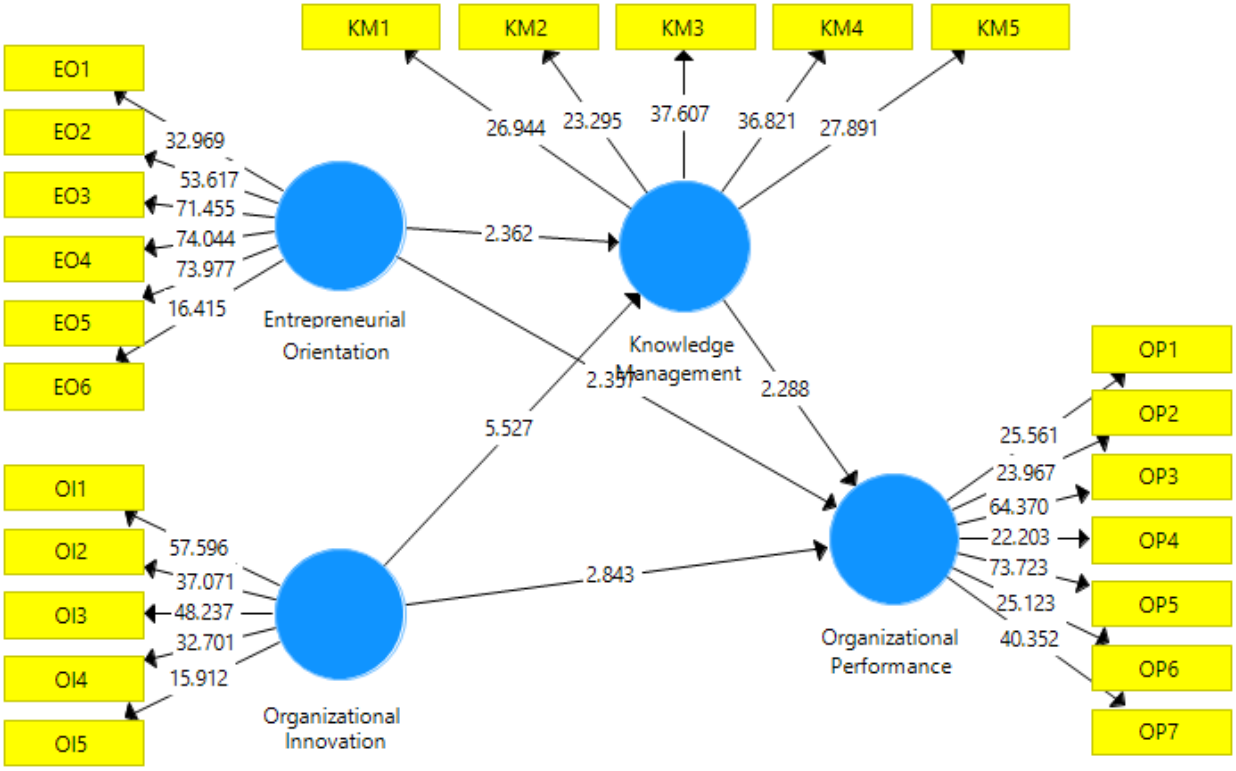


Table 4. Structural Model Assessment (Direct Effect)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Effect Size(f^2)
EO -> KM	0.195	0.193	0.083	2.362	0.021	0.081
EO -> OP	0.168	0.167	0.072	2.357	0.023	0.048
KM -> OP	0.322	0.320	0.143	2.228	0.029	0.139
OI -> KM	0.677	0.673	0.124	5.527	0.000	0.346
OI -> OP	0.326	0.324	0.115	2.843	0.009	0.032

Additionally, Table 4 highlights the effect magnitude (f2). Cohen (1988) defined f2 values greater than 0.35 as strong. 0.15 is a significant value, whereas 0.02 is a negligible value. All variables in the current study had a moderate effect size (f2). The R2 value is 0.589 percent, as shown in Table 5. Three sets of exogenous latent variables are proposed to account for 58.9 percent of the variance in organisational performance. This is a moderate R2 score (Chin, 1998).

Table 5. R-Square (R^2) Value

Latent Variable	Variance Explained (R^2)
Organizational Performance (OP)	58.9%
Knowledge Management (KM)	71.8%

4.2.2. Indirect Effect

The resampling mediation-approach is a valid method for analysing the mediation effect which was employed in this work and is also recommended by Hayes (2009). The following table summarises the outcomes of mediation (indirect effect). Mediation is significant in both situations, with t-values of 2.097 and 3.992. Thus, knowledge management serves as a bridge between entrepreneurial spirit and organisational performance. Additionally, knowledge management serves as a bridge between OI and OP. As a result, H6 and H7 are accepted.

Table 6. Structural Model Assessment (In-Direct Effect)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values	Decision
EO->KM-> OP	0.211	0.210	0.101	2.089	0.038	Mediation
OI -> KM-> OP	0.451	0.449	0.114	3.951	0.000	Mediation

Predictive relevance (Q^2)is displayed in Table 7. To analyze Q^2 PLS Blindfolding approach is used which explains the value and quality of the complete model. According to a past study, the Q^2 value should be more than zero. As displayed in Table 7, it is more than zero.

Table 7
Construct Cross-Validated Redundancy

Total	SSO	SSE	$Q^2 = (1-SSE/SSO)$
Organizational Performance (OP)	560.000	273.981	0.511
Knowledge Management (KM)	400.000	178.873	0.553

5 Findings and Discussion

Entrepreneurial strategy has a favourable link with organisational performance, as indicated by the current study's p-value (0.023) and β-value (0.168). Increased entrepreneurialism improves the performance of organisations. However, as entrepreneurial attitude decreases, the performance of small and medium-sized businesses drops (SMEs). Earlier investigations have discovered similar findings (Khan & Iqbal, 2020b; Rezaei & Ortt, 2018; Taheri et al., 2019). These studies established a substantial link between entrepreneurialism and business performance.

According to some study, the connection between performance and entrepreneurial orientation may be tenuous or nonexistent. According to the current study, the low impact is due to ineffective knowledge management systems. Numerous small and medium-sized businesses (SMEs) lack an effective knowledge management system, which immediately impairs their performance and has a negative influence on entrepreneurial activities. The current study showed a significant correlation between entrepreneurial approach and knowledge management, with a p-value of 0.021 and a β-value of 0.195. The p-value (0.029) and β-value (0.322) for the association between knowledge management and SME performance indicates the positive association. Similarly, knowledge management does, however, mediate the link between entrepreneurial orientation and organisational performance, with aβ value of 0.211 and a t-value of 2.089. As a consequence of this research, it was concluded that promoting entrepreneurialism in SMEs requires a heavy emphasis on knowledge management.

The relationship between entrepreneurial innovation and SME success was statistically significant, as evidenced by the β-value (0.326) and p-value (0.009). These findings corroborate prior research (Ahmed et al., 2018; Hameed et al., 2019). However, it is possible to enhance internal creativity through effective knowledge management. We discovered a positive association between entrepreneurial innovation and knowledge management $\beta = 0.677$ and $p=0.000$. To foster innovation, new ideas must be produced by combining external and internal knowledge, necessitating knowledge management. Additionally, as evidenced by the t-value (3.951) and β-value (0.451), knowledge management mediates the relationship between organisational innovation and performance.

6 Conclusion

The current study's findings established a strong correlation between the overall organizational performance of SMEs and their entrepreneurial orientation. Increased entrepreneurial orientation and entrepreneurial innovation boost the performance of SMEs. When small and medium-sized firms (SMEs) lack entrepreneurial orientation and innovation, they perform poorly. Nonetheless, SMEs face significant obstacles in developing an entrepreneurial orientation and transforming their organizations. Small and medium-sized businesses (SMEs) are unable to maximise their entrepreneurial and innovative activities.

However, a recent study discovered that persuasive knowledge management may enable organizations to innovate and adopt a more entrepreneurial mindset(Rezaei & Ortt, 2018). Knowledge management is crucial for small and medium-sized enterprises to accelerate internal innovation and nurture an entrepreneurial culture. Knowledge management bolsters the beneficial effect of entrepreneurial innovation and entrepreneurial orientation on the increased performance of SMEs.

It is suggested for SMEs to embellish entrepreneurial and organizational innovation activities via persuasive knowledge management approaches. These firms should develop an innovative culture. The employees should be entrepreneurially oriented, which will automatically lead to better performance. Additionally, knowledge management activities should also be needed to support the organization. The government should work on various activities related to knowledge management. Government efforts on the topic of "how to manage knowledge" is crucial.

6.1 Limitations

The current study has different limitations that may influence the results. This study did not consider the control variables. Control variables (as organisational performance can be heavily influenced by them) include age, R&D expenditures, firm size (some SMEs may be quite large), and industry technological orientation (high-tech versus low-tech firms).study has a small sample size, which may affect the final outcomes. Additionally, the current study is based on a quantitative research method. However, mixed-method (quantitative and qualitative) may help to get accurate results.

6.2 Future Directions

Future studies on knowledge management strategies, such as personalisation and codification, are highly suggested. SMEs' performance can be improved by implementing these new knowledge management approaches. In order to better understand how personalisation and codification affect the performance of SMEs, more research is required. Various methods of knowledge management have a substantial impact on effective entrepreneurial knowledge, which can have an impact on business performance. However, elements like R&D costs and the size of the company should be taken into account. Last but not least, a high sample size should be used in future study.

6.3 Theoretical Implications

Entrepreneurial orientation and performance are inextricably intertwined, and our research considerably contributes to this body of knowledge. To begin, we must examine the intrinsic characteristics of businesses that act as a moderator or mediator in the relationship between entrepreneur orientation and business success (Wales, 2016). A study examined the role of specific internal firm characteristics in mediating or moderating the relationship between entrepreneur orientation and performance(Engelen, Gupta, Strenger, & Brettel, 2015), and found that EO, innovativeness, proactive nature, and risk-taking all have distinct relationships with a company's primary functions. The findings of the study contributed by considering the separate role of entreprenure dimensions (i.e. entrepreneur innovation) overlooked by previous studies ((Rezaei & Ortt, 2018).

6.4 Practical Implications

For practitioners, the current study has very important insights into increasing the organization's performance with the help of entrepreneurial orientation and organizational innovation. This study provides vital clues for managers while making strategies to increase the organizational performance among Pakistani SMEs. As the SMEs' performance is decreasing, so in that case, this study provides evidence that SMEs can increase their performance through proper knowledge management with the support of organizational innovation and entrepreneurial orientation. Hence, the current research is much more productive for Pakistani SMEs.

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